



EXCELLENCE IN PUBLIC SECTOR AUDITING

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Volume 3

Audit Report on the Social Services Sector





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Excellence in Public Sector Auditing



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02 October 2015

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

Dear Dr. Luveni

Audit Report on Government Ministries and Departments for the year ended 31 December 2014

In accordance with section 152 (13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the audit of Government Ministries and Departments of the Republic of Fiji for the year ended 31 December 2014.

Atunaisa Nadakuitavuki
for **AUDITOR-GENERAL**



Cc: Honorable Aiyaz Sayed-Khaiyum
Attorney General and Minister for Finance, Public Enterprises, Public Service & Communications

Ms. Susan Kiran
Secretary to Cabinet

Foreword

The Whole of Government together with 38 Ministries and Departments were audited in 2014, with their audit reports and relevant findings on them reported in accordance with Section 152 of the Constitution.

The audit of the Whole of Government concludes with two exceptions noted with respect to Cash at Bank and Accounts Receivables balances as recorded in the Statement of Assets and Liabilities. Apart from these, the accounts have been faithfully and properly kept in accordance with section 152(2) of the Constitution, section 6 of the Audit Act and section 46 and 47 of the Financial Management Act.

The financial statement of the Republic of Fiji has been presented in accordance with the Financial Management Act with direct reference to the budget estimates of Government. Presentation and disclosures in some places have also been made in accordance with cash based International Public Sector Accounting Standards (IPSAS).

The audit reports comprise of four (4) volumes and have been presented in accordance with budget sectors as follows:

Volume	1	Audit Report on the <i>Accounts and Finance</i> of Government
	2	Audit Report on the General Administration Sector
	3	Audit Report on the Social Services Sector and
	4	Audit Report on the Economic Services and the Infrastructure Sector.

Volume 1 of the report should be read in conjunction with the Whole of Government financial statements, the appropriation statement of the Republic of Fiji and my opinion expressed on them for the year ended 31 December 2014.

Audit Opinion on respective Ministry / department financial statements

A total of thirty-eight Ministry and Department financial statements were prepared in accordance with the Financial Management Act 2004 and the Finance Instructions 2010. Of these, twenty ministries and departments were provided with an unqualified audit report with attention drawn in some instances.

A total of eighteen ministries and departments were provided a qualified audit report - General Administration Sector (10), Social Service Sector (4) and Economic and Infrastructure sector (4). The qualified audit report emanated from issues ranging from unsubstantiated and un-reconciled general ledger account variances, accounting irregularities in account balances, non-disclosure of account balances, board of surveys either not carried out or carried out but the losses were not approved or not recorded as losses to government and stock take were not carried out.

Accounting Heads and month end Reconciliation of Accounts

Reconciliation of monthly accounts was ineffective as balances accumulated and remained un-reconciled across ministries and departments at the end of the year. Accounting Heads submitted monthly

reconciliation whilst it is apparent from the variances that monthly accounts were not reconciled with the FMIS records. This is further aggravated where balances in underline accounts remained un-reconciled and not recorded in the respective expenditure and revenue statements.

Capacity of Accounting Officers

Review of the Accounts and Finances across Government highlighted that capacity is an inherent issue with accounting officers lacking the basic fundamentals required for reconciling and maintaining accounts. This is further aggravated by the Ministry of Finance accepting erroneous reconciliations from ministries and departments and as a result, variances accumulate and remain unresolved.

Cash Management

Improvement in cash flow management including the cash flow projections by Ministries and departments is necessary to reduce the cost of the short-term debt. The ability to predict and plan cash outlays means that government will not be forced to resort to unexpected borrowing to meet cash needs. Cash flows projections are also to some extent affected by outstanding balances in underline accounts.

Public Debt

The percentage growth in public debt (7%) was less than the percentage growth in the economy (15%) indicating a reduced burden on citizens from public debt. Nevertheless, the rollover risk or refinancing of debt to meet past obligation is apparent.

Recurring Issues

Most of the results and matters arising from my audits have been reported in the past and it would be prudent for respective heads of ministries/departments to take ownership in addressing recurring issues.



Atunaisa Nadakuitavuki
for **AUDITOR GENERAL**



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Section 23**Ministry of Education, National Heritage, Culture and Arts****Role and Responsibilities**

The Ministry is responsible for the delivery of Education and Training Services to schools, pre - schools, and training centres and it is also responsible for the preservation of the different cultures in Fiji. These include the provision of curriculum frameworks, policy – guidelines, qualified teaching personnel, and programmes support to controlling authorities and education. The Ministry also has responsibilities for ensuring that standards in education are met and maintained through the regulation and recognition of education. Through advisory services, support is rendered to school management for the effective running of schools as well as financial assistance for construction and maintenance of school facilities. The Ministry is also tasked with improving rural education standards and the education opportunities of disabled students and out of school youths. The Ministry has undertaken three (3) new initiatives and these include the establishment of the Fiji Teachers Registration Board, the formulation of the language policy and the establishment of seed capital for Poverty Relief Fund, which also co – funded by private public partnership scheme.

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PART A: FINANCIAL STATEMENTS

23.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Education resulted in the issue of a qualified audit report.

The management attention was also drawn to the following matters:

The Ministry of Education, National Heritage, Culture and Arts did not complete the annual Board of Survey for the whole Ministry. As a result, the correctness of the Statement of Losses submitted by the Ministry could not be verified.

23.2 Statement of Receipts and Expenditures

The Ministry of Education collected revenue totalling \$1,367,247 and incurred total expenditures of \$377,117,473 in 2014. Refer Table 23.1 for details.

Table 23.1: Statement of Receipts and Expenditures for 2014

Description	2014 (\$)	2013 (\$)
RECEIPTS		
State Revenue		
Fees Examination	15,483	4,925
Fees Government Day Schools	39,578	23,682
Fees Government Boarding Schools	349,981	350,587
Registration	787,617	172,330
Commission	86,753	1,731
Rental for Official Quarters	---	70,689
OPR in Previous Years	23,759	31,743
Sale of School Farm Produce	4,968	3,245
Total State Revenue	1,308,139	658,932
Agency Revenue		
Miscellaneous Revenue	59,108	138,379
Total Agency Revenue	59,108	138,379
TOTAL RECEIPTS	1,367,247	797,311
EXPENDITURE		
Operating Expenditure		
Established Staff	255,225,192	214,024,425
Government Wage Earners	2,880,587	2,508,682
Travel & Communications	1,379,019	1,253,770
Maintenance & Operations	1,016,742	1,844,415
Purchase of Goods & Services	8,822,520	6,927,296
Operating Grants & Transfers	94,125,616	43,615,805
Special Expenditure	3,724,835	1,757,687
Total Operating Expenditure	367,174,511	271,932,080

Description	2014 (\$)	2013 (\$)
Capital Expenditure		
Construction	3,039,871	2,050,290
Purchases	951,465	123,173
Grants & Transfers	3,502,228	1,659,910
Total Capital Expenditure	7,493,564	3,833,373
Value Added Tax	2,449,398	1,718,592
TOTAL EXPENDITURE	377,117,473	277,484,045

The state revenue increased by \$649,207 or 99% in 2014 compared to 2013. The increase was due to teachers paying registration fees for 3 year term instead of 1 year.

The agency revenue decreased by \$79,271 or 57% in 2014 compared to 2013. This was due to the decrease in request for recount, rechecks and certified copies of the exam results and decrease in sale of school farm produce.

The total expenditure increased by \$99,633,428 or 36% in 2014 compared to 2013 as a result of the following:

- pay rise for all Civil Servants as per PSC Circular No. 81/2013 dated 19/12/13.
- payment of overtime for Government Wage Earners for the various units/section working overtime to meet the Ministry's output.
- increase of transfer of teachers around the country and the payment of meals and subsistence allowances and accommodation for officers working overtime and those on school visits.
- purchases of office equipment, furniture and stationeries for the sections and district Office.
- implementation of the Free Education Grants to all Primary and Secondary Schools and no fees were borne by parents.
- increase in implementation of MOE initiatives and requests for assistance from schools.
- implementation of new projects like the Establishment of New Schools and upgrading and maintenance of government schools due to its deteriorating state.
- purchase of laptops for the One Laptop per Child Program and water tanks for primary schools.
- construction of Infant Schools and the New Bau Central College Building and grants to secondary schools.

23.3 Appropriation Statement

The Ministry of Education incurred expenditures totalling \$377,117,473 in 2014 against the revised budget of \$370,034,038 resulting in an over spending of \$7,083,435 or 2%.

Table 23.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	247,841,082	(2,346,594)	245,494,488	255,225,192	(9,730,704)
2	Government Wage Earners	2,400,804	---	2,400,804	2,880,587	(479,783)
3	Travel & Communications	1,291,225	190,131	1,481,356	1,379,019	102,337
4	Maintenance & Operations	1,287,284	(204,217)	1,083,067	1,016,742	66,325

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
5	Purchase of Goods & Services	9,383,160	1,144,757	10,527,917	8,822,520	1,705,397
6	Operating Grants & Transfers	95,716,070	(1,354,858)	94,361,212	94,125,616	235,596
7	Special Expenditure	1,339,000	2,425,700	3,764,700	3,724,835	39,865
	Total Operating Costs	359,258,625	(145,081)	359,113,544	367,174,511	(8,060,967)
	Capital Expenditure					
8	Construction	3,200,000	22,081	3,222,081	3,039,871	182,210
9	Purchases	880,000	110,000	990,000	951,465	38,535
10	Grants & Transfers	4,094,813	12,400	4,107,213	3,502,228	604,985
	Total Capital Expenditure	8,174,813	144,481	8,319,294	7,493,564	825,730
13	Value Added Tax	2,600,600	600	2,601,200	2,449,398	151,802
	TOTAL EXPENDITURE	370,034,038	---	370,034,038	377,117,473	(7,083,435)

23.4 Statement of Losses

There was no loss of money reported for the Ministry in 2014.

The Minister for Finance on 13/03/15 approved the write-off of unsubstantiated variance between the Drawings Account and General Ledger amounting to \$6,834,145.33. In addition, items worth \$4,033 were lost due to theft while \$19,182 was written off following the board of survey at the Ministry's headquarters.

PART B: AUDIT FINDINGS

23.5 Over-Expenditure

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without the authorisation of the Ministry of Finance, pending approval by Cabinet.¹

The audit noted that for the financial year 2014, the Ministry had over spent the funds allocated for Established Staff and Government Wage Earners by \$9,730,704 and \$479,783 compared to the revised budget of \$245,494,488 and \$2,400,804 respectively. Refer to Table 23.3 below for details.

Table 23.3: Over – Expenditures

Description	Financial Year	Revised Budget (\$)	Actual (\$)	Over-Expenditure (\$)
Established Staff	2014	245,494,488	255,225,192	9,730,704
Government Wage Earners		2,400,804	2,880,587	479,783
Established Staff	2013	201,464,402	214,024,425	12,560,023

¹ Finance Instructions 2010 – Section 7

Description	Financial Year	Revised Budget (\$)	Actual (\$)	Over-Expenditure (\$)
Government Wage Earners	2013	2,050,106	2,508,682	458,576

The over-expenditure was due to incorrect Person to Post listing used while preparing the budget submission for the year ended 31 December 2014.

Incurring expenditures in excess of the budgetary allocation indicates poor budgeting and financial management.

Recommendations

The Ministry should:

- ensure that proper planning and monitoring is in place to manage funds wisely; and
- ensure that an accurate Person to Post listing is used to request payroll budget.

Ministry's Comments

Audit is noted.

The over-expenditure in SEG 1 was mainly due to incorrect P2P , hence less funding was provided for Personal Emoluments.

Furthermore, the Allowances contributed (44.70 %) as there was no proper costing done in terms of payment of Locational Allowance, Rural Allowance, Hostel Allowance by the Ministry.

Acting allowances and Relieving staff were the other areas which exceeded its budget.

The Ministry is planning to review its P2P due to staff turnover through resignations, retirement and death and also the upgrading and downgrading of teachers to be factored in the new Budget proposal for 2016 taking into account all the types of Allowances paid to teachers so that correct or near to estimate funding is provided by Ministry of Finance – Budget Section.

23.6 Statement of Losses

An Annual Losses statement shall be prepared by the Senior Accounts Officer, Operations for inclusion in the Agency's Annual Financial Statement as and when required.² The Losses statement shall provide information on losses written off during the financial year and the status of recoveries of losses.³

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

- In working condition or serviceable;
- Unserviceable or obsolete; and
- Surplus to the requirements of that agency.⁴

² Ministry of Education Finance Manual 2013 Section 14.1.7

³ Ministry of Education Finance Manual 2013 Section 14.1.8

⁴ Procurement Regulations 2010 Section 24.1

The audit noted that the Ministry had only carried out the 2014 board of survey for Headquarters. However, the board of survey for Government Schools, Divisional Education Offices and other sections of the Ministry were yet to be finalized. Refer to Table 23.4 for details.

Table 23.4: Board of Survey Yet To Be Finalized

BOS not Yet Completed
Government Schools
Ratu Kadavulevu School
Queen Victoria School
Adi Cakobau School
Laucala Bay Secondary School
Nasinu Secondary School
Natabua High School
Vunisea Secondary School
Suva Grammar School
Delainamasi Primary School
Natabua Primary School
Sections
Schools Broadcast Unit
Secondary Section
Fiji Teacher Registration Board
Curriculum Development Unit
TVET Section
Culture
Divisional Education Offices
Ba Education Office
Ra Education Office
Northern Education Office
Cakaudrove Education Office
Divisional Education Office – Central
Divisional Education Office – Eastern

The above finding indicates poor planning in conducting board of survey for the whole Ministry. As a result, the correctness of the Statement of Losses submitted by the Ministry could not be verified.

Recommendations

The Ministry should ensure that:

- **annual Board of Survey is conducted before agency financial statement audit to ensure losses are properly disclosed; and**
- **all losses of cash, assets and write-offs are included in the Statement of Losses to the Agency Financial Statements.**

Ministry's Comments

Audit is noted.

For 2014, there was an increase in the number of schools, stations and units in the preparation and submission of Board of Survey reports.

However, the Ministry is still trying to liaise with some schools and stations on the completion of the BOS as it was noted and returned by Ministry of Finance that there were minor issues like incomplete forms, forms not signed, no explanation on discrepancies and amounts not written for write-off, no method of disposal, etc. Therefore these reports could not be included in the Loss Report.

23.7 Substantial Variance in Drawings Account

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 officer⁵.

The Permanent Secretary must appoint a Board of Survey to conduct a physical stock take of all cash on hand and other stocks held in safes at least once a year.⁶ Any discrepancies must be accounted for and brought to the attention of the Permanent Secretary through the Board of Survey Report.⁷

The audit noted an unreconciled variance of \$315,229 between the Ministry's drawings account reconciliation and FMIS general ledger balance as at 31 December 2014. Refer to Table 23.5 for details.

Table 23.5: Variance in Drawings Account

Account Description	Balance as per Drawings Account Reconciliation (\$)	Balance as per FMIS (\$)	Variance (\$)
Drawings Account	6,153,053	5,837,824	315,229

The non-reconciliation of drawings account and poor monitoring by the Ministry have resulted in the variances highlighted above. As a result audit was not able to ascertain whether all payments were properly recorded in the general ledger.

Recommendations

The Ministry should ensure that:

- proper reconciliation is carried out on a monthly basis; and
- liaise with Ministry of Finance to rectify the variance and take appropriate action.

Ministry's Comments

Audit is noted.

Prior to 2014, the Drawings reconciliation was carried out by the ministry on a monthly basis.

The Ministry wishes to inform Audit that the Drawings reconciliation was undertaken by Ministry of Finance – Treasury for whole of 2014 and all adjustments were carried out by them.

This exercise was undertaken to identify unsubstantiated variance in Drawings account where write-off was been prepared in order to clear off unaccounted balances carried over from previous years.

The Ministry will be liaising with Ministry of Finance with regards to the variance highlighted by Audit.

⁵ Finance Instruction 2010 - Section 32 (6)

⁶ Finance Instruction 2010 – Section 31 (5)

⁷ Finance Instruction 2010 – Section 31 (6)

23.8 Revolving Fund Account with Credit Balance

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.⁸

The audit verification of the Revolving Funds Account (RFA) reconciliation revealed the following RFA account had credit balances as at 31/12/14. Refer to Table 23.6 for details.

Table 23.6: RFA Account with Credit Balances

Account	Description	Amount (\$)
1-21101-21999-570101	AP Prepaid Expenses	574,007

The credit balance of the Revolving Funds Account resulted from incorrect journal entries passed to these accounts.

As a result, the audit could not ascertain the accuracy for RFA balance as at 31/12/14.

Recommendation

The Ministry must investigate and rectify the credit balance.

Ministry's Comments

Audit is noted.

The Ministry will verify the credit balance and make necessary adjustments to Revenue Miscellaneous to clear off the credit balance.

23.9 Significant Balances in Operating Trust Fund Account

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

The audit noted that Ministry's several operating Trust Fund accounts had significant balances over the years. Refer to Table 23.7 below for details.

Table 23.7: Operating Trust Fund Accounts with Significant Balances

Account Number	Account Description	Ending Balance				
		2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)	2014 (\$)
1-21101-21999-861309	PSC Scholarship Loan	70,337	70,320	70,044	75,595	73,999
1-21101-21999-861706	Rates - Lautoka	38,116	28,850	28,850	29,190	17,004
1-21101-21999-861901	Tax Arrears / PAYE	154,530	15,326	13,874	86,278	49,940
1-21101-21999-861920	Employees FNPF	648,690	756,236	699,460	759,723	1,116,913

⁸ Finance Manual 2011 – Ministry of Education Section 16.3.3

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

As a result, the Ministry is unnecessarily accumulating liability.

Recommendations

The Ministry:

- **must ensure that all salary deductions kept in Trust Fund accounts are paid to the relevant authorities in a timely manner; and**
- **investigate the significant balances in the operating Trust Fund account balance as at 31/12/14 and take appropriate action.**

Ministry's Comments

Audit is noted.

The Ministry will ensure that all salary deductions kept under Trust is paid out monthly to the recipients. For PAYE & FNPF – these are December 2014 contributions paid in January, 2015.

The Ministry will also transfer excess credit or those accounts that are stagnant to Revenue Miscellaneous so that the previous or carried over balances do not affect the current years payments.

23.10 Uneconomical Purchase

The quotation process is intended to ensure that the agencies receive value for money based on fair competition and ethical dealing.⁹ A minimum of three competitive quotations must be obtained for the procurement of goods, services or works valued more than \$1,000 and less than \$50,000.¹⁰

The Ministry purchased a wide range of office items from Supplier A in 2014. These items included, official Government envelopes, toners for printers, imported office chairs, computers and office equipment's. The Ministry obtained 3 quotes for purchase of various office items. However 1 of the quotes was always obtained from Supplier A while the other 2 were obtained from other suppliers.

The audit noted that Supplier A always provided the lowest quotes and the Ministry purchased most of the office items from Supplier A. However the Ministry when obtaining quotes did not consider some of the reputable suppliers of official Government envelopes, toners for printers, imported office chairs, computers and office equipment's.

The audit obtained independent quotations for several items from a sample of reputable supplies to compare the prices offered for the items supplied by Supplier A. The independent quotes revealed that the prices offered by the Supplier A were significantly higher compared to the prices offered by some of the reputable suppliers.

However the Ministry considered appropriate to buy several office items from Supplier A at much higher prices. The prices paid by the Ministry were 18% to 68% higher than the independent quotes

⁹ Fiji Procurement Regulation – Guide to procurement process for purchases below \$50,000 – Section 4.0.

¹⁰ Procurement Regulations 2010 – Section 29 (1)

obtained by the audit for the same items from reputable suppliers. Refer to the Table 23.8 for examples.

Table 23.8: Independent Quotes Obtained by Audit

Voucher Number	Items	Quantity	Supplier A	Independent Price by Audit (\$)	Variance in Price (\$)	Variance in (%)
328519	8 bay Compactors	4	27,800	22,000	5,800	21
327673	L Shape Table	4	4,920	1,596	3,324	68
327673	4 drawer cabinet	5	2,975	1900	1,075	36
327673	Executive Chair	2	1,220	704	516	42
330184	Visitor's Chair	15	3,150	1,485	1,665	53
325693	Wooden Book Shelves	15	7,725	1,785	5,940	77
300150	15 x 10 envelop	50 box	5,500	3,955	1,545	28
302677	10 x 12 envelop	50 box	4,750	3,877	873	18
308555	9 x 4 envelop	40 box	2,690	2,044	646	24
	15 x 10 envelop	40 box	4,600	3,164	1,436	31
323809	15 x 10 envelop	50 box	6,000	3,955	2,045	34
306197	Desktop computer	1	2,507	1,825	682	27
305173	Desktop computer	1	1,995	1,825	170	9
Totals			75,832	50,115	25,717	

For the sample of items for which the audit compared the price with reputable suppliers the Ministry paid \$25,717 extra by purchasing those items from Supplier A.

The finding indicates that the Ministry's procurement officers did not carry out proper price comparison before purchasing goods and services from Supplier A. In addition competitive quotations were intentionally not obtained from reputable suppliers in order to defraud the government by legitimatizing purchases from Supplier A as the lowest cost supplier.

As a result public funds were wasted for not purchasing from the most economical source.

Recommendations

The Ministry should:

- **investigate this matter further and take appropriate disciplinary action; or**
- **report the matter to FICAC for further investigation and action.**

Ministry's Comments

Audit is noted.

All Procurements under the Ministry are decentralized as per Finance Manual 2.5.2 which clearly states that all Directors / School Heads are responsible and accountable for their sections purchases. Purchase Orders raised for the supply of these items revealed that (Supplier A) had provided the lowest quotation.

Secondly, quotations are obtained by the sections with their recommendations before the issuance of Purchase Order by Accounts.

Furthermore the said items were not under Government Tender except for Desktop Computers. The Ministry will investigate and recover the loss from the officers who had breached the Financial Regulations by not following the Government Contract and also take disciplinary action against officers who deliberately did not obtain quotations from other sources to favor Supplier A.

The Ministry also wishes to inform Audit that wef 2015 a Procurement Unit has been established in Accounts to ensure that all purchases are transparent and value for money. Further to this, the Ministry has started to distribute the purchases to various suppliers.

23.11 Envelops Purchased But not Delivered by the Supplier

As a best practice, each agency must have in place a cost effective system of internal controls which safeguards money and property against loss.

The Clerks and Storemen shall maintain the inventory register to record incoming and outgoing inventories. The inventory register shall provide the following information:

- i) Date of acquisition and order number reference;
- ii) Number of items received and cost price;
- iii) Suppliers details;
- iv) Date of issue of inventory and nature of issues (for example, transfer of processing);
- v) Issue reference (authority such as requisition order); and
- vi) Quantity issued.¹¹

All the stationeries for the Ministry's Headquarters are received and maintained at the storeroom located at the Examination Office.

The Ministry on 29/04/14 purchased envelopes costing \$7,240 from Supplier A. The review of the inventory register maintained by the Storeman at Ministry of Education revealed that envelopes purchased were not recorded at all in the inventory register indicating that the envelopes were not received by the Storeman. Refer to Table 23.9 for details.

Table 23.9: Payment Made for Envelopes Not Received

Cheque Number	Date	Voucher Number	Particulars	Amount (\$)
030455	29/04/14	308555	40 box 9x4 envelop	2,690
			40 box 15 x 10 envelop	4,600

Furthermore the Supplies Officer on 04/06/2015 confirmed that he did not receive the envelopes as stated in the management comments. The audit also noted that the Acting Principal Accountant signed the invoice submitted by Supplier A as "Received by" to facilitate payment even though no envelopes were received by him.

The finding indicates that the Acting Principal Accountant did not follow proper procurement process. There is a high risk of fraud and collusion between the Acting Principal Accountant and Supplier A.

Recommendation

The Ministry should investigate the matter and take appropriate action.

Ministry's Comments

Audit is noted.

¹¹ Ministry of Education Finance Manual 2013 section 8.1.3
Ministry of Education, National Heritage, Culture & Arts

All procurement for Storeman, and other sections units within Head Quarters are made by the Supplies Officer in Accounts. Upon receiving the items, it is sent to the Storeman/ Sections/ Units for recordkeeping and storage. It is a norm for Accounts staff to receive goods and items ordered.

The envelopes were received as signed for and were later sent to the Storeman via the Supplies officer who confirmed this. However due to improper records it was not recorded by the Storeman. The Storeman has also confirmed receiving the envelopes but it was not recorded as there was a major disruption that took place last year as the Ministry was asked by PSC to vacate the building at Selbourne Street. The Storeman was asked to use a makeshift Container as stores hence most items were not opened and updated in the Inventory Register.

Furthermore, the Procurement Team has set up proper recording and issuance of all items purchased to ensure that compliance is maintained. All procurements made are now recorded before issuance.

23.12 Fraudulent Amendment of Request to Favour Supplier A

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 payment system play an important part in ensuring that waste of funds, over expenditure and corruption do not occur.¹²

The quotation process is intended to ensure that the agencies receive value for money based on fair competition and ethical dealing.¹³ A minimum of three competitive quotations must be obtained for the procurement of goods, services or works valued more than \$1,000 and less than \$50,000.¹⁴

The audit scrutiny of the payment voucher details revealed that the Officer submitted requisition for the purchase of mini conference chairs to the Acting Principal Accountant with 3 quotations. The Officer recommended that the chairs to be purchased from company 3 because of its quality. Refer to Table 23.10 for details of the quotes.

Table 23.10: Quotes for Purchase of Mini Conference Chairs

Company	Price Quoted (\$)
Company 1	1,590
Company 2	1,170
Company 3	1,500

However, another quotation from Supplier A was obtained which quoted the same price as Company 1¹⁵.

The Acting Principal Accountant on 05/02/14 authorized the purchase of 6 mini conference chairs for the Human Resource Management Unit (HRM) costing \$1,590 from Supplier A.

The Acting Principal Accountant did not consider purchasing the chairs from Company 1 which offered the same price as Supplier A.

The finding shows the Acting Principal Accountants deliberate attempt to provide business to Supplier A when same products were provided by Company 1 for the same price.

¹² Ministry Of Education Finance Manual 2013 – Part 2

¹³ Fiji Procurement Regulation – Guide to procurement process for purchases below \$50,000 – Section 4.0.

¹⁴ Procurement Regulations 2010 – Section 29 (1)

¹⁵ The audit could not substantiate who obtained the quote from Supplier A

Recommendation

The Ministry should investigate the matter and take appropriate action against the responsible Officer.

Ministry's Comments

Audit is noted.

*All purchases are based on the requests submitted by the **Sections/ Units** who obtain their own quotations.*

Purchase Orders are normally issued to the recommended supplier irrespective of price due to:

- i. Quality of Items purchased.*
- ii. Back-up Service.*
- iii. Availability of Stock*
- iv. Efficient Service Delivery.*

There was no deliberate intention to provide business to Supplier A. It was based on the quotations received by the section Officer

However, the Ministry is ensuring that purchases are distributed to avoid one supplier being preferred over the rest.

23.13 Unwarranted Purchase of Stationery

Upon receipt of the goods, services or works, the receiving officer shall verify that their receipt is in good order and that the invoice is in accordance with the LPO.¹⁶

The audit noted several instances of purchase orders issued to Supplier A for purchase of stationeries and office equipment without requisitions from sections heads at the Ministry. The purchase orders for Supplier A were mostly issued by the Supplies and Transport Officer at the Ministry's Headquarters, and approved by the Acting Principal Accounts Officer.

Therefore several office stationeries and equipment were purchased from Supplier A without any requisitions from staffs or section heads. Refer to Table 23.11 for examples of stationeries purchased without requisitions.

Table 23.11: Stationeries Purchased without Requisition

Cheque Number	Date	Voucher Number	Items Supplied not Requested	Quantity	Amount (\$)
1021132	30/01/14	296443	Toshiba Toner CB542A	2	450.00
			Toshiba Toner CE505A	3	585.00
1021435	03/02/14	296902	HP toner P1102W	2	395.00
			Vanguard Sheet	60	144.00
			Permanent marker	6 packet	93.00
			Assorted marker	6 packet	99.00
			Uni ball pen	6 packet	228.00
			Fold back clip 19mm	3	162.00
			Fold back clip 25mm	3	195.00

¹⁶ Ministry of Education Finance Manual, 2013 Section 2.5.9

Cheque Number	Date	Voucher Number	Items Supplied not Requested	Quantity	Amount (\$)
			Fold back clip 32 mm	3	204.00
			Fold back clip 41mm	3	217.50
			Fold back clip 51mm	3	225.00
			Manila folder	2 ream	53.00
			Pencil	2 packet	96.00
			Correction pen	2 packet	130.00
1024396	20/2/14	300148	ball pen	10 packet	380.00
			Paper punch	20	590.00
			33mm paper clip	50	32.50
			Desk calendar stand	20	330.00
			Highlighters	20 packet	310.00
1026725	14/03/14	303091	Toner 78A	5	950.00
1027919	26/03/14	304391	AA battery	2	104.00
			Suspension file	4 box	275.00

The audit also noted that Supplier A on several instances supplied office stationeries in excess of the quantity ordered by the Ministry. In addition the Officers receiving the stationeries, at the Ministry's Headquarters did not at any time notify Senior Officers about the excess supply compared to quantity ordered.

The Acting Principal Accounts Officer also continued to process the payments to Supplier A without questioning the oversupply of several stationery items. Refer to Table 23.12 for examples.

Table 23.12: Stationeries Supplied in Excess of Quantity Ordered

Date	Voucher Number	Particulars	Quantity Ordered	Quantity Invoiced and Delivered	Cost for Extra items Supplied
20/02/14	300148	Stapler	3	20	425.00
		Stapler pin	3	20	50.15
		Permanent markers	3	10	115.50
14/03/14	303091	Toner 15A	3	4	198.00
		Toner 8200s	3	4	423.00
		Toner Ricoh 12300	3	4	145.00
14/03/14	303144	Sp 310HS toner	2	4	1,306.00
26/03/14	304391	A4 colored paper	10	20	295.00
22/08/14	321776	1 set of 126 A toner	1	2	788.75

The audit further noted that the Receiving Officers at the Accounts section did not record the stationary items received or issued to various sections at the Ministry. The audit was not able to substantiate how the stationery items were used by the Ministry, including the over supplied items.

The finding indicates deliberate circumventing of controls in procurement of stationeries and office equipment. In addition it is highly likely that the Ministry's Officers may have colluded with the supplier to defraud the government through excessive purchases.

Recommendations**The Ministry should:**

- **implement appropriate internal control in the procurement of goods and services; and**
- **investigate the matter and take appropriate action.**

Ministry's Comments

Audit is noted.

The Ministry wishes to inform Audit that Officer is the only "Buyer" for the whole HQ hence all Purchase Orders will be raised by him. The Officer is an approver hence approved the purchases.

All Purchase Orders are issued based on sections request, however for Accounts Section needs it was made verbally to the Supplies Officer who then made the procurement. Requisitions are attached to the payment vouchers.

On the Audit findings of the payment to Supplier A for oversupply, then the Officer is not responsible for processing payments neither did he receive the items. All payments are centralized in HQ and different officers have their own job descriptions. However, with the setting up of a Procurement Unit wef 2015 these anomalies will be looked into.

The Ministry will investigate the oversupply of items and its payment and will take disciplinary action against officers found to breach the Procurement Regulations

23.14 Purchase of Items from Unauthorized Suppliers

Permanent Secretaries must ensure that all standing offer contracts executed by the Fiji Procurement Office on behalf of Government are complied with at all times.¹⁷

The ITC steering committee on 12/12/13 awarded the tender for the supply of Desktop Computer to Office Product for whole of Government Ministries and Departments.¹⁸

The Fiji Procurement Office awarded Tender No CTN 27/2012 on 30/07/12 to various companies for supply of stationaries until 25/07/14.¹⁹

The audit noted that the Ministry failed to comply with standing offer contracts and purchased Desktop Computers and various office stationeries from Supplier A. The audit further noted that the items purchased from Supplier A were expensive compared to the prices offered by the approved contracted suppliers. Refer to Table 23.13 below for examples.

Table 23.13: Purchase of items from Unauthorized Suppliers

Date	Voucher Number	Item	Quantity	Tender Approved Supplier	Tender Approved Price (\$)	Price Supplier A (\$)	Variance (\$)
28/01/14	296175	Correction Fluid	1 packet	Extreme Stationery	19.20	35.00	15.80

¹⁷ Procurement Regulations 2010 – Section 35

¹⁸ ITC contract 1/2013 – supply of desktops and laptops

¹⁹ Ministry of Finance Circular- Tender No CTN 26/2012

Date	Voucher Number	Item	Quantity	Tender Approved Supplier	Tender Approved Price (\$)	Price Supplier A (\$)	Variance (\$)
03/02/14	296902	Highlighters	5 packet	Suva Bookshop	30.00	77.50	47.50
		Permanent Marker	6 packet	Suva Bookshop	36.00	93.00	57.00
		Assorted Marker	12 packet	Suva Bookshop	72.00	186.00	114.00
		Pencil	2 packet	Extreme Stationery	3.60	9.60	6.00
		Correction Fluid	2 packet	Extreme Stationery	38.40	65.00	26.60
		White Board Marker	6 packet	Suva Bookshop	39.60	99.00	59.40
		Cellotape 50mm	6 packet	Janty Kanvan	4.14	9.00	4.86
		Brown Tape 50mm	6 packet	Janty Kanvan	4.14	9.00	4.86
20/02/14	300148	Permanent Marker	10 packet	Suva Bookshop	60.00	165.00	105.00
		Pencil	10 packet	Extreme Stationery	18.00	48.00	30.00
		Stapler	20	Janty Kanvan	264.60	500.00	235.40
		Stapler Pin	20 packet	Extreme Stationery	18.00	59.00	41.00
		Paper Punch	20 packet	Extreme Stationery	98.00	590.00	492.00
		Highlighter	20 packet	Suva Bookshop	120.00	310.00	190.00
		Paper Clip 33mm	50 packet	Extreme Stationery	15.00	32.50	17.50
28/02/14	301158	Arch Lever File	100	Janty Kanvan	250.00	550.00	300.00
12/03/14	302677	Arch Lever File	300	Janty Kanvan	750.00	1,485.00	735.00
		Wooden Ruler	200	Extreme Stationery	30.00	110.00	80.00
		Stapler Pin	50 packet	Janty Kanvan	45.00	147.50	102.50
11/04/14	306197	Desktop Computer	1	Office Product	1,825.00	2,507.00	682.00
02/04/14	305173	Desktop Computer	1	Office Product	1,825.00	1,995.00	170.00
Totals							3,516.42

For the sample of items that audit reviewed and compared the price with approved contracted suppliers, the Ministry paid \$3,516.42 more by purchasing these items from Supplier A.

The finding shows that the Ministry did not follow the proper procurement process when purchasing Desktop Computers and office stationeries resulting in extravagant expenditure. The purchases from Supplier A may be intentional to defraud the government.

Recommendations

The Ministry should:

- **investigate the matter and take appropriate action; or**
- **report the matter to FICAC for further investigation and action.**

Ministry's Comments

Audit is noted.

The Ministry will investigate and recover all loss of Public funds from officer's salaries. The Ministry has already affected recovery for 2013 Procurements made from Non-Contracted Suppliers.

All Financial Policies and Regulations together with the Procurement Regulations will be followed in future. Officers will be surcharged if purchases are made from Non-Contracted Suppliers unless it is justified (nil in stock or out of stock).

All Government Contracts are disseminated to all the Sections/ Units of the Ministry for compliance.

23.15 Items Received with Undated Invoice and Delivery Docket

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.²⁰

Upon receipt of the goods, services or works, the receiving officer shall verify that their receipt is in good order and that the invoice is in accordance with the LPO.²¹

The audit observed that the Transport and Supplies Officer kept several items supplied by Supplier A around his workstation on the date of audit 16/12/14. Refer to Table 23.14 for details on items as per the invoice.

Table 23.14: Details of Items Noted on the Invoice

Description	Quantity	Unit Price (\$)	Total (\$)
Spiral comb 8mm	2	14.50	29.00
Spiral comb 10mm	2	18.50	37.00
Spiral comb 12mm	2	19.95	39.90
Spiral comb 14mm	2	26.50	53.00
Spiral comb 16mm	2	27.50	55.00
Spiral comb 18mm	2	29.50	59.00
Spiral comb 20mm	2	35.00	70.00
Spiral comb 22mm	2	39.90	79.80
Spiral comb 38mm	2	60.00	120.00
Spiral comb 41mm	2	64.50	129.00
Spiral comb 51mm	2	75.00	150.00
Only TN2250 Toner - Black	4	195.00	780.00
Fax Toner 3220	1	785.00	785.00
Pkt Vanguard Sheet Full Size x 100	6	275.00	1,650.00
Sets CE 310 Series Toner : Black & Colour	3	775.00	2,325.00
Total			6,361.70

The audit review of the process through which these items were purchased revealed the following anomalies.

- The invoice and delivery docket for these items were not dated to indicate the day the items were received and invoiced. In addition the purchase orders were not issued for the items supplied by Supplier A. As at the date²² of audit no payment was made for these items.
- The Transport and Supplies Officer did not have the requisitions for the purchase of these items. Hence the items were procured in excess to the requirements of the Ministry.
- Physical verification of the items received with the invoice noted that the items costing \$1,271 were not supplied by Supplier A but invoiced for payment. Refer to Table 23.15 for details.

²⁰ Ministry Of Education Finance Manual 2013 – Part 2

²¹ Ministry of Education Finance Manual, 2013 Section 2.5.9

²² 16/12/14

Table 23.15: Items not supplied by Supplier A

Item	Quantity as per invoice	Quantity Physically Verified	Variance	Unit Price (\$)	Total (\$)
Spiral comb 8 mm	2	1	1	14.50	14.50
Spiral comb 10 mm	2	1	1	18.50	18.50
Spiral comb 18 mm	2	0	2	29.50	59.00
Spiral comb 41 mm	2	0	2	64.50	129.00
Vanguard sheet	6	5	1	275.00	275.00
Toner CE 310	3	2	1	775.00	775.00
Total					1,271.00

There is a high risk of fraud and collusion between the Transport and Supplies Officer and Supplier A.

Recommendations

The Ministry should:

- **investigate the matter and take appropriate action; and**
- **implement stringent internal control for purchase of good and services.**

Ministry's Comments

Audit is noted.

The Ministry will investigate and take appropriate action against the Officer. However, no payment was made for the items supplied as it was returned to the Supplier by the Supplies Officer early this year.

The Ministry will ensure that Purchase Orders are issued first before goods & services are received and compliance to Procurement Regulations 2010 is adhered to.

The Procurement Unit has been implemented to provide transparency and accountability in all purchases made by the Ministry.

23.16 Invoice Issued in Sequential Order

In a normal business transaction, a supplier of goods and services would have many customers and the invoices would be distributed among all the customers.

The Ministry processed 151 invoices totalling \$637,950.55 for Supplier A during 2014. The audit listed a sample of invoices issued by Supplier A to the Ministry in an ascending order and noted that the invoice numbers were mostly in sequence with a few gaps only. Refer to Table 23.16 for examples of transaction having invoices in sequential order.

Table 23.16: Transactions having Invoices in Sequential Order

Cheque Number	Voucher Number	Date	Amount (\$)	Invoice Number
1025428	295598	22/01/14	16,416.00	001
1020609	295763	24/01/14	2,370.00	002
1021062	296346	29/01/14	3,106.10	003

Cheque Number	Voucher Number	Date	Amount (\$)	Invoice Number
1020904	296175	28/01/14	4,629.70	005
1022418	297587	05/02/14	1,590.00	006
1021062	296346	29/01/14	3,106.10	007
1020904	296175	28/01/14	4,629.70	008
1023593	299218	14/02/14	3,129.80	010
1021132	296443	30/01/14	9,599.20	011
1021132	296443	30/01/14	9,599.20	013
1021132	296443	30/01/14	9,599.20	014
1021132	296443	30/01/14	9,599.20	015
1021652	298148	07/02/14	2,660.00	016
1021435	296902	03/02/14	2,842.00	018
1024396	300149	20/02/14	2000.02	024
1024396	300148	20/02/14	4,342.03	025
1021946	298541	11/02/14	5,350.00	027
1023593	299152	14/02/14	801.50	030
1023593	299289	14/02/14	3,012.00	031
1024327	300034	20/02/14	920.00	032
1026094	302254	07/03/14	3,285.02	033
1024568	300270	21/02/14	11,500.00	034
1204421	300150	20/02/14	5,665.00	035
1025222	301158	28/02/14	2,323.52	036
1025038	300906	26/02/14	3,980.00	037
1025729	301812	05/03/14	6,966.79	042
1025729	301812	05/03/14	6,966.79	043
1025729	301812	05/03/14	6,966.79	044
1025929	301983	06/03/14	888.00	045
1025968	302057	06/03/14	2,908.00	046
1026460	302682	12/03/14	2,300.00	047

This indicates that the Ministry of Education was the major customer for Supplier A. Out of the first 47 invoices, 31 or 66% of the invoices were issued to the Ministry and only 16 invoices were issued to buyers other than the Ministry.

Significantly large number of invoices issued in sequence to the Ministry from Supplier A indicates high risk of favouritism and collusion by the Ministry's Officer with Supplier A.

Recommendations

The Ministry should:

- cease purchases from Supplier A; and
- investigate the matter and take appropriate action.

Ministry's Comments

Audit is noted.

The Ministry had ceased purchasing from Supplier A in late December; however it has officially sent out an email to all Sections/ Units/ Schools/ District Officers on 14/04/2015 to cease any purchases from the said company. Did Vendor search – Last payment showing was an amount \$4,822 relating to a purchase order raised on 02/04/2014. No other PO raised after 14/04/2015. Also confirmed with the Procurement Unit and the accounts that they received the email on that date.

The Ministry will also investigate the matter further, however upon enquiring with the Company; the Ministry was informed that Supplier A maintained a separate invoice book for Ministry of Education for tax purposes.

23.17 No Segregation of Duties

All Directors/Section Heads/School Heads must now take charge of all purchase from their respective sections and allocations and must ensure that the purchases are approved by them. They are also responsible for on-line approvals of all purchase orders raised from their sections. They must be accountable of all purchase orders raised from their sections. They must be accountable for all purchases and ensure that the receipt of the goods is delegated to another person other than clerks/bursars/executive officers and assistant accounts officers as an internal control measure.²³

The Transport and Supplies Officer was mostly involved in facilitating the purchase of goods and services from Supplier A.

These includes raising request for purchase of goods and services, confirmation of availability of funds, obtaining quotations, raising of purchase order, receiving invoices, receiving delivery dockets, receiving and dispatching of cheques, and certifying the payment voucher as correct. Refer to **Appendix 23.1** for examples of the tasks carried out by the Officer.

The audit noted that there were inadequate segregation of duties in the transactions performed for purchases of goods and services from Supplier A.

The above finding indicates ineffective internal control within the purchasing and payment process and laxity on the part of the Acting Principal Accountant to effectively scrutinize the payment vouchers before approving the payment.

The lack of segregation of duties increases the risk of misappropriation of funds and fraud.

Recommendations

The Ministry should:

- **ensure to implement appropriate segregation of duties within the purchase and payment process; and**
- **investigate the matter and take appropriate action.**

Ministry's Comments

The issue of segregation of duties has been carried out with the implement of the Procurement Unit whereby different job descriptions to ensure compliance to Procurement Regulations 2010.

The duties carried out by the Transport and Supplies Officer was mainly due to the shortage of staff in Accounts Section due to its Organization Structure.

With effect from 2015 a new Accounts Organization Structure was prepared and approved by the Hon. Minister for Education. This was mainly due to the recurring audit issues on Procurement highlighted by Office of the Auditor General and the Public Accounts Committee.

²³ Ministry of Education Finance Manual 2013 Section 2.5.2 (a)
Ministry of Education, National Heritage, Culture & Arts

23.18 Free Education Grant (FEG) Loaned to a University

FEG shall be used solely for the purpose of facilitating learning and teaching in the school.²⁴ Free Education Grant shall not be donated, loaned or borrowed by any person or organization.²⁵

The Ministry of Education disbursed total of \$2,474,952 as FEG to 12 secondary schools under the management of a religious organisation in 2014. The FEG given to the 12 secondary schools were managed and administered by the management of the religious organisation from their headquarters in Suva.

The audit noted that out of the total FEG given the schools in 2014, \$743,800 or 30% of the total grant was loaned to the University, which is also owned by the religious organisation, without the approval of the Ministry. As at 31/12/14 only \$61,000 or 8.2% of the total amount loaned was repaid by the University.

The audit also noted that for some of the schools more than 50% of the FEG was loaned out to the University during 2014 instead of giving the fund to the schools. For example total FEG provided by the Ministry to School (registration number: 1861) in 2014 was \$427,108. However the school management only provided the school with \$197,108 and the balance of \$230,000 or 54% was loaned to the University. The loan was not paid back to the school as at 31/12/14.

In another instance, the School (registration number: 2347) was given a total FEG of \$186,060 by the Ministry in 2014. However the school management loaned \$75,500 or 41% of the total FEG to the University. The school was only provided with \$111,060 or 59% of the total grant in 2014 instead of full \$186,060. The loan was not paid back by the University as at 31/12/14. Refer to Table 23.17 for more examples.

Table 23.17: Details of loan and repayment as at 31 December 2014

School Registration Number	Total Grant Amount (\$)	Loan Amount (\$)	Percentage Loaned	Repaid Amount (\$)	Balance (\$)
1861	427,108	230,000	54	---	230,000
2330	340,651	65,000	19	---	65,000
2329	214,170	5,500	3	---	5,500
3052	363,367	136,900	38	40,000	96,900
3054	196,935	50,000	25	---	50,000
1861	150,255	35,500	24	1,000	34,500
2340	151,167	25,000	17	---	25,000
2347	186,060	75,500	41	10,000	65,500
2384	62,598	20,000	32	---	20,000
1849	249,333	75,000	30	10,000	65,000
1059	70,039	15,400	22	---	15,400
1051	63,269	10,000	16	---	10,000
Total	2,474,952	743,800	30	61,000	682,800

The audit also noted that the school management levied 5% interest to the University for total outstanding loan amount as at 31/12/14. The school management earned \$34,140 as interest on grant fund loaned to the University.

²⁴ Financial Management in Schools section 5.4.2

²⁵ Financial Management in Schools section 5.4.3

The finding indicates mismanagement of FEG funds by the school management and poor monitoring of FEG by the Ministry and its Divisional Education Office. As a result the schools did not have adequate funds.

Recommendations

The Ministry should:

- **immediately request the school management to payback all FEG loaned to the University;**
- **investigate the matter and take appropriate action; and**
- **take appropriate disciplinary action against Divisional Education Officers for not monitoring the FEG.**

Ministry's Comments

The school management will be asked to payback all FEG loaned to the University. Unless they pay back this sum their Schools 2015 Term 2 Grants will be withheld.

The establishment of an internal and external audit team to more stringently monitor the 2015 grants and report to the Senior MoE staff.

23.19 Poor Condition of Schools

As a best practice, the school management shall ensure health and safety at schools for all teachers and students. The school management are to provide and maintain an environment that is safe and without risk to health of teachers and students.

Free Education Grant shall be used solely for the purpose of facilitating learning and teaching in the school.²⁶

Under the Ministry's guideline on use of FEG, 20% of the total grant is allocated for Building and Compound maintenance. However, the audit inspection of a sample of schools revealed that schools were in a very poor condition and not conducive for effective teaching and learning. Refer to the following examples.

School Registration Number 1849

The school (registration number: 1849) received a total FEG of \$249,333 for the year 2014. Out of the total FEG the school was allocated \$49,866.60 or 20% for Building and Compound maintenance.

Despite \$49,866.60 allocated by the Ministry for Building Maintenance no such works were carried out by the school during 2014 as \$75,000 or 30.08 % of the grant fund was transferred to the University which is managed by the school (registration number 1849) management.

Hence the condition of the school building was in a very poor state and required urgent renovations.

The following pictures illustrate poor condition of the school facilities.

²⁶ Financial Management in School section 5.4.2



Figure 23.1: Tap bay needs urgent painting and proper drainage facilities



Figure 23.2: Poor condition of classroom requiring painting and repair works



Figure 23.3: Poor Condition of classroom requiring urgent repair works and painting



Figure 23.4: Floor of the classroom needs repair work



Figure 23.5: Poor Condition of toilet facilities.

School Registration Number 1861

The school (registration number 1861) received a total of \$427,108 as FEG for the year 2014. The school was allocated \$85,421.60 or 20% of FEG for Building and Compound maintenance.

However the school did not carry out any building renovation works in 2014 despite the building requiring urgent renovation works. This was due to the school management transferring \$230,000 or 53.9% of the total FEG to the University under its management. Refer to the pictures for illustration.



Figure 23.6: Poor condition of computer room floor



Figure 23.7: Poor storage facility at woodwork workshop



Figure 23.8: Poor condition of technical drawing table



Figure 23.9: Poor condition of floor at social science lab.



Figure 23.10. Cracked wall for Home Economic Lab



Figure 23.11: Poor Drainage for storm water

School Registration Number 9557

The school (registration number 9557) received a total of \$356,998 as FEG from the Ministry for the year 2014. The Ministry allocated \$71,399.60 or 20% for Building and Compound maintenance.

The school used \$9,000 out of \$71,399.60 allocated for Building and Compound maintenance for the upgrading and maintenance of the school principal's quarters.

Even though funds were allocated and available for building maintenance the school management did not carry out any renovation and maintenance works for the school in 2014. The school building was in a poor state and urgent renovation works were needed. Refer to the pictures below for illustration:



Figure 23.12 The roof of the science lab leaks during heavy rain



Figure 23.13: The exterior wall of the school building needs painting



Figure 23.14 Poor condition of male ablution block



Figure 23.15 Poor condition of desk used by students



Figure 23.16 : Wood Technology Room – Teachers Table



Figure 23.17 : Outside the Wood Technology Room



Figure 23.18: Poor Condition of sink in science lab

The finding shows that Divisional Education officers did not properly monitor the use of FEG by schools. Hence the 20% of the total FEG allocated for Building and Compound maintenance were misused by schools.

Recommendations

The Ministry should:

- **conduct a thorough investigation on all schools for use of 20% of the FEG for building maintenance and take appropriate actions; and**
- **take appropriate disciplinary action against Divisional Education Officers for not monitoring the FEG.**

Ministry's Comments

MoE has resolved to get reports from every District Education Office on the state of schools by making visitations to schools in their respective Districts. The Audit and Monitoring team will visit schools to monitor the usage of allocated FEG

The MoE has this year reviewed the FEG funding formula to ensure that schools with small rolls are given additional grants so that they can improve their school infrastructure.

The new formula is as follows:

FOR THE SECONDARY SCHOOLS THE CHANGES ARE GOING TO BE AS FOLLOWS:

1. *There will be a reduction of the Per Pupil Grant of schools with students equal to or more than 400 from the current amount by \$15.00.*
2. *There will be an increase of the Per Pupil Grant of schools with:*
 - (i) *Rolls from 0 - 100 by \$100.00*
 - (ii) *Rolls from 101 – 150 by \$80.00*
 - (iii) *Rolls from 151 – 200 by \$60.00*
3. *All schools that have school rolls between 201 to 399 will have their current allocated grants retained and not changed.*
4. *Schools that will receive additional grants as a result of this benefit will have their additional amount retained at the Secondary accounts section. They will be paid their current amount, while the additional amount will be released after consultation with the school heads and management on the special need/project area where these funds will be deployed for projected improvements in the school.*

The table below reflects the proposed changes.

SCHOOL ROLL	YEAR LEVEL	CURRENT ALLOCATION PER PUPIL	AMENDED ALLOCATION PER PUPIL
0 - 100	YEAR 9 and 10	\$440.00	\$540.00
	YEAR 11 and 12	\$485.00	\$585.00
	YEAR 13	\$610.00	\$710.00
101 - 150	YEAR 9 and 10	\$440.00	\$520.00
	YEAR 11 and 12	\$485.00	\$565.00
	YEAR 13	\$610.00	\$690.00
151- 200	YEAR 9 and 10	\$440.00	\$500.00
	YEAR 11 and 12	\$485.00	\$545.00
	YEAR 13	\$610.00	\$670.00
201 - 400	Year 9 and 10	\$440.00	\$440.00
	Year 11 and 12	\$485.00	\$485.00
	Year 13	\$610.00	\$610.00
400- 1000+	Year 9 and 10	\$440.00	\$425.00
	Year 11 and 12	\$485.00	\$470.00
	Year 13	\$610.00	\$595.00

23.20 Payment of Management Fees

Free Education Grant shall be used solely for the purpose of facilitating learning and teaching in the school.²⁷

The Ministry of Education disbursed FEG of \$357,036 to School (registration number: 2337) and \$191,737 to School (registration number: 2348) in 2014. The FEG given to both schools were managed and administered by a religious organisation.

The audit noted that the religious organisation was paid management fees totalling \$35,000 by both School for managing the operation of the schools.

²⁷ Financial Management in School section 5.4.2

The ‘School Financial Management Guideline’ does not stipulate payment of management fees by schools to organization managing the operations of schools. Hence the payment of management fees to the religious organisation was unauthorized.

The finding shows that Divisional Education Officers did not properly monitor the use of FEG by schools. Therefore FEG was not properly used by the school management.

Recommendations

The Ministry should:

- **taking appropriate action to ensure management fees charged by the school management is refunded to the schools; and**
- **take appropriate disciplinary action against Divisional Education Officers for not monitoring the FEG.**

Ministry’s Comments

The schools that are in the practice of paying for Management Fee from FEG will be asked to discontinue the practice and refund the funds utilised in 2014. Districts and Audit team will be visiting schools to monitor and check on such abuses by school managements.

23.21 Variance in Cash Book and FEG Account for School Registration Number 9787

Schools given FEG must adhere to the regulations set forth by Ministry of Education. The Cash/Financial Log Book details the total tuition allocation for the schools. It also includes the total amount committed and the reducing balance of every transaction.²⁸

The schools at the end of each month must balance and reconcile the cash/financial log book with the FEG bank account.

The audit noted that School (registration number: 9787) had an unreconciled variance of \$34,255.60 between the FEG cash book and the bank account balance as at 31/10/2014. Refer to Table 23.18 for details.

Table 23.18: Variances in Cash Book and Free Education Grant Bank Statement Balance

Balance as per Cash Book (\$)	Balance as per Bank Account (\$)	Variance (\$)
98,442.60	64,187	34,255.60

This indicates that the school bursar failed to carry out monthly reconciliations and the variances between the FEG cash book and the bank account were not identified and adjusted. As a result audit was not able to ascertain whether all payments were properly recorded in the FEG cash book.

Failure to prepare monthly reconciliations may result in schools not being able to detect misappropriation of FEG.

²⁸ Financial Management in Schools, Section 5.5.1

Recommendations**The School Principal should ensure that:**

- **variance is investigated and appropriate action taken;**
- **FEG account bank balance is reconciled with the cash book on a monthly basis in future;**
- **payments from the FEG are posted to the cash book on a timely basis; and**
- **appropriate action is taken against Officers responsible for not reconciling the Cash book and the FEG Bank statement balance.**

Ministry's Comments

- *The OAG recommendations will be implemented.*
- *The MoE has in place a data base called FEMIS in which schools are to update on daily basis all financial transactions and in this manner all officers at District Office and HQ can access to the information and check for compliance by schools.*

23.22 Poor Record Keeping for Utilization of Free Education Grant

Schools given Free Education Grants must adhere to the regulations set forth by Ministry of Education. The cash/financial log book and the six allocations files shall be kept at the school and made available to Ministry of Education Official for scrutiny during their visits.²⁹

The audit noted that the schools did not properly maintain financial records pertaining to the utilization of the FEG. Out of the 18 schools visited between Suva and Nausori District, 4 of these schools did not record expenses incurred from FEG into 6 categories as required by the Ministry.

In addition 7 schools which received FEG totalling \$2,445,472 did not properly maintain the supporting documents relating to the FEG. Refer to Table 23.19 below for examples of poor record keeping.

Table 23.19: Details of Schools Not Maintaining Proper Records

School Registration Number	Total Grant Received (\$)	Anomalies Noted
1826	697,560	<ul style="list-style-type: none"> • Payment vouchers from May 2014 to December 2014 were not filed. • Payment vouchers for six categories of expenses were not maintained separately.
2337	357,036	<ul style="list-style-type: none"> • Payment vouchers for six categories of expenses were not maintained separately. • Supporting documents such as quotations were not attached to the payment vouchers.
2348	191,737	<ul style="list-style-type: none"> • Payment vouchers for six categories of expenses were not maintained separately. • Supporting documents such as quotations were not attached to the payment vouchers.

²⁹ Financial Management in Schools

School Registration Number	Total Grant Received (\$)	Anomalies Noted
9787	336,204	<ul style="list-style-type: none"> Monthly bank reconciliations were not performed in the year 2014 and bank statements were not filed in order. Separate books were not maintained for FEG and other funds received by the school.
2369	336,204	<ul style="list-style-type: none"> Monthly bank reconciliations were not performed in the year 2014 and bank statements were not filed in order. Cash Book not updated from May 2014. Payment vouchers for six categories of expenses were not maintained separately.
2330	340,651	<ul style="list-style-type: none"> Cash Book not updated from May 2014.
2347	186,080	<ul style="list-style-type: none"> Cash Book not updated from May 2014.

The above finding indicates poor monitoring and supervision of record keeping at schools by the Divisional Education Officers. As a result schools failed to properly maintain records relating to use of FEG.

Recommendations

The Ministry should:

- ensure that Divisional Education Officers visit schools and guide them on proper record keeping relating to the use of FEG; and
- take appropriate disciplinary action against Divisional Education Officers for not monitoring and supervising schools for proper record keeping relating to FEG.

Ministry's Comments

The recommendations by OAG will be adhered to.

Increase the visitation to school by District staff, the HQ Audit team and other senior officers.

23.23 Tender not Called for Contracts Exceeding \$50,000

Government finances must be managed lawfully and according to the Education Act and Ministry of Education Regulations and procedures, including audit requirements.³⁰

A tender must be called for the procurement of goods, services or works valued at \$50,001 and more.³¹

The audit noted that the management of school (registration number 2337) did not call for tenders for general exterior painting of the school even though the total cost of painting works exceeded \$50,000. The painting works were completed and the contractor was paid the full contract sum of \$95,000. Refer to the Table 23.20 for the breakdown of payments made.

³⁰ Financial Management In Schools Section 3.0 No.4

³¹ Finance Circular 2012, Circular No : 9/2012

Table 23.20: Payments Made to the Contractor

Date	Cheque Number	Particulars	Amount (\$)
10/01/14	004788	Payment for stage 1	28,500
10/01/14	004789	Payment for Stage 2	28,500
04/02/14	004824	Payment for Stage 3	28,500
03/03/14	004870	Retention	9,500
Total			95,000

Under the ‘School Financial Management Guide’ all schools can use 20% of their total FEG for Building and Compound Maintenance. The school (registration number 2337) was given FEG of \$357,036 in 2014. Out of the total FEG the school was eligible to use only \$71,407.20 for Building and Compound Maintenance.

However, the audit noted that the school management utilized \$95,000 or 27% of the FEG for exterior painting of the school. Hence the management utilized \$23,592.80 or 33% excess of the amount authorized by the Ministry for Building and Compound Maintenance. The school management did not obtain approval from the Ministry to use FEG for painting works in excess of the authorized limit.

The finding shows that the School did not follow proper procurement process of the Ministry when awarding the contracts for school improvement works. Hence the contractor may not be the best and most economical supplier. In addition the Divisional Education Officer did not properly monitor the use of FEG by schools. Therefore FEG was not properly used by the school management.

Recommendations

The Ministry should:

- **taking appropriate action to ensure that funds used in excess of authorized limit for Building and Compound maintenance is recovered from the school management;**
- **tenders are called for purchase of goods and service costing more than \$50,000 using FEG; and**
- **take appropriate disciplinary action against Divisional Education Officers for not monitoring the FEG.**

Ministry’s Comments

The recommendations of Office of the Auditor General will be adhered to .

With effect from 2015 more stringent monitoring will be carried out by the Districts and the Internal Audit Team on usage of funds.

The ministry will hold grants to schools if there is noncompliance under the FEG. All schools will be informed to call for tenders for Capital and Building works exceeding \$ 50,000.

23.24 Land Development for the New School Registration Number E7/2395

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.³²

The Minister of Finance on 02/05/14 granted waiver of the tender proceedings and approved the engagement of Contractor B to undertake Land Development and Upgrading Works for the New School (Registration Number E7/2395). The contract was awarded at a total cost of \$1,300,343.46 (VIP).

As at the date of audit³³ the Ministry paid \$943,520.24 (VIP) or 72.6% of the contract sum. The payments were made based on the contract agreement signed between the Ministry of Education and Contractor B on 08/04/14.

The audit review of the project noted the following:

- As a pre-requisite to any project construction, it is important to carry out Land Survey to identify the boundaries and obtain the lease agreement for the site of the project.

The audit noted that the Ministry failed to carry out the land survey to identify the boundaries and obtain the lease agreement from iTaukei Lands Trust Board for the proposed site of New School in Tailevu. During the site visit carried out by audit on 15/12/14, it was noted that the Contractor had commenced with the site improvements, ground compaction, and clearing of roadside drains without any approved boundaries and lease agreement.

Carrying out capital construction without proper survey and lease agreement may lead to unnecessary conflicts with the iTaukei Lands Trust Board.

- It is best practice that before starting a major project, the present environment must be assessed without the project and the likely impact of the project on the environment when it is completed. Therefore an Environment Impact Assessment must be made before the commencement of the project.

Discussion with Building Supervisor, Officer revealed that the Environment Impact Assessment has not been carried out. Failure by the Ministry to ensure that an Environment Impact Assessment is carried out prior to the commencement of the project can result in hazards to the surrounding environment.

- A thorough investigation of ground conditions and carrying out soil testing is essential to determine whether a site is suitable for building on, where the best place may be to locate a building and the type and size of foundations that will be required to hold the building.
The audit noted that the Ministry failed to carry out a thorough investigation of ground condition and soil testing before the commencement of the project.

This finding indicates that the Ministry does not have adequate technical expertise in project management and did not perceive the importance to carry out soil testing before commencing with the land filling phase of the project.

Inadequate ground condition bearing or ground instability may result in minor or major building failure through landslides or sinking of the building foundation.

³² Ministry of Education Finance Manual 2013 Part 2

³³ 15/12/14

Recommendations

The Ministry should ensure that:

- surveys are carried out prior to the drawing of plan or implementation of any construction project;
- the survey is carried out and the details are submitted by the Ministry of Lands and Mineral Resources as soon as practical;
- the lease documents are finalized by the iTaukei Lands Trust Board or any other land owning unit before commencement of any capital projects;
- a thorough investigation of the ground conditions and soil testing is carried out to determine the best place to locate the building and the type and size of foundations that will be required to hold the building; and
- a lease agreement is drawn and signed prior to the implementation of any project.

Ministry's Comments*Land Survey*

Land survey was initially carried out by TLTB to determine the land area for the new school. Approval by the Land Owning Unit with signatures were part of the lease application that was submitted by school committee which resulted in surveying of the site by TLTB

A team from MoE & TLTB visited the site to conduct the exercise. The land owning were also present that day to assist in the clearing of shrubs for TLTB Officer to clearly assess the land boundary.

This resulted in the Lease Agreement prepared by TLTB and premium paid in 2014 by MoE.

23.25 Unaccounted Laptops – One Laptop Per Child (OLPC) Program

Purchasing, storage and recording of laptops acquired for the OLPC Program should be efficiently managed to ensure that risk of the laptops getting stolen, damaged or obsolete is minimized.

The audit on 15/12/14 carried out physical verification of the laptops purchased under the OLPC program. The laptops were stored and distributed through the Primary Section Storeroom. The physical verification revealed that 60 laptops worth \$27,600 were missing. Refer to Table 23.21 below for details of the items.

Table 23.21: Movement of Laptops

Description	Quantity
Number of Laptops Supplied by Daltron	2000
Number of Laptops Distributed to schools	(1,735)
Number of Laptops on hand	(205)
Unaccounted Laptops	60

The Research Officer OLPC Program did not provide any explanation for the missing laptops.

The finding indicates poor administration of the laptops under the OLPC program by responsible officers. The lack of proper administration of laptops increases the risk of loss of public funds through theft.

Recommendations

The Ministry should:

- **investigate the matter and take appropriate disciplinary action against the officer responsible for poor administration of the Laptops; and**
- **implement adequate internal control to strengthen the management of laptops under the OLPC Program.**

Ministry's Comments

Audit is noted.

There were some laptops delivered to schools as advised by the former PEO Primary & SEO Primary which was not recorded or taken into account.

The Ministry will ensure that it maintains proper record keeping in future avoiding discrepancies.

23.26 Laptops not Verified When Received

According to the contract agreement signed between the Supplier and Ministry of Education, the Authorized Officer of the Ministry or their representative must inspect the 2000 XO - 1.75 Laptops.

Such inspection must take place no later than 7 workings days following the delivery date. The 2000 XO-1.75 laptops were supplied on 23/09/14.

The Supplier will at its option replace or give the Ministry a credit for any 2000 XO-1.75 Laptops which are damaged or are incorrectly delivered if the Ministry advises the Supplier within seven days of receiving the laptops.³⁴

The audit noted that the Ministry did not inspect the conditions of the 2000 XO-1.75 laptops supplied by the Supplier.

However upon physical verification by the audit on 15/12/2014, it was noted that 15 laptops costing \$6,900 (VIP) were not in working condition and were stored in the storeroom at the Ministry Headquarters, Quality House.

The finding indicates the laxity on the part of the Ministry's officials for not inspecting the laptops when it was supplied. This resulted in loss of \$6,900 of public funds.

Recommendation

The Ministry should investigate this matter and surcharge the officers who were responsible for inspecting the laptops but did not do so.

³⁴ Agreement signed between Ministry and the Supplier para 10.10 (d)
Ministry of Education, National Heritage, Culture & Arts

Ministry's Comments

Audit is noted.

The Ministry would like to inform Audit that it was unable to operate the laptop upon receiving from the Supplier due to the activation key that was not provided.

The activation key was provided late by the Supplier hence the Ministry could not verify the laptops as the key was the only method of unlocking the laptop.

Therefore, it was later decided by the then Director Primary to send the laptops to the schools with the activation to be given later.

23.27 Audited Accounts Not Submitted By Grant Recipients'

The recipient of the Grant Assistance shall prepare an acquittal report. The acquittal report shall provide the following information:

- i. Details of grant money expended and unexpended;
- ii. Grant objectives and targets achieved; and
- iii. Financial statement (audited if practicable) for grants of \$20,000 or more³⁵.

The Ministry provides grants to Fiji Museum, National Trust of Fiji and Fiji Arts Council. The grants provided to each of these agencies are in excess of \$20,000. The audit noted that these agencies have not been submitting their audited financial statements to the Ministry of Education for the past few years.

The audit also noted that the Ministry continued to provide annual operating grants despite the agencies not submitting the audited financial statements. Refer to Table 23.22 for details of grant paid as at 31 December 2014.

Table 23.22: Grants Disbursed

Agency	Last Audited Accounts	Figures not Provided	Grants Provided Despite Accounts Unaudited					
			2010	2011	2012	2013	2014	Total
National Trust	2011	---	---	---	250,000.00	250,000	250,000	750,000.00
Fiji Museum	2007	2008-2009	363,097.50	304,438.00	227,420.00	300,000	280,000	1,474,955.50
Fiji Arts Council	2003	2004-2009	311,432.30	229,506.14	380,304.30	176,729	150,000	1,247,971.74

In the absence of audited financial statements or proper acquittals report, the Ministry cannot substantiate whether grants were used for the purpose it was given for. There is a high risk that grants may not be properly used.

Recommendations**The Ministry should:**

- ensure that all grant recipients comply with the terms and conditions of the grant agreement;

³⁵ Ministry of Education Finance Manual 2013 Section 3.5.1

- ensure that all grant recipients receiving more than \$20,000 grant submit audited annual accounts to the Ministry; and
- take appropriate action against grant recipients who have not submitted the audited annual accounts.

Ministry's Comments

Audit is noted.

The Ministry will ensure that the grant recipients submit their Financial Statements before new or further grant is made payable.

The Ministry will continue to monitor the usage of grants to Cultural Agencies to ensure compliance of standard procedures are adhered to.

23.28 Unbudgeted Expenditure

Agencies should prepare their budget submissions in accordance with the Finance Circulars issued by the Permanent Secretary of Finance from time to time. Agencies should ensure that their budget submissions:

- clearly linked to the policy objective in the National Development Plans;
- separately show operating and capital expenditures; and
- clearly specify the projects and expenditure to be aid funded.³⁶

The Ministry did not have any allocation as 'Other Setup and Implementation' (allocation number 21101-91012-070299) in its 2014 budget.

However the audit noted that the Permanent Secretary for Education vired funds totalling \$2,130,426 from different allocations on three occasions into 'Other Setup and Implementation' allocation. Details of the virement are shown in Table 23.23 below.

Table 23.23: Details of Virement from Various Allocations

Date Approved	Virement Number	Amount (\$)
07/05/14	DV 2106	397,426
05/08/14	DV 2114	533,000
22/08/14	DV 2117	1,200,000
Total		2,130,426

The audit further noted that funds totalling \$1,855,634.11 or 87.1% from 'Other Setup and Implementation' were used by the Ministry to procure goods, services or works that were not budgeted for. The payments were approved by the Permanent Secretary for Education.

Refer to Table 23.24 for payments made from the 'Other Setup and Implementation' allocation.

³⁶ Finance Instructions 2010 Section 6 (3)

Table 23.24: Details of Expenditure Incurred

Date	Payment Voucher Number	Particulars	Amount (\$)
26/09/14	324694	Payment of consultancy and training charges to Heidelberg Graphic Ltd	120,799.00
26/09/14	324264	Purchase of 40 S5 Samsung phone	49,960.00
04/09/14	322790	Supply of Diesel and Premix for emergency cutting water for Lau Schools	27,067.25
29/10/14	327592	Consultancy charges to M&S Consultants - Provision of REACT software, Support and Maintenance services 01/01-15-31/12/15	25,927.65
20/05/14	310948	Payment of photocopier-Lanier MP 6000	21,850.00
06/10/14	325636	MOE 50% payment for Tuvalu students at FNU	21,220.00
05/08/14	319296	MOE 50% payment for Tuvalu students at FNU	19,774.00
03/06/14	312919	MOE 50% payment for Tuvalu students at FNU	18,729.32
16/09/14	324351	Payment of 130 padded stools for Vunisea Secondary School	16,792.00
11/07/14	318665	Installation of new AC at ERC (Education Resource Centre) government printing building in Vatuwaqa	16,260.00

The finding indicates that proper procedures were not followed by the Ministry to seek approval for use of public funds. Hence the funds vired to allocation ‘Other Setup and Implementation’ was not approved by the Parliament.

Recommendations

- **The Ministry of Finance should investigate this matter and take appropriate action.**
- **The Permanent Secretary for Education should:**
 - **cease the practice of transferring funds from other allocations into ‘Other Setup and Implementation’ allocation; and**
 - **cease the use of funds from the ‘Other Setup and Implementation’ allocation.**

Ministry’s Comments

Audit comment is noted.

However, the Ministry wishes to inform Audit that it is a norm each year to set aside some funds to meet payments for unbudgeted expenditures. This is a pool where the Ministry is able to provide room for usage of funds. It also looks at the needs and interests of the whole Ministry.

As throughout the year there are certain new initiatives that need to be implemented but do not have any budgetary provision.

This funding is also to meet commitments made by the Minister and PSE.

Appendix 23.1 No Segregation of Duties

Cheque / EFT Number	Voucher Number	Amount (\$)	Functions undertaken by Transport / Supplies Officer -
1020904	296175	4,629.70	<ul style="list-style-type: none"> obtaining quotations acknowledgement of the receipt of goods certifying the payment voucher as correct writing of minute for purchasing the items
1021132	296443	9,599.20	<ul style="list-style-type: none"> obtaining quotations acknowledgement of the receipt of goods certifying the payment voucher as correct writing of minute for purchasing the items
1023593	299289	3,012.00	<ul style="list-style-type: none"> obtaining quotations signing the delivery docket certifying the payment voucher as correct
1025968	302057	2,908.01	<ul style="list-style-type: none"> obtaining quotations certifying the payment voucher as correct acknowledgement of the receipt of goods
1026753	303144	6,680.00	<ul style="list-style-type: none"> obtaining quotations acknowledgement of the receipt of goods certifying the payment voucher as correct Receiving of invoice
1027919	304391	2,199.000	<ul style="list-style-type: none"> obtaining quotations certifying the payment voucher as correct writing of minute for purchasing the items Receiving of invoice Receiving delivery docket
1029051	305726	1,641.00	<ul style="list-style-type: none"> obtaining quotations acknowledgement of the receipt of goods certifying the payment voucher as correct writing of minute for purchasing the items
1030307	307962	4,527.00	<ul style="list-style-type: none"> obtaining quotations acknowledgement of the receipt of goods certifying the payment voucher as correct writing of minute for purchasing the items
1031871	311515	3,948.30	<ul style="list-style-type: none"> obtaining quotations receiving delivery docket certifying the payment voucher as correct writing of minute for purchasing the items receiving invoice
6364	314419	7,349.95	<ul style="list-style-type: none"> obtaining quotations receiving delivery docket certifying the payment voucher as correct writing of minute for purchasing the items receiving invoice
9884	321858	2,105.00	<ul style="list-style-type: none"> obtaining quotations receiving delivery docket certifying the payment voucher as correct writing of minute for purchasing the items

Section 24 Ministry of Health

Role and Responsibilities

The Ministry of Health's goal is to provide a health care system that is accessible, affordable, responsive, equitable and of high quality to the people of Fiji. These roles and responsibilities advocate the provision of the 2013 Constitution under Section 38 - Rights to Health that states:

(1) The State must take reasonable measures within its available resources to achieve the progressive realisation of the right of every person to health, and to the conditions and facilities necessary to good health, and to health care services, including reproductive health care.

(2) A person must not be denied emergency medical treatment.

(3) In applying any right under this section, if the States claims that it does not have the resources to implement the right, it is the responsibility of the State to show that the resources are not available.

In undertaking these roles and responsibilities, the Ministry of Health will address its strategic goals of provision of health services, protection of health, promotion of health, productivity in health and human resources in health to achieve the major outcomes summarised. To achieve these goals, the Ministry will develop from resources available a comprehensive and encapsulating health delivery system encompassing curative health services (primary, secondary, tertiary), disease prevention and Wellness promotion. Improvements to the delivery of health services will continue and be pursued by the Ministry in partnership with key stakeholders, the private sector and development partners. The Ministry will maintain capacity building and continue training personnel and address staff shortages in critical areas in health institutions, together with the maintenance and upgrading of health facilities around the country especially in rural areas.

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PART A: CONSOLIDATED FINANCIAL STATEMENT

24.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Health resulted in the issue of a qualified audit report. The bases for the qualifications are as follows:

- The Trust Fund account Statement of Receipts and Payments for the year ending 31/12/13 had a debit balance of \$149,211. However the Trust Fund account Statement of Receipts and Payments for the year ending 31/12/14 had opening credit balance of \$746,781. The opening balance for the Trust Fund account Statement of Receipts and Payments was incorrectly stated. I was not able to ascertain the correctness of the main Trust Fund account balance at balance date.
- The Ministry recorded total receipts of \$338,299 in the Trust Fund Statement of Receipts and Payments. The total receipt in the Trust Fund FMIS general ledger (9-22101-22002-895048) was \$195,485. I was not able to ascertain the correctness of the main Trust Fund account balance at balance date.
- The Ministry's bank reconciliation for the Trust Fund account for December 2014 did not reconcile to the FMIS general ledger. The main Trust Fund account had a closing debit balance of \$98,155 (overdrawn) in the FMIS general ledger while the bank reconciliation balance as at 31/12/14 had a debit balance of \$32,069 resulting in a variance of \$130,224.

In addition the Trust Fund bank account reconciliation for December 2014 included an unsubstantiated amount of \$224,822 to reconcile Trust Fund bank account balance with Trust Fund manual cash book balance of \$32,069. I was not able to ascertain the correctness of the main Trust Fund account balance at balance date.

- The Ministry did not maintain a separate Trust Fund account to record the retention sums deducted from progress payments for capital works. The Trust Fund Statement of Receipts and Payments for retention sum held were not included in the Special Purpose Financial Statements as required under Section 25 of the Financial Management Act 2004.
- Included in TMA Balance sheet is VAT receivable of \$134,794. The Bulk Purchase Scheme does not pay VAT on purchases of medical supplies from Fiji Pharmaceutical and Biomedical Services for resale at VAT inclusive price. The VAT receivable of \$134,794 was incorrectly stated in the TMA Balance Sheet.
- The Ministry of Finance posted \$81,972 into Account Receivable (debit entry) and TMA ACC Surplus (credit entry) accounts. No detail of the adjustment was provided by the Ministry. I was not able to ascertain the correctness of the Accounts Receivable and TMA ACC Surplus balances of \$98,345 and \$1,129,675 respectively.

24.2 Statement of Receipts and Expenditure

The Ministry collected revenue amounting to \$6,169,400 and incurred a total expenditure of \$213,679,198 in 2014. Details are provided in Table 24.1 below.

Table 24.1: Statement of Receipts and Expenditure for 2014

Description	2014 (\$)	2013 (\$)
RECEIPTS		
State Revenue		
Operating Revenue	1,008,789	1,332,452
Total State Revenue	1,008,789	1,332,452
Agency Revenue		
Hospital Fees	2,112,170	1,945,088
Fumigation & Quarantine	1,778,602	1,389,079
License & Others	1,269,624	1,137,919

Description	2014 (\$)	2013 (\$)
Fiji School of Nursing	---	1,739
Miscellaneous Revenue	215	471
Total Agency Revenue	5,160,611	4,474,296
TOTAL REVENUE	6,169,400	5,806,748
EXPENDITURES		
Operating Expenditure		
Established Staff	103,781,190	79,140,819
Unestablished Staff	14,300,629	12,978,866
Travel & Communication	4,249,572	3,726,317
Maintenance & Operations	12,772,759	12,059,593
Purchase of Goods & Services	35,265,801	31,805,889
Operating Grants & Transfers	1,170,544	737,965
Special Expenditures	7,332,660	8,723,637
Total Operating Expenditure	178,873,155	149,173,086
Capital Expenditure		
Capital Construction	15,653,214	6,873,071
Capital Purchases	8,745,114	7,665,371
Capital Grants & Transfers	---	---
Total Capital Expenditure	24,398,328	14,538,442
Value Added Tax	10,407,715	6,754,542
TOTAL EXPENDITURE	213,679,198	170,466,070

The Ministry's revenue increased by \$362,652 or 6.2% in 2014 compared to 2013 due increase in revenue from hospital fees, fumigation & quarantine and licence fees.

The Operating Expenditure increased by \$29,700,069 or 19.9% in 2014 compared to 2013 due to an increase in the number of nurses, doctors and extended opening hours in providing the health services to the general public.

The Capital Expenditure increased by \$9,859,886 or 67.8% in 2014 compared to 2013 due to the nature of projects implemented which needed much preparatory work and liaison with various stakeholders and supply, installation and commissioning of Radiology equipment.

24.3 Appropriation Statement

The Ministry of Health incurred expenditures totalling \$213,679,197 in 2014 against the budget of \$222,476,539 resulting in savings of \$8,797,342. Details are provided in Table 24.2.

Table 24.2: Appropriation Statement For 2014

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	97,306,332	1,439,436	98,745,768	103,781,190	(5,035,422)
2	Unestablished Staff	12,463,464	1,100,593	13,564,057	14,300,629	(736,572)
3	Travel & Communication	3,937,960	357,225	4,295,185	4,249,572	45,613
4	Maintenance & Operations	12,461,500	645,323	13,106,823	12,772,759	334,064
5	Purchase of Goods & Services	33,929,276	1,256,493	35,185,769	35,265,801	(80,032)
6	Operating Grants & Transfers	872,000	306,416	1,178,416	1,170,544	7,872
7	Special Expenditure	10,721,007	(260,920)	10,460,087	7,332,660	3,127,427
	Total Operating Costs	171,691,539	4,844,566	176,536,105	178,873,155	(2,337,050)

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
	Capital Expenditure					
8	Construction	29,940,000	(3,211,888)	26,728,112	15,653,214	11,074,898
9	Purchases	6,925,000	1,813,347	8,738,347	8,745,113	(6,766)
10	Grants & Transfers	---	---	---	---	---
	Total Capital Expenditure	36,865,000	(1,398,541)	35,466,459	24,398,327	11,068,132
13	Value Added Tax	13,920,000	(3,446,025)	10,473,975	10,407,715	66,260
	TOTAL EXPENDITURE	222,476,539	---	222,476,539	213,679,197	8,797,342

24.4 Statement of Losses

There was no loss of fixed asset recorded for the year 2014. However, items worth \$2,785,476 were written off, following the Ministry's Board of survey conducted in 2014. Expired drug as at 31/12/14 was valued at \$745,411.

Board of survey for the year ending 31 December 2014 was conducted by the Ministry.

PART B: AUDIT FINDINGS

24.5 Variances in FNPF Figures

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.¹

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

A variance of \$442,790.37 was noted between the Ministry's gross pay on which FNPF was paid and the audit calculations of gross pay subject to FNPF. Refer to Table 24.3 for details.

Table 24.3: Un-Reconciled FNPF Variance

Details	Amount (\$)
a) Total FNPF against salaries and wages for 2014	
FNPF as per General Ledger	8,901,037.27
Less: December 2013 FNPF	1,099,557.58
	7,801,479.69
Add: December 2014 FNPF	1,375,773.22
8% FNPF contribution by Employer for 2014 (A)	9,177,252.91

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

Details	Amount (\$)
b) Salaries and wages for 2014 Subject to FNPF	
Salaries, Wages and allowances as per financial statement	109,180,781.77
8% FNPF contribution by Employee for 2014 (B)	8,734,462.54
Un-reconciled variance (A) – (B)	442,790.37

The audit further noted that the Ministry did not prepare FNPF reconciliations for the year 2014.

The findings indicate lack of monitoring and supervision by the Senior Officers of the Ministry. As a result the audit could not ascertain the accuracy and correctness of the FNPF payments made by the Ministry.

Recommendations

The Ministry should:

- ensure that proper FNPF reconciliation is carried out on a monthly basis to identify variances; and
- take appropriate disciplinary for not reconciling FNPF payment.

Ministry's Comments

Audit recommendation is acknowledged

Reconciliation is now been done by verifying 501 and 502 contribution from payroll with total CS report and cumulative report at the end of the month. Payment done at the end of the month has been checked that it ties with the figure in GL. However, it was truly said that there are also officers paid from other Segs e.g. Seg 5 and Seg 7 and other donor funded allocations. The unreconciled variances can also be attributed from several retired officers who were re-engaged in the service and they were non FNPF members (withdrawn members), Expatriates whilst the reactivation of salary hence FNPF deductions were also activated in the payroll system.

24.6 Drawings Account

A new format of the Drawings account reconciliation was introduced by the Ministry of Finance effective from 1/1/14 through the Finance Circular Number 2/2014. The Ministry of Health have two Drawings Accounts, one at Headquarters and the other at the Western Division in Lautoka.

24.6.1 Head Quarters

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.²

The Permanent Secretary must appoint a Board of Survey to conduct a physical stock take of all cash on hand and other stocks held in safes at least once a year.³

² Finance Instruction 2010 - Section 32 (6)

³ Finance Instruction 2010 – Section 31(5)

The audit noted the following anomalies in the Ministry's Drawings account:

- The Ministry did not carry out Board of Survey for the unrepresented cheques as at 31/12/14. As a result the audit could not place reliance on unrepresented cheques as at 31/12/14.
- The Ministry of Finance approved write-offs to various allocations for whole of government for the year 2014. The Ministry of Finance posted \$3,097,903.62 of these write offs into Ministry of Health Drawings account balance. As a result the Drawings account balance was overstated.

The audit could not substantiate the increase in the Drawings account balance as details pertaining to the increase was not provided for audit verification.

- The Ministry did not use the previous month's closing balance as the opening balance for months of June and November Drawings account reconciliations. The audit could not ascertain the correctness of the Drawings account reconciliation as at 31/12/14. Refer to Table 24.4 for details.

Table 24.4: Details of Variance in Closing and Opening Balances

Month	Closing Balance As Per Reconciliation (\$)	Opening Balance As Per Reconciliation (\$)	Variance (\$)
May	8,728,644.51		
June		8,702,991.41	25,653.10
October	11,455,430.95		
November		11,481,084.05	25,653.10

- The Ministry's Headquarters Drawings account did not reconcile with the FMIS General Ledger balance for the year ended 31/12/14. The Ministry's Drawings Account reconciliation for December 2014 had a balance of \$11,160,552.92 while the FMIS general ledger had a balance of \$4,545,309.69. A variance of \$6,615,243.23 was noted between the Ministry's reconciliation and the FMIS general ledger. Refer to Table 24.5 for details.

Table 24.5: Variance in Closing Balance in Drawings Account

Account Description	Balance As Per Drawings Account Reconciliation (\$)	Balance As Per FMIS (\$)	Variance (\$)
Drawings Account	11,160,552.92	4,545,309.69	6,615,243.23

The findings indicate lack of supervision and monitoring by Senior Officers and lack of coordination between the Ministry and Ministry of Finance. As a result the audit could not ascertain the accuracy and correctness of the Drawings account reconciliation.

Recommendations

The Ministry should ensure that:

- **Board of Survey of the unrepresented cheques is carried out at the end of the year;**
- **adequate supervision and monitoring is provided by Senior Officers to their subordinates;**
- **the correct opening balances are used to reconcile the Drawings account;**
- **it coordinates with the Ministry of Finance to reconcile the Drawings account; and**
- **appropriate disciplinary action is taken against those responsible for not performing their task properly.**

Ministry's Comments

Audit recommendation is acknowledged

MOHMS will comply in future that Board of Survey of unrepresented cheques is carried out at the end of the year. We at all-time coordinates with Ministry of Finance in reconciling of the Drawings Reconciliation every month. The officer responsible while in process of Drawings account reconciliation will ensure to reconcile the accounts in the proper manner and be monitored from now onwards. MOHMS are working closely with FMIS preparing the reconciliation and checking with FMIS. Drawings reconciliation were complete until December 2014 when the new format came in requesting by MOF being generated thus the delay while it took time for the reconciling clerks to adopt the new format thoroughly.

24.6.2 Western Division

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 officer⁴. The Permanent Secretary must appoint a Board of Survey to conduct a physical stock take of all cash on hand and other stocks held in safes at least once a year.⁵

The audit noted the following anomalies in the Drawings account:

- The Ministry did not carry out Board of Survey for the unrepresented cheques as at 31/12/14. As a result the audit could not place reliance on unrepresented cheques as at 31/12/14.
- The closing balance of the Drawings account reconciliation for the month of August was not carried forward as the opening balance for the month of September. As a result audit could not ascertain the correctness of the Drawing account reconciliation as at 31/12/14. Refer to Table 24.6 for details.

Table 24.6: Details of Variance in Closing and Opening Balances

⁴ Finance Instruction 2010 - Section 32 (6)

⁵ Finance Instruction 2010 – Section 31(5)

Month	Closing Balance As Per Reconciliation (\$)	Opening Balance As Per Reconciliation (\$)	Variance (\$)
August	2,816,565.10		
September		3,204,790.89	388,225.79

- The Ministry's Drawing account reconciliation as at 31/12/14 for Western Division was not reconciled with FMIS general ledger. A variance of \$2,272,092.96 existed between Drawing account reconciliation and the FMIS general ledger balance as at 31/12/14. Refer to Table 24.7 for details.

Table 24.7: Variance in Closing Balance in Drawings Account

Description	Balance As Per Drawings Account Reconciliation (\$)	Balance As Per FMIS (\$)	Variance (\$)
Drawings Account	2,572,576.00	300,483.04	2,272,092.96

The findings indicate lack of supervision and monitoring by Senior Officers and lack of coordination between the Ministry and Ministry of Finance. As a result the audit could not ascertain the accuracy and correctness of the Drawings account reconciliation.

Recommendations

The Ministry should ensure that:

- Board of Survey of the unrepresented cheques is carried out at the end of the year;**
- adequate supervision and monitoring is provided by the Senior Officers to their subordinates;**
- the correct opening balances are used to reconcile the Drawings account;**
- it coordinates with the Ministry of Finance and reconcile the Drawings account; and**
- appropriate disciplinary action is taken against those responsible for not performing their task properly.**

Ministry's Comments

Audit recommendation is acknowledged

The division were awaiting the appointment Board of survey members from Headquarters and then Board of Survey for Drawings was carried out. MOHMS will comply in future that Board of Survey of unrepresented cheques is carried out at the end of the year. We at all-time coordinates with Ministry of Finance in reconciling of the Drawings Reconciliation every month. Assistant Accounts Officer checks and verifies the reconciliation before certified correct by the PAO/SAO and then approved by PSHMS for submission to Ministry of Finance. Division must have overlooked on the opening balances. MOHMS are working closely with FMIS preparing the reconciliation and checking with FMIS. Drawings reconciliation was incomplete due to staff turnover and when new temporary officers engaged within a short period of time, however it is to be noted that the reconciliation is now up to date. Furthermore, in December 2014 when the new format came in requesting by

MOF being generated thus the delay while it took time for the reconciling clerks to adopt the new format thoroughly.

24.7 Unpresented Cheque List

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.⁶

Electronic funds transfer (EFT) is the electronic exchange, transfer of money from one account to another, either within a single financial institution or across multiple institutions, through computer-based systems.⁷

EFT's numbers are automatically generated in the FMIS general ledger for individual payments. The processing for the EFT's is done in batches by the Bank.

The audit noted that the Ministry of Finance while carrying out the bank reconciliations could not map the batch postings in the bank statement to the EFT numbers generated in the FMIS general ledger. As a result, the unpresented cheques for the Ministry as at 31/12/14 were inclusive of the EFT.

The audit further noted that some of the EFT amounts included in the Drawings account reconciliation as at 31/12/14 were for 2012. Refer to Table 24.8 for details.

Table 24.8: Details of the Total Unpresented Cheques for Ministry of Health Headquarters

Division	Total Unpresented Cheque (\$)	EFT (\$)	Percentage
Headquarters	11,160,552.92	8,325,233.49	75

Hence, the Drawings account reconciliation does not reflect the correct amount of the unpresented cheques listing at balance date.

The findings indicate improper reconciliations and lack of monitoring of the Drawings accounts. As a result the unpresented cheques listing was overstated at balance date by \$8,325,233.49.

Recommendation

The Ministry of Health should liaise with Ministry of Finance to request the banks to post EFT individually in the bank statements.

Ministry's Comments

Audit recommendation is acknowledged.

We have been liaising with FMIS in regards to this as at from the beginning when EFT started but till now there is still nothing done to it and as you can see that our Unpresented List is increasing every month. EFT is supposed to be presented at the same time but it is not working that way in this Reconciliation format. FMIS have notified us that they will work out something. This was due to the bank posting a lump sum figure thus it was reflecting as unpresented. Currently the EFT issue is rectified in liaison with FMIS.

⁶ Finance Instruction 2010 - Section 32 (6)

⁷ Wikipedia

24.8 VAT Reconciliation

Subject to the provisions of this Decree, the tax shall be charged in accordance with the provisions of this Decree at the rate of fifteen percent on the supply (but not including an exempt supply) in Fiji of goods and services on or after the 1st day of July 1992, 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.⁸

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.⁹

The Ministry prepared VAT reconciliations for 2014 however it was not consistent with audit format. The review of VAT returns and total expenses revealed a variance of \$2,064,555 between the taxable supplies as per VAT Return and the total income/expenditure as per Statement of Receipts and Expenditure. Refer to Table 24.9 for details.

Table 24.9: Un-Reconciled Variance in VAT Return

Details	Amount (\$)
Total Expenditure as per Expenditure Statement	213,679,198
Less: Expenditure not subject to VAT – SEG 1, 2, 6, 10 and 13	129,660,078
Total Expenditure/income subject to VAT	84,019,120
Less: Total Taxable Supplies as per VAT Returns	81,954,565
Un – reconcile Variance	2,064,555

In addition a variance of \$6,948,519.14 existed between the VAT paid to FRCA for the year 2014 and the balance disclosed in the FMIS general ledger. Refer to Table 24.10 for details.

Table 24.10: Variance in VAT Paid Amount in FMIS

Details	Amount (\$)
VAT payments (VAT payments to FRCA and VAT Input) as per General Ledger (SEG 13)	10,407,715.16
VAT payments (VAT payments to FRCA and VAT Input) as per VAT Returns for 2014	3,459,196.02
Un-reconciled variance	6,948,519.14

No explanation was provided by the Ministry for the variance.

The non-reconciliation of VAT and poor monitoring by the Ministry has resulted in the variance highlighted above. The Ministry may be paying incorrect VAT to FRCA.

As a result the audit could not ascertain the accuracy of VAT payments made to FRCA.

⁸ Value Added Tax Decree 1991 revised to 4th March 2011 – Section 15 (1)

⁹ Finance Circular No 9/95

Recommendations**The Ministry should:**

- ensure that VAT paid to FRCA is reconciled on a monthly basis;
- take necessary steps to identify the error and reconcile the records to avoid such variances in future;
- ensure supervisory checks on the preparation of VAT Returns is improved to ensure that balances reflected in the VAT Returns reconcile with the General Ledger; and
- ensure that appropriate disciplinary action is taken against those responsible for not performing their task.

Ministry's Comments

Audit recommendation is acknowledged

The un-reconciled variance was due to difference in amounts entered in worksheet which differed with GL amount. We will take note of this and ensure that correct amounts are used for accurate calculation of Vat payments. We will ensure that thorough check by both officer preparing the payment and supervisor to avoid reoccurrence.

24.9 Over Expenditure

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without the authorisation of the Ministry of Finance, pending approval by Cabinet.¹⁰

The audit noted that the Ministry over spent the funds allocated for Established Staff, Government Wage Earners and Purchase of Goods and Services. Refer to Table 24.11 for details.

Table 24.11: Over Expenditures

Description	Revised Budget (\$)	Actual (\$)	Over Expenditure (\$)
Established Staff	98,745,768.00	103,781,190.31	5,035,422.31
Government Wage Earners	13,564,057.00	14,300,628.73	736,571.73
Purchase of Goods	35,185,769.00	35,265,801.03	80,032.03
Total Over Expenditure	147,495,594.00	153,347,620.07	5,852,026.07

The over expenditure was due to recruitment of additional medical personnel and extended opening hours of certain health centres in 2014. The Ministry utilised funds from VAT allocation to meet the over expenditure.

¹⁰ Finance Instructions 2010 – Section 7
Ministry of Health

Recommendation

The Ministry should ensure that additional funding is sought from the Ministry of Finance to meet the over expenditures.

Ministry's Comments

Audit Recommendations is acknowledged.

After the completion of updating the P2P exercise for both Established and GWE Staffs, we will able to determine the realistic figures to be estimated for Seg 1 and 2 against the provision of the budget for the Ministry of Health and Medical Services. Some of the factors that resulted in the over expenditure of salaries is:

- *Newly appointed nurses, doctors, paramedics' staff and projected officers paid from Personal emoluments due to late submission of project funds.*
- *Accumulated salary arrears for suspended officers after reinstatement.*
- *Salary arrears for confirmation of medical officers and nurses.*
- *Payment of remote, consolidated allowances.*

24.10 Unauthorised Journal Voucher

Only the Principal Accounts Officer or Senior Accounts Officer Ledgers shall approve journal adjustments.¹¹ Journal vouchers must be numbered in sequential order. Supporting documents shall be attached to the voucher.¹² Once the journal voucher has been approved, it shall be posted into the appropriate ledger and the general ledger system.¹³

The audit noted several instances where the journal vouchers were posted in the FMIS general ledger without the approval of Principal Accounts Officer or Senior Accounts Officer. Refer to Table 24.12 for examples.

Table 24.12: Examples of Journal Vouchers not approved by Senior Officers

Date	Journal Voucher Number	Amount (\$)	Approved By
05/09/14	06	14,955.55	Assistant Accounts Officer - Salaries
05/09/14	07	10,000.00	Assistant Accounts Officer – Salaries
05/09/14	13	148.03	Acting Assistant Accounts Officer
05/09/14	14	2,581.46	Acting Assistant Accounts Officer
05/09/14	21	634.87	Acting Assistant Accounts Officer
05/09/14	22	10,330.03	Acting Assistant Accounts Officer
05/09/14	24	9,297.13	Acting Assistant Accounts Officer
16/09/14	45	245.87	Acting Assistant Accounts Officer
16/09/14	46	445.01	Acting Assistant Accounts Officer
16/09/14	47	758.87	Acting Assistant Accounts Officer
16/09/14	48	390.65	Acting Assistant Accounts Officer
16/09/14	49	243.42	Acting Assistant Accounts Officer
16/09/14	50	243.42	Acting Assistant Accounts Officer
16/09/14	51	243.42	Acting Assistant Accounts Officer
16/09/14	52	255.93	Acting Assistant Accounts Officer
16/09/14	53	243.42	Acting Assistant Accounts Officer
16/09/14	54	20,660.06	Assistant Accounts Officer Salaries
18/09/14	44	296.00	Acting Assistant Accounts Officer

¹¹ Ministry of Health Finance Manual 2014, Section16.1.2

¹² Ministry of Health Finance Manual 2014, Section16.1.3

¹³ Ministry of Health Finance Manual 2014, Section16.1.5

Date	Journal Voucher Number	Amount (\$)	Approved By
23/09/14	43	8,178.95	Acting Assistant Accounts Officer
24/09/14	42	16,205.77	Acting Assistant Accounts Officer
Total (Sample Only)		96,357.86	

The findings indicate lack of monitoring by the Principal Accounts Officer or Senior Accounts Officer on the processing of journal vouchers. Hence there is a high risk of fraudulent or incorrect journal entries passed and processed into the FMIS general ledger.

Recommendation

The Permanent Secretary should investigate and take appropriate disciplinary action against those responsible for not controlling and monitoring the processing of journals.

Ministry's Comments

Audit recommendation is acknowledged

Journal Vouchers were related to salaries (closing of accounts and clearance of zero budgeted allocations) and was endorsed by Acting Assistant Accounts Officer Salaries and Acting Accounts Officer Salaries. It has been noted that in future it won't be repeated.

24.11 Anomalies in Operating Trust Fund Account

Operating Trust Fund account consists of other moneys that were recorded as trust such as salary deductions payable to other entities, insurance premium deductions from employees, Fiji National Provident Fund deductions from employees. These other moneys were recorded in the Operating Trust Fund account and by convention should always have credit balances. Thus, the Trust Fund accounts should not at any time to be overdrawn.

The following anomalies were noted:

- Ministry did not reconcile the Operating Trust Fund account for the months of June and July.
- Ministry's Operating Trust Fund account was overdrawn by \$781.60 as at 31/12/14. Refer to Table 24.13 for details.

Table 24.13: Overdrawn Operating Trust Fund Account

Account Number	Description	Amount (\$)
1-22101-22999-861101	202 PD OPR Current Year	363.70
1-22101-22999-861915	400 PD Fines & Treasury	45.00
1-22101-22999-861926	PD - Vinod Patel	170.90
1-22101-22999-861927	PD - Fijian Holding Unit Trust	202.00
Total		781.60

- The closing balance of the Ministry's Operating Trust Fund account reconciliation and the FMIS general ledger balance had a variance of \$111.47. Refer to Table 24.14 for details.

Table 24.14: Variance in Closing Balance of Operating Trust Fund Account

Description	Balance As Per Operating Trust Account Reconciliation (\$)	Balance As Per FMIS (\$)	Variance (\$)
Trust Account	1,976,038.47	1,975,927.00	111.47

The overdrawn Operating Trust Fund accounts may arise from payments to the organisations for which deductions were not made.

Recommendations

The Ministry should:

- **investigate the overdrawn Trust Fund account balance as at 31/12/14 and take appropriate action; and**
- **ensure that the Operating Trust Fund account is reconciled on a monthly basis.**

Ministry's Comments

Audit recommendation is acknowledged

The Operating Trust reconciliation for the month of June and July was an oversight hence submissions were not made. Reconciliation will be done and once duly endorsed by signatories copies will be sent for verification. Overdrawn accounts for Operating Trust Accounts were the result of loading of trust credits since MOH had paid out correctly from the allocations. To rectify we will make submission to FMIS for write off since 2014 financial year has closed.

24.12 Main Trust Fund Account Not Maintained for Retention Sum

The Ministry should maintain a Trust Fund account to deposit all retention sums deducted from the progress payments made to the Contractors where applicable.

The receipts and payments of Trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the Trust Fund account must be balanced and reconciled with the Trust Fund bank account. Any variance identified should be investigated and resolved promptly.

The Ministry was allocated \$26,728,112 in its 2014 budget for capital works. Out of the total amount allocated the Ministry utilised \$15,729,166 for capitals works undertaken in 2014.

The audit noted that the Ministry did not maintain a Trust Fund bank account to deposit retention sums deducted from progress payments made to the Contractors for capital works.

Due to management's negligence a Trust Fund account was not maintained by the Ministry to record the amount of retention sum held. Failure to maintain a Trust Fund bank account does not ensure availability of funds when defect liability period ends and retention payment falls due.

Recommendation

The Ministry should maintain a Trust Fund bank account to deposit all the retention sums deducted from progress payments to Contractor's.

Ministry's Comments

Audit recommendation is acknowledged.

We are liaising with Chief Accountant Treasury in writing for approval to maintain a Trust Fund bank account.

24.13 Trust Fund Account Not in the FMIS General Ledger

The receipts and payments of Trust money must be recorded in a separate cashbook or set of ledger accounts.¹⁴ Each month the Trust account must be balanced and reconciled with Trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer.¹⁵ All payments must be immediately recorded in the Financial Management Information System.¹⁶

The Ministry maintains a total of four different Trust accounts and all the Trust funds have separate bank accounts and are reconciled at year end. Refer to Table 24.15 for details of the Trust accounts held by the Ministry.

Table 24.15: Details of Trust Account

Account Name	Balance As At 31/12/14 (\$)
Operating Trust Fund	1,976,038.47
CWM Hospital – Cardiac Force	12,025.11
Fiji Children Overseas Treatment Fund	194,700.64
CWM Hospital Staff Fund	22,792.23
Total	2,205,556.45

The audit noted that three out of the four Trust Fund accounts, namely CWM Hospital – Cardiac Force, Fiji Children Overseas Treatment Fund and CWM Hospital Staff Fund with total credit balance of \$229,517.98 were not recorded in FMIS general ledger maintained by the Ministry of Finance.

The Ministry of Health did not write to Ministry of Finance to ensure that all Trust Fund accounts are recorded in the FMIS general ledger.

Due to laxity on the part of the Ministry's Senior Officer's the Trust Fund accounts were not recorded in the FMIS general ledger. As a result the Ministry of Finance does not have any control over the Trust Fund accounts maintained by the Ministry of Health.

Recommendation

The Ministry should ensure that all the Trust accounts are recorded in the FMIS general ledger.

¹⁴ Finance Instruction 2010 Section 58(2)

¹⁵ Finance Instruction 2010 Section 58 (3)

¹⁶ Financial Instruction 2010 Section 15

Ministry's Comments

Audit recommendation is acknowledged.

The Ministry has written to MOF in 2013 and 2014 to reactivate the FMIS account for revenue and GL accounts and no action was taken. In 2015 Principal Accountant made another submission to MOF in 2015 and was not approved and they have instructed MOH to close the account and transfer funds to consolidate account in which our A/PSHMS did not agree as this fund are open for purpose.

24.14 Trading and Manufacturing Account

The Bulk Purchase Scheme (BPS) is the commercial arm of the Fiji Pharmaceutical and Biomedical Services (FPBS) that is operated under the Trading and Manufacturing Account (TMA). TMA takes care of the supply of drugs and consumables to the wholesalers and retailers locally and also to the region.

On 01/02/11, Cabinet endorsed the Review Report recommendations as follows:

- a) Full cost of operations to be accounted for by BPS;
- b) Review of organisation structure and operations including stock management processes to ensure its effective operations;
- c) BPS to procure and pay for its own stock through the Fiji Pharmaceutical and Biomedical Supplies centre (FPBS) procurement process (consolidated orders); and
- d) BPS to be fully accountable for meeting customer needs both locally and regionally.

The audit noted the following anomalies in TMA.

24.14.1 Anomalies in Accounts Receivable

Credit sales should be properly controlled to ensure debtors pay on time and to avoid bad debts being expensed. Accounts receivable should have debit balance.

The review of accounts receivable revealed the following anomalies:

- BPS did not carry forward Accounts Receivable of \$23,986.78 which was for credit sale prior to 2009.
- There were no credit sales during 2014. However TMA balance sheet as at 31/12/14 recorded Accounts Receivable balance of \$98,344.77.
- The Ministry of Finance posted \$81,971.61 to correct credit postings made in the FMIS general ledger in the year 2011 in the Ministry's TMA Accounts Receivable balance. As a result the Accounts Receivables balance was overstated.

The finding shows that Accounts receivable balance is incorrectly stated as no debtors exists and Accounts Receivable balance was adjusted by Ministry of Finance.

Recommendations

The Ministry of Health must:

- **investigate the Accounts Receivable of \$23,986.78 not included in the TMA Balance Sheet when it was not written off;**
- **identify the credit postings that were made in the year 2011 and adjust the Accounts Receivable accordingly; and**
- **identify who authorised the journal in the year 2011 and take appropriate disciplinary action.**

Ministry's comments

Management acknowledges the report and recommendations of the auditor.

Ministry of Finance response (FMIS unit): FMIS had clarified this write off was done to rectify the posting that was done in 2011. A report for Accounts receivable is now provided by FMIS.

BPS will reconcile the report and make respective adjustments. This would be an ongoing exercise on a monthly basis. A reconciliation of the AR allocation has been done. BPS is currently identifying those separate invoices and appropriate action would be undertaken either to cancel the invoice or post it in the system.

24.14.2 Incorrect Opening Stock Balance

A stock take must be undertaken each year to verify the existence and condition of inventories on hand.¹⁷

The BPS does not hold any inventories at any point in time. When orders are placed by customers, BPS purchases the same quantity of inventories and supplies the inventories to the customers.

The audit noted that BPS included an opening stock of \$34,196 in the TMA Trading account for the year ended 31/12/14 when there was no actual closing stock held in the previous year. The Opening stock of \$34,196 was also recorded in the FMIS general ledger in 2014. The BPS did not provide Stock Take Certificates for the Closing Stock amounting to \$34,196.30 (VEP) for the year 2013. The existence of the \$34,196.30 as the Opening Stock for the year 2014 could not be verified.

The finding shows that opening stock amount is incorrectly stated in the TMA Trading account. As a result gross profit transferred to TMA Profit and Loss Statement is understated by the same amount.

Recommendation

The BPS should investigate and make an adjustment to ensure opening stock is not included when no stock was held at the end of the previous year.

Ministry's Comments

Management acknowledges the report and recommendations of the auditor.

BPS stock item since 2011, however, it was not paid for. From 2014, CP made a directive that all BPS true expense need to be reflected in the accounts, therefore, BPS purchased these stock. Since then BPS started

¹⁷ Finance Instructions 2010 Section 38

paying for some of the stocks as soon as they are received from FPBS as these are solely ordered for BPS customers. Therefore, BPS purchased these in September and thus resulting in opening stock for year 2014 of the amount \$34,196.30 (VEP). These were treated as separate from the normal purchases. During the end of the year in December 2014, the amount of stock holding on hand was \$22,711.10, thus, this became our closing stock for the year.

24.14.3 Misallocation in TMA FMIS General Ledger

Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Senior Accounts Officer Ledgers shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.¹⁸

Any errors or misallocations must be immediately adjusted by way of journal vouchers.¹⁹

The review of the Ministry's TMA Profit and Loss Statement and the FMIS general ledger posting noted misallocations of expenditures on several occasions by the Ministry. In addition there was no allocation for Rent in the FMIS General Ledger and payment of rent was incorrectly charged to Telecommunications allocation. Refer to Table 24.16 for details.

Table 24.16: Misallocation of Expenditure

Account Name	FMIS General Ledger (\$)	TMA Profit And Loss Statement (\$)	Variance (\$)
Travel and Domestic	2,347.95	1,108.00	1,239.95
Telecommunications	15,134.09	785.00	14,349.09
Fuel and Oil	64.58	---	64.58
Rent	(no rent allocation)	15,653.00	15,653.00

The finding indicates laxity of the officer's responsible for TMA and poor supervision by the Principal Accountant. As a result TMA account FMIS general ledger was not properly maintained.

Recommendations

The Ministry should:

- **provide adequate training to its TMA accounting staff;**
- **ensure that TMA account FMIS general ledger is properly maintained; and**
- **investigate the poor record keeping of TMA account and take appropriate disciplinary action.**

Ministry's Comments

Management acknowledges the report and recommendations of the auditor.

Rent was implemented in 2011 following the cabinet decision number 31/2011. BPS therefore started paying for rental expense from there on. BPS has been posting the rent expenses in the telecommunication allocation as there was no separate rent allocation provided to record rental expenses. BPS has requested a separate allocation for rent in order to record the rent separate from the telecom expense and will also ensure that proper record keeping of TMA account will be done from now onwards.

¹⁸ Ministry of Health Finance Manual 2014 Section 16.3.3

¹⁹ Ministry of Health Finance Manual 2014 Section 16.3.4

24.14.4 Anomalies in TMA Bank Reconciliation

Reconciliations are the tallying of two sets of transactions to ensure accounts are recorded properly. Reconciliations are carried out on a monthly basis and to be reviewed by the Senior Officer. It helps in identifying discrepancies in the recording of transactions.

As at 31/12/14 the bank reconciliation had a balance of \$512,856 while the FMIS general ledger had balance of \$488,827. A variance of \$24,029 was noted between the bank reconciliation balance and the FMIS general ledger.

The audit further noted that the lodgements totalling \$258.75 were not credited from previous years. Refer to Table 24.17 for details.

Table 24.17: Details of Lodgement not Credited from Previous Years

Date	Receipt Number	Amount (\$)
11/12/08	243044	36.60
11/1/10	766348	25.80
27/1/12	869729	196.35
Total		258.75

In the absence of appropriate supervision and proper reconciliations, the Ministry may not be able to detect misappropriation or theft of money.

Recommendations**The Ministry must:**

- **identify the unposted receipts from its cash book and post it in the FMIS general ledger;**
- **ensure that monthly reconciliations are properly carried out; and**
- **take disciplinary action against officers responsible for preparing bank reconciliation for not performing their duties properly.**

Ministry's Comments

Management acknowledges the report and recommendations of the auditor.

The unposted receipts relates to some of the previous year's receipts that have not been posted. BPS has taken note of the auditor's recommendation and will ensure that monthly reconciliations will be properly carried out. The unposted receipts amount is being investigated and once identified; appropriate actions would be taken in order to rectify the mispostings.

24.14.5 VAT Amount Incorrectly Stated

VAT account should be properly reconciled and recorded in the TMA Balance Sheet either as VAT Receivables or VAT Payables.

All medical supplies purchased by the BPS from FPBS were at the VAT Exclusive Price (VEP).

However, the audit noted that the BPS incorrectly applied 15% VAT on the purchases made from FPBS and posted the VAT amount in the FMIS General Ledger. As a result, the VAT Receivable of \$134,794.69 was incorrectly recorded in the FMIS general ledger and TMA Balance Sheet.

In addition the VAT calculations performed by audit noted a VAT payable of \$12,207.

Therefore VAT amount was incorrectly stated in TMA Balance Sheet. As a result the net asset as at 31/12/14 was materially misstated.

Recommendation

The Ministry should ensure that appropriate disciplinary action is taken against those responsible for not performing their task.

Ministry's Comments

Management acknowledges the report and recommendations of the Auditor.

The VAT calculation was incorrect as stated by the office of the Auditor General as all the reimbursement of purchases done to FPBS by BPS is based on VEP amount. This has been a process error. BPS has managed to rectify the 2014 mispostings of VAT charges which were adjusted by JV 13 of March 2015. BPS has also managed to identify the 2013 and 2012 mis postings and appropriate adjustments will be taken place to correct the entries.

24.15 Refurbishment and Extension of Operating Theatre Complex at CWM Hospital - Contract Number WSC 200/2012

Government Tender Board awarded the contract number WSC200/2012 to the Contractor on 18/12/12 for total contract sum of \$9,954,295.12 (VIP). The contract sum comprised of \$8,988,269.82 (VIP) for works including obtaining permits, approvals, design works, constructions, renovation, mobilization, installation, commissioning and attendance during defect liability period and \$966,025.30 (VIP) for estimated cost for procurement of specialized equipment.

On 26/9/14, GTB approved variations of \$1,923,543.22 (VIP) which increased the final contract sum to \$11,877,838.34 (VIP). The review of the project files and the contract documents revealed the following anomalies:

- Under the Special Condition to the Contract Agreement, the employer will not withhold retention on the contract sum that relates to the procurement of equipment for the hospital which shall not exceed \$966,025.30 (VIP). The employer shall retain 2.5% on the balance of the contact sum.²⁰

The balance of the initial contract sum²¹ excluding the procurement cost of specialized equipment was \$8,988,269.82 (VIP). The audit noted that the Ministry paid mobilization fees of \$1.5m to the contractor on 28/12/12. However the Ministry did not retain 2.5% or \$37,500 retention sum from the payment of mobilization fees to the Contractor. The finding was highlighted in the Draft Audit Memorandum for the year 2013 however as at 10/12/14, the Ministry did not recover \$37,500 overpaid to the Contractor.

The Ministry did not comply with section 7 of the Special Condition of the Contract Agreement between the Ministry and the Contractor and the audit recommendations.

²⁰ Contract Agreement Between Ministry of Health and Pacific Building Solutions Clause 7.2

²¹ Excluding variation of \$1,923,520.20 (VIP)

- The Ministry submitted the Contract Agreement to Solicitor General's Office for review before signing. On 12/12/12 the Solicitor General's Office advised the Ministry to include a schedule on payment in the Contract Agreement. A schedule of payment shows the amount and tentative dates of payments to the Contractor during the contract period.

However the Ministry did not include a Schedule of payment in the Contract Agreement despite the Solicitor General's advice.

- Under the Contract Agreement, the date of practical completion was 4.00pm on 18/12/14.

However the Contractor was not able to complete the project by the expected completion date of 18/12/14. The Contractor submitted several extensions of time to the Asset Management Unit since 13/6/13. As at 17/12/14 the Contractor requested for extensions accumulating to 66 days. Refer to Table 24.18 for details.

Table 24.18: Details of Delays in Project Completion

Date Submitted	Nature of Delay	Cause of Delay	Expected Length of Delay
13/6/13	Project Demolition Start Date	Delay by CWM Hospital to start demolition works as scheduled.	6 days
23/11/13	Wet Weather	Heavy Rain	10 days
24/1/14	Construction work delay	Inability of the Ministry to supply relevant technical data and technical specifications in relation to the theatre surgical lights and theatre medical pendants.	16 days
21/5/14	Construction work delay – Cardiac Theatre (Phase 1)	Delay resulting from the Ministry to fix the second floor patient toilet room leakage problem.	10 days
22/5/14	Construction work delay – Medical Equipment (Phase 1 Theatres)	Delay resulting from the Ministry on supply and installation of Medical equipment.	24 days
Total			66 days

The Ministry did not allow for any extension of time to the Contractor. As at 25/2/15 the Contractor was not able to complete the project.

As per the Contract Agreement the Contractor is required to pay delay damages at the rate of \$100 per day for every day of delay.

However the Ministry did not charge delay damages to the Contractor even though the extension of time was not allowed to the Contractor.

The delay in project completion may result in additional expenses for the Ministry.

Recommendations

The Ministry should:

- **recover the retention sum of \$37,500 not deducted from the mobilization cost from subsequent progress payments;**
- **properly plan and review capital projects to avoid variations and delays;**

- **charge delay damages for works not completed on time in future; and**
- **comply with conditions of the contract at all times.**

Ministry's Comments

Audit recommendation is acknowledged

- *Recover retention sum of \$37,500.00 – this will be recovered from next progress payment.*
- *GTB Bond reduced to 5% - current team not aware who had done this, recommendation is noted.*
- *Agreed to comply with other recommendations.*
- *Comments noted. Ministry to be strict when monitoring this in future.*
- *Comments noted. Improvements to this have been made since.*

24.16 Delay in Installation and Commissioning of Operating Theatre Equipment

The GTB awarded the contract number 3/2014 to the Contractor on 15/4/14 for supply, installation and commissioning of Operating Theatre Equipment for CWM Hospital at a total cost of \$1,506,205.19. The equipment was received by the Ministry on 12/6/14.

The equipment purchased was for the 4 new operating theatres²² at CWM Hospital. The contract for the construction of the operating theatre was awarded to another Contractor. However the construction of the operating theatres was still in progress even though the expected completion date for the construction work was 18/12/14.

The audit noted that because of the delay in constructing the operating theatres the supplier only managed to install and commission equipment's in 2 (Endoscopy and the Cardiac operating theatres) out of the 4 operating theatres.

The sites for the installation of the equipment for the Orthopedic and Neurology operating theatres were not ready as at the date of audit on 13/1/15. As a result the supplier of the equipment could not install the equipment in the other 2 (Orthopedic and Neurology) operating theatres.

The equipment has been left idle for the last 7 months. As a result the Ministry did not obtain value for money from this project.

Recommendation

The Ministry should take appropriate action to expedite the completion of the remaining 2 (Orthopedic and Neurology) operating theatres.

Ministry's Comments

Audit recommendation is acknowledged.

The project is fully completed. Delay was due to the issuance of Practical Completion Certificate.

²² These are the Endoscopy, Cardiac, Orthopedic and Neurology Operating Theatres
Ministry of Health

24.17 Sigatoka Maternity Unit Extension – Contract Number WSC 98/2014

The GTB in its letter dated 3/10/13 awarded the contract number WSC 98/2013 for the Construction of Maternity Unit and Associated Structural Works at Sigatoka Hospital to the Contractor for \$2,640,015.99 (VIP) inclusive of \$50,000 (VIP) contingency sum. The contract between the Ministry and the Contractor was signed on 5/11/13.

The review of the project files and the contract documents revealed the following anomalies:

- The contract agreement should state the project commencement and completion dates which provides the Contractor specific timeframe for completing the works.

The contract agreement signed between the Ministry and the Contractor did not state the commencement and completion dates. The finding indicates that the Ministry did not properly review the contract before signing.

In absence of the commencement and completion dates, the Contractor may unnecessarily delay the works.

- The Ministry should appoint a Clerk of Works for every capital project it undertakes. The role of the Clerk of Works should be to inspect the materials used and review the progress of the projects and provide periodic reports on the progress of the project to ensure all works are carried out to the satisfaction of the Ministry.

The Ministry engaged the Clerk of Works on 16/1/14 which was after 72 days from the project commencement date of 5/11/13. Hence the Ministry did not have any Clerk of Works for 72 days until Clerk of Works was recruited on 16/1/14.

In addition the Clerk of Works resigned on 16/7/14 before the project was completed on 3/11/14. The Ministry did not appoint another Clerk of Works for the project. The project was not supervised since the Clerk of Works resignation.

The findings show poor project management and supervision by the Ministry. This may result in use of substandard materials and poor quality of work.

Recommendations

The Ministry should ensure that:

- **contract documents are properly reviewed before signing; and**
- **Clerk of Works is appointed at the commencement of the project until the project is completed.**

Ministry's Comments

Audit recommendation is acknowledged.

- *Commencement & Completion Dates – all recent contracts have clauses to where these dates are to be filled in.*
- *Hiring of Clerks of Works has been an issue for Ministry of Health and Medical Services. There has been little or no interest from the employment market for Clerks of Works for our various major projects. For this*

instant, the Ministry of Health and Medical Services through the Sigatoka Board of Visitors had project consultants headed by a Lead Architect also supervising the project. Therefore chances of use of substandard materials were very slim. However concern are noted and agreed to.

24.18 New Ba Hospital Project Management – Failure to Deduct Provisional Tax

The Minister for Finance on 26/3/14 in a letter referenced 21/2/8(1) approved the waiver of tender for the project management consultancy services for the construction of the New Ba Hospital. The Minister for Finance appointed the Consultant on 27/3/14 as the Project Manager for the construction of New Ba Hospital at a total cost of \$598,000 (VIP).

In order to facilitate the payment of provisional tax payable by any person in respect of profits or gains of the trade, profession or vocation of that person, there shall be deducted from any payment made under any contract for services, but not being a contract of employment, including progress payments under a contract, a sum equal to 15 per cent of such payment. The sum so deducted shall be paid to the commissioner.

The Consultant did not provide Tax Exemption Certificate from Fiji Revenue and Customs Authority (FRCA) to the Ministry. Therefore the Ministry should have deducted the provisional tax at a rate of 15% on all the payments made to the Consultant.

The Ministry paid total of \$247,250 to the Consultant as at 10/12/14. However the Ministry did not deduct provisional tax totaling \$37,087.50 from the payments made to the Consultant.

The Ministry did not comply with Income Tax Act. As a result provisional tax were not deducted and submitted to FRCA by the Ministry.

Recommendation

The Ministry should deduct provisional tax of 15% from all progress payments when the exemption certificate is not provided by the client.

Ministry's Comments

Audit recommendation is acknowledged.

As discussed with PAO all capital works claims will be accompanied by exemption certificate and Tin registrations. Other companies who do not comply will be deducted with Provisional Tax.

24.19 Exterior Painting Works of Lautoka Hospital – Contract Number WSC 64/2014

The GTB awarded the contract number WSC64/2014 for the external painting of Lautoka Hospital to the Contractor on 29/4/14 for total contract sum of \$756,888 (VIP) inclusive of 20% contingency sum.

The review of the project files and the contract documents revealed the following anomalies:

- The Tender Bid submission required the Bidder to provide a detailed cost breakdown for each summary of works. The summary of works included preliminaries and general, painting works and prime cost for the aluminum windows and doors.

However the Contractor when submitting its bids for the exterior painting of Lautoka Hospital did not provide the detailed cost breakdown for each summary of works. Instead the company provided the total cost for each summary of works.

- A total of 7 companies submitted their bids for the exterior painting of Lautoka Hospital. After the bid assessment the Tender Evaluation Committee (TEC) recommended that the tender to be awarded to another Contractor based on the technical evaluation and similar works carried out at CWM Hospital in the past. However, the GTB awarded the tender to Contractor which was the 3rd lowest bidder.

The GTB did not provide the reason as to why the tender was not awarded to the Contractor as recommended by the TEC.

- The contingency sum for the project was \$126,148 (VIP) which is 20% of the contract price.

The Permanent Secretary for Health approved 7 variations to the Contractor amounting to \$249,371 which was \$123,223 more than the contingency sum approved by the GTB. In addition the Ministry did not obtain GTB's approval for the variations in excess of the contingency sum totaling \$123,223. Refer to Table 24.19 for details of the variations.

Table 24.19: Details of Variations

Variation Number	Scope	Amount (\$)
1	Removal of existing steel grill to allow for painting	3,080
2	Make good to steel framed damaged windows and damaged external doors	99,000
3	Install bird netting	85,800
4	Make good damaged walkway to dental building	10,800
5	Install aluminium sunshade to dental building	38,811
6	Install aluminium sunshades to dental building	9,800
7	Install damaged flashings to maternity building	2,080
Total Variations		249,371

The findings indicate that the Asset Management Unit did not properly monitor and supervise the use of the contingency sum.

The finding shows poor planning by the Ministry in undertaking capital projects. In addition proper procurement procedures were not followed by the Ministry. This resulted in variations to the contract works totalling \$249,371.

Recommendations

The Ministry should ensure that:

- **tender evaluation committee's recommendations are clarified with the GTB;**
- **proper procurement process is followed for all capital works; and**
- **capital works are properly supervised.**

Ministry's Comments

Audit recommendation is acknowledged.

- *With GTB having the authority to approve this type of tender, the Ministry of Health and Medical Services did not think of it being wise to question the authority and approval systems of the GTB. Furthermore, the Ministry of Health and Medical Services had to start off with its capital works quickly in order to achieve its budgetary targets, from which its performance is measured.*
- *Through this audit report, and various other audits, the unit attempts to continually improve the systems and processes. We would like to also highlight that these systems and processes have improved tremendously over the last 3-4 years.*
- *Ministry has had difficulties in Project Monitoring. In this instant, Clerk of Works for Lautoka Emergency Department & Operating Theatre project was used to monitor works.*

24.20 Anomalies in General Maintenance of South Wing CWM Hospital – Contract Number WSC 38/2014

The Government Tender Board (GTB) in its letter dated 30/5/14 awarded the contract number WSC38/2014 for the General Maintenance of South Wing of the Colonial War Memorial (CWM) Hospital to the Contractor at a total cost of \$240,000 (VIP) inclusive of 20% contingency sum. The contract work included painting the interior and exterior of South Wing of the CWM Hospital.

The review of the project files and the contract documents revealed the following anomalies:

- The Ministry should appoint a Clerk of Works for every capital project it undertakes. The role of the Clerk of Works should be to inspect the materials used and review the progress of the projects and provide periodic reports on the progress of the project to ensure all works are carried out to the satisfaction of the Ministry.

The Ministry appointed Project Officer 1 to supervise the project. The works commenced on 10/9/14 and was supposed to be completed on 15/10/14. However the Contractor was not able to complete the project within the expected completion time. Thus, the Ministry approved additional 4 weeks for the Contractor to complete the works on 21/11/14.

However the Project Officer did not prepare the site inspection reports for the additional 4 weeks of works carried out by the Contractor.

This indicates that the work carried out by the Contractor for additional four weeks was not supervised by the Project Officer. As a result poor workmanship was noted during the site visit to South Wing CWM Hospital on 11/12/14. Refer to figures 24.1 to 24.8 for illustration.

- On the receipt of the Contractor's claims for payment the client in consultation with the Ministry of Works, Transport and Public Utilities (MWT and PU) shall assess each of the claims as necessary to ensure that it complies with the terms of the contract and client's evaluation of the works carried out.²³

During a physical inspection of works completed by the Contractor at South Wing of CWM Hospital on 11/12/14, several instances of poor workmanship were noted. Refer to figures 24.1 to 24.8 for illustration.

²³ Agreement for Construction Works 5/9/14, Part 11, Clause 6.4

Despite the poor workmanship of the work completed by the Contractor, the Director Building and Government Architects from the Ministry of Works, Transport and Public Utilities certified and approved all the contractor claims.



Figure 24.1: Window Frame Edges not Finished Properly

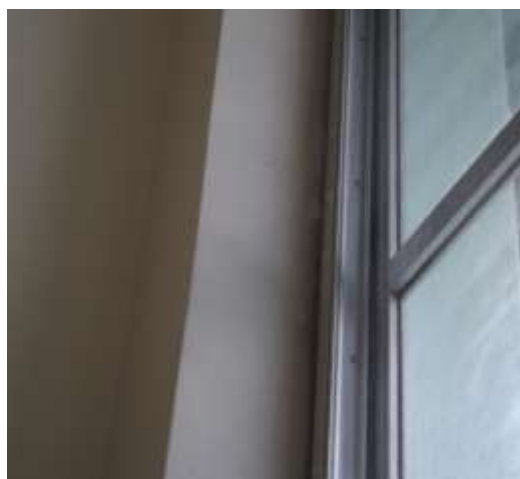


Figure 24.2: Paint Submerged on Window Frames



Figure 24.3: Areas Painted without Proper Cleaning



Figure 24.4: Poor Workmanship



Figure 24.5: Paint submerged on Window Glass

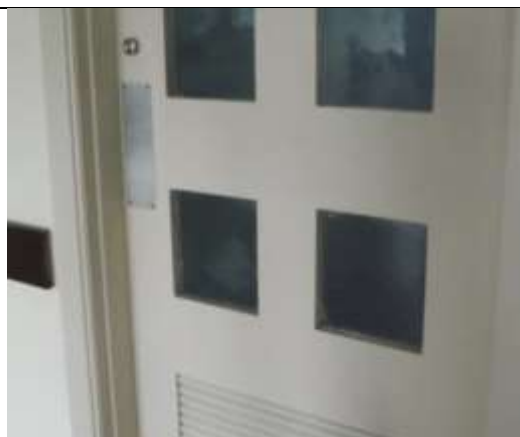


Figure 24.6: Paint Submerged on Door Glass



Figure 24.7: Poor Finishing at Corner



Figure 24.8: Paint Peeling Off

Based on the certification and approval of the progress claims by Director Building and Government Architects from the Ministry of Works, Transport and Public Utilities the Ministry paid a total of \$186,362.47 to the Contractor as at 19/12/14.

Hence the Director Building and Government Architects and the Ministry of Health Clerk of Works, Project Officer 1 did not properly assess the quality of works done by the contractor before approving the claims for payment.

The findings indicate poor project management and supervision by the Director Building and Government Architects and the Ministry of Health's Clerk of Works which resulted in poor workmanship for the works completed by the Contractor.

Recommendations

The Ministry should ensure that:

- **disciplinary action is taken against the Clerk of Works for not preparing the progress report;**
- **adequate supervision is provided to the Clerk of Works;**
- **the Clerk of Works and MWT and PU properly assess the works completed by the Contractor before approving the claims for payment; and**
- **disciplinary action is taken against the Clerk of Works and MWT and PU for poor review and assessment for work before approving the claims for payment.**

Ministry's Comments

Audit recommendation is acknowledged.

- *Clerk of Works – it is not cost effective to appoint Clerk of Works for each project undertaken – there is no separate allocation for payment of wages. Therefore off-site Clerks of Works are appointed who manage multiple projects.*
- *Clerk of Works, Project Officer 1 was appointed as Clerk of Works for the Design & Build Project at CWMH. However, with the growing number of projects that AMU looks after, other projects were assigned*

to him, one of which was South Wing. As per General Manager CWMH, (EO-Infrastructure CWMH) was to assist Clerk of Works Project Officer 1 in daily inspection and he was looking after one of the major project Design and Build project (PBS) due for completion.

- *Poor Workmanship – this was advised to the contractor. However, Defect Liability Period payment/period still stands. Contractor can be asked to clean-up or forgo retention sum.*
- *It is also to be noted that such was communicated to the contractor and was noted to have been rectified on the last inspection – however areas to be discussed.*
- *Working Hospital – contractor not to take up extra time.*

24.21 Anomalies in the Construction of Quarters at Bagasau Nursing Station

The GTB in its meeting held on 08/08/13 approved the withdrawal of the tender for construction of a Grade 6 Quarters at Bagasau Nursing Station as requested by the Ministry. The Ministry later on 19/08/13 requested GTB that the quarters be constructed by Ministry of Works, Transport and Public Utilities (MWT and PU) at the estimated cost of \$185,566 as quoted by the MWT and PU. The Ministry of Finance also approved the request in its correspondence dated 30/08/13 for the waiver of tender and that the proposed works be carried out by MWT and PU.

The Ministry of Health engaged Ministry of Works, Transport and Public Utilities (MWT and PU) on 19/09/13 through a Memorandum of Understanding (MoU) for the construction of a Grade 6 Quarters at Bagasau Nursing Station at a total cost of \$185,566 (VIP).

The review of the project files and the contract documents revealed the following anomalies:

- The MoU should state the expected project commencement and completion dates. The MoU should also state the defects liability period and issue of Completion Certificate on completion of the project.

The MoU between the Ministry of Health and MWT and PU did not state the project commencement and completion dates. Hence project duration was not stated in the MoU. In addition the MoU did not include the defects liability period and the issue of completion certificate conditions.

- The payment for the project work should be made in stages based on the satisfactory project progress reports.

However the Ministry paid 100% of the contract sum or \$185,566 in advance to MWT and PU on 26/9/13 before the project works began.

- The project was to be completed within 8 weeks in 2013. However the MWT and PU was not able to complete the project in 2013 and returned unused funds totalling \$48,577 to the Ministry of Health at the end of 2013.

The Ministry had to pay back \$48,577 again to the MWT and PU in 2014 even though no funds were allocated for the project in 2014.

In addition the project was completed in 30 weeks on 24/4/14 since the date of full payment of the contract amount in advance on 26/9/13. Hence the project was delayed by 22 weeks.

- The Director Building and Government Architect will conduct fortnightly site meetings to provide an update on the construction.²⁴

The Director Building and Government Architect failed to provide fortnightly reports to the Ministry of Health on a fortnightly basis. This indicates that project sites were not visited by the Director Building and Government Architect at all during the construction period.

In addition the Ministry of Health did not follow up with MWT and PU for the fortnightly reports.

The findings indicate poor project management by Ministry of Health. As a result the project was not completed on time.

Recommendations

The Ministry should ensure that:

- **all MoU's are properly reviewed prior to signing and important clauses such as the project commencement and completion dates are included; and**
- **consider private contractors for capital projects in future due to MWT and PU's inability to complete the project on time.**

Ministry's Comments

Audit recommendation is acknowledged.

- *All MOU's and Contract are to be now vetted by the SG's office before signing.*
- *Private Contractors – this is noted.*

24.22 Maintenance and Refurbishment of Nurses Home at Tamavua – Contract Number 117/2014

The GTB in its letter dated 7/8/14 awarded the contract number WSC117/2014 for Maintenance and Refurbishment of Nurses Home at Tamavua to the Contractor at a total cost of \$182,600 (VIP) inclusive of 10% contingency sum. The contract was signed on 1/9/14 by both parties.

The Ministry obtained project total estimated cost from MWT and PU to have a fair idea of the financial resources required for the project and to select a contractor who can carry out the project successfully. The MWT and PU estimated that the overall cost of the project would be approximately \$270,910.82.

However the project was completed by the Contractor at a cost of \$182,600 which was \$88,310.82 or 48.36% lower than the cost estimates provided by MWT and PU.

The significant variance in the MWT and PU cost estimate and the actual cost of the project indicates poor project costing by MWT and PU. Such inaccurate estimates may result in incorrect decision making by the Ministry in selecting the most cost effective bidder.

²⁴ Memorandum of Understanding – Ministry of Works Transport and Public Utilities and Ministry of Health 19/9/13, Clause 3.5
Ministry of Health

Recommendation

The Ministry should discuss the matter with MWT and PU to ensure better estimates are made in future.

Ministry's Comments

Audit recommendation is acknowledged.

The Ministry agrees on the Estimate by MWTPU being somewhat over stated. During the tender meeting this was also discussed, Estimate was based on scope of works without visiting the site. The contractor that was recommended had visited the site before submitting their bid. It is also to note that some contractors quote lower cost just to penetrate into the Government/Health market to get a few contractor under their belt. The Ministry will discuss this further with MWTPU (DBGA) that project cost estimates are prepared properly.

24.23 MRI Machine Room Maintenance Works at CWM Hospital

The Government Tender Board (GTB) in its meeting No. 10/2014 held on 12/6/14 approved the waiver of tender for maintenance works at the MRI machine room at CWM Hospital. In the same meeting the GTB approved to award the contract for maintenance works to the Contractor for \$203,891.85 (VIP). The GTB awarded the contract to the Contractor on the basis that it was the sole supplier of the MRI machine and was the only company that could carry out the maintenance works required in the room. The contract between the Ministry and the Contractor was signed on 28/8/14. The Ministry made 50% advance payment to the Contractor on 3/7/14 as approved by the GTB. The review of the contract documents and work completed revealed the following anomalies:

- All Government contracts must be prepared by the organization and should be vetted by the Solicitor General.²⁵ The contract must clearly outline all the necessary terms and conditions of the engagement.

However the necessary terms and conditions of the contract such as the performance bond, defect liability period, delay damages and retention sum were not included in the contract agreement signed between the Ministry and the Contractor.

In absence of necessary terms and conditions the Ministry will not be able to hold any funds back from the contractor if it fails to fulfill its obligation under the contract.

- The Board (GTB) directed that the Chief Accountant's endorsement must be sought for 50% advance payment.²⁶ The Ministry paid \$101,945.93 or 50% of the total contract sum to the Contractor on 3/7/14 as advance payment as per the GTB's approval. However the Ministry did not obtain the Chief Accountant's approval before making the advance payment.

The Ministry did not adhere to the GTB's instructions. The advance payment to the contractor was unauthorised.

- All contract agreement should be signed by both parties prior to the commencement of the work.

The Contractor commenced the actual work on 16/07/14. However the contract between the Ministry and the Contractor was signed on 28/8/14 which was 44 days after the commencement of

²⁵ PSC Circular No 23/2001

²⁶ GTB Approval dated on 12/06/14

works. The Ministry did not advise the GTB on the requirements of the Contractor for the waiver of the conditions in the contract for the performance bond, defect liability period, delay damages and retention sum and the signing of the contract after 100% payment of the contract sum.

Hence the government's interest was not protected without a contract until 28/8/14.

The findings indicate that proper process was not followed by the Ministry's Senior Officers when undertaking capital works. As a result there is a risk of loss of public funds should disputes arise between the Ministry and the Contractor.

Recommendation

The Ministry should take disciplinary action against Officers responsible for not following proper procedures.

Ministry's Comments

Audit recommendation is acknowledged.

The MRI machine being the only one in Fiji serves the entire nation and neighbouring Pacific Island countries. The machine having stopped service had put the lives for Local and regional patients at risk. Costs of transfer of patients overseas would accumulate and be greater than the repair cost (50+ patients being on waiting list). Furthermore, safety and wellbeing of its citizens should be a priority for any Government. Such was the case in this situation whereby GTB had approved this works whilst having prior internal approvals.

The contractor held the Ministry at ransom demanding their terms and conditions be met before any repair works were to be carried out which included payment of all other outstanding project sums and Contract as per their clauses.

- *It is agreed that all government contracts be vetted by the SG's office to safeguard interest (MRI agreement was vetted by the SG's office). However, in this case, the recommended company, being the sole company with the ability to carry out the necessary works, had **demand**ed that contracts be made as per their specifications/clauses or otherwise works would not be carried out.*
- *CAT approval – Payment processing was forwarded to PAO by PSH.*
- *The contract agreement was only signed by the contractor after the second 50% payment was due.*

It is important to note that the urgent repair to the MRI machine room was of a national health interest. Safety of patients remained paramount for the Ministry. Ministry feels that audit should consider the following:

- (i) Patient safety and wellbeing – avoid complication to patents, risk of malpractice claims.*
- (ii) Expenditure of Overseas treatment/diagnoses whilst leaving the MRI machine non-functional.*
- (iii) Loss of Revenue whilst leaving MRI machine non-functional.*

24.24 Supply and Installation of CAT6 Structured Cabling – CWM Hospital

The Information Technology & Computing (ITC) Services awarded the contract number ITC 2/2013 to the Contractor for total contract sum of \$175,000 (VIP) for supply and installation of IT cabling materials for various departments at CWM Hospital. The contract between the Ministry and the Contractor was signed on 27/5/14. The project commencement date was 27/5/14 and the completion date was 27/9/14. The Ministry paid 30% of the contract sum or \$52,500 in advance to the supplier as per the contract agreement.

The supplier must supply and install the required materials as per the scope of works for various departments at the CWM Hospital.²⁷

The audit noted that the Contractor did not perform the contract works up to the satisfaction of the Ministry. The Ministry on 25/11/14 wrote a Memorandum to the Manager for Information Technology Services (ITC) regarding the poor workmanship and other issues observed in the site visit report which included:

- The Contractor had exceeded the time frame given for completion of works;
- The Contractor's technicians are not using Ministry of Health Management Systems (MoHMS) ID's instead some other site ID's are used;
- The Contractor's technician are not reporting to the site on time;
- The Contractor failed to provide the project plan and updates;
- The progress updates given to MOH does not comply to the template which makes it impossible to synchronize with previous updates; and
- The Contractor has used the current ducts thus the current setup is offline from past 5-6 months.

The ITC did not respond to the Ministry's concerns. In addition the Ministry also did not follow up with the ITC on the issues raised in its Memo dated 25/11/14.

The findings indicate that clear line of responsibilities was not established between the Ministry and ITC for the project. As a result the project was not properly supervised either by the Ministry or ITC which resulted in the delay in completion and project works not carried out up to the Ministry's expectations.

Recommendations

The Ministry should ensure that:

- **clear line of responsibilities are established and included in the contract agreements; and**
- **the project is properly planned and supervised.**

Ministry's Comments

Audit recommendation is acknowledged.

- *Ministry already has a dedicated project lead for networking projects and also dedicated officers in the hospitals to assist the vendors in completing their tasks.*
- *The Ministry of Health and Medical Services also has a tool to monitor projects on a regular basis which is shared with all project stakeholders.*
- *For future projects the Ministry of Health and Medical Services team is working closely with the desk officer from ITCS*
- *It will be noted that future Contracts include strict Penalty and Termination clauses*
- *The Project Plan from the vendor is mandatory for all new projects hereafter*
- *Follow-up and reply from ITCS will be strictly followed and escalated for future projects*
- *It would be good to rectify the role of ITC under the IT Decree for clear demarcation of responsibilities and accountability when drafting tender documents, contracts and monitoring of projects.*
- *ITC must also dedicate a project lead from their end for regular meetings and quality assurance.*

²⁷ Agreement between the Ministry and the Contractor, Clause 2.2

24.25 Anomalies in Contracts for Supply and Installation of CAT6 Structured Cabling – Lautoka and Labasa Hospital

The ITC Services awarded the contracts to Contractor A and Contractor B for the supply and installation of IT cabling materials to Lautoka and Labasa Hospital respectively. Details of the contracts are shown in Table 24.20 below.

Table 24.20: Details of Contract

Contract Numbers	Contract Details	Contractor	Contract Amount (\$)
ITC Contract 3/2013	Supply and Installation of CAT6 structured cabling for Lautoka hospital	Contractor B	84,290
ITC Contract 4/2013	Supply and Installation of CAT6 structured cabling for Labasa hospital	Contractor A	40,000

Both the projects were to commence on 27/5/14 and to be completed on 27/9/14.

The contract documents for structured cabling works require the supplier to ensure that the warranty cover in relation to the works is known to the Ministry.²⁸

The projects at Lautoka and Labasa Hospitals were completed on 17/7/14 and 9/7/14 respectively. The audit noted that the Ministry did not obtain the warranty cover on the IT equipment used in the project.

The finding indicates that the Ministry was not vigilant in ensuring that the Contractor complied with the terms of the contract agreement. As a result the Ministry may not be able to hold the Contractor liable for malfunction of the IT equipment used in the project during warranty period.

Recommendation

The Ministry must ensure that the terms and conditions of the Contract Agreement are complied with.

Ministry's Comments

The current contract that exists contains a warranty clause as per ITC's requirements however, in future the redundancy clause for networking performance and reliability will be added in to ensure consistent uptime. For all IT Projects, ITCS does the site visit and presents the site report and authorisation of project completeness after which payments are made. For both of these sites the procedure was followed via memo and authorisation from ITCS was received.

24.26 Anomalies in Project Management

Capital projects need to be properly supervised and managed from planning to post implementation phase. Project management is the application of knowledge, skills, tools and techniques to achieve the project requirements.

The audit examined several capital projects carried out by the Ministry during 2014. The following anomalies were noted in terms of project management and supervision.

²⁸ Agreement between the Ministry and Contractor A, Clause 6.1

- The Ministry should appoint a Clerk of Works for every capital project it undertakes. The role of the Clerk of Works should be to inspect the materials used and review the progress of the projects and provide periodic reports on the progress of the project to ensure all works are carried out to the satisfaction of the Ministry.

The Ministry appointed Project Officer 1 and Project Officer 2 as Project Officers stationed at Ministry of Health headquarters. The Project Officers amongst other duties were appointed as Clerks of Works for the capital projects undertaken by the Ministry. Project Officer 1 was appointed as Clerk of Works for Hospitals while Project Officer 2 for Health Centre & Nursing Stations.

The Ministry implemented several capital projects during the year, some of which were implemented parallelly with other projects. The audit noted that the Ministry only hired 2 Clerks of Works to supervise all these projects which were practically impossible.

Hence for several projects the Ministry's Clerks of Works were not based at the project sites all the time to directly supervise and monitor the project works carried out by the Contractors. Hence there was very little on site supervision by the Clerks of Works as they had many projects to inspect at the same time. Refer to Table 24.21 for examples.

Table 24.21: Examples of Projects Where Clerk of Works Was Not Based At Project Site

Contract Details	Contract Cost (\$)	Clerk of Works
WSC38/2014 for the General Maintenance of South Wing at Colonial War Memorial (CWM)	200,000.00	Project Officer 1
WSC200/2013 Contract for Refurbishment and Extension of Operating Complex at CWM Hospital	9,954,295.12	Project Officer 1
WSC117/2014 for Maintenance and Refurbishment of Nurses Home at Tamavua	164,340.00	Project Officer 2
Contract for Maintenance Works of MRI Machine room at CWM Hospital	203,891.85	Project Officer 1
WSC116/2014 Maintenance and Refurbishment Lami Health Centre	274,752.70	Project Officer 2
WSC126/2014 Maintenance and Refurbishment Nausori Health Centre	283,004.67	Project Officer 2

The finding indicates that adequate project supervision and reviews were not carried out by the Ministry. There is a high risk that the Contractors may use substandard materials and projects not completed to the satisfaction of the Ministry.

- Project management requires great deal of analytical and management skills to ensure projects are completed on time and according to the predetermined design and specifications and within the budget.

The audit noted instances where the projects were not completed within the expected completion time. Hence the projects were delayed. Refer to Table 24.22 for examples.

Table 24.22: Examples of Projects Which Were Not Completed Within The Contract Duration

Contract Details	Commencement and Completion Dates	Duration in Days	Actual Date Completed	Delay in Days	Delay Percentage
WSC38/2014 for the General Maintenance of South Wing at Colonial	10/9/14 to 15/10/14	35	21/11/14	37	106%

Contract Details	Commencement and Completion Dates	Duration in Days	Actual Date Completed	Delay in Days	Delay Percentage
War Memorial (CWM)					
WSC117/2014 for Maintenance and Refurbishment of Nurses Home at Tamavua	8/9/14 to 31/10/14	53	25/11/14	25	47%

The Ministry had to allow the Contractors additional time to complete the project resulting in additional cost to the Ministry.

The finding indicates that adequate project supervision and reviews were not provided by the Ministry. This may result in project delays, additional costs, substandard material used and poor workmanship.

Recommendation

The Ministry must ensure to have a full time Clerk of Works for each project and adequate project supervision and reviews are provided.

Ministry's Comments

Audit recommendation is acknowledged.

- *Project Clerk of Works – whilst this recommendation is supported, it is financially unrealistic to have individual Clerk of Works per project. All major construction projects (millions) however has individual Clerk of Works.*
- *Adequate Project Supervision – this is noted and agreed. It is also important to note that few contractors underestimated works in an open (operational) medical facility. At times, contractors are asked to stop works which is not part of their work plan.*
- *It is agreed that additional Clerk of Works are needed to efficiently and effectively monitor projects for the ministry.*

24.27 Fresh Tenders not Called

Fresh Tenders must be called for from reputable companies for significant additional works that was not in the initial scope of works.

The audit noted several instances where the Ministry did not call for fresh tenders for additional works which were not part of the initial scope of works. For some variations the Ministry requested the GTB approval while for others no approval from the GTB was obtained. Refer to Table 24.23 for details.

Table 24.23: Details of Variations for Projects

Contract No	Project Name	Contract Amount (\$)	Total Variation Amount (\$)	% of Variation	GTB Approval in Meeting
WSC 200/2012	Refurbishment and Extension of Operating Theatre Complex at CWM Hospital	9,954,295.12	1,923,543.22	19.32	17/2014
WSC 64/2014	Exterior Painting Works of Lautoka Hospital	756,888.00	85,800.00	11.34	GTB approval not obtained.
WSC 95/2014	Maintenance and Refurbishment of Existing Maternity Unit at Sigatoka	333,747.60	165,200.00	49.50	• \$66,749.52 (VIP) approved by PS to be

Contract No	Project Name	Contract Amount (\$)	Total Variation Amount (\$)	% of Variation	GTB Approval in Meeting
	Hospital				used from the contingency sum. • GTB approved \$98,450.48 (VIP) as spill over cost in meeting number 12/2014.
WSC 116/2014	Refurbishment and Maintenance of Lami Health Centre and Quarters	274,752.76	68,000.00	24.75	GTB approval not obtained.
Total (Sample Only)		11,319,683.48	2,242,543.22	19.81	

The GTB in its letter dated 7/8/14 also raised its concern on the huge variations cost for Contract Number WSC 200/2012 which was not determined by the Ministry during the initial scoping. The GTB highlighted that the huge variation costs basically calls for a fresh tender.

The variations indicate poor planning by the Ministry for capital projects. In addition proper procurement procedures were not followed by the Ministry which resulted in significant variations to the projects totaling \$2,242,543.22.

Recommendations

The Ministry should:

- properly plan and review capital projects to avoid variations;
- comply with procurement procedures for all capital works; and
- investigate substantial variation allowed to the contractors and not calling for fresh tenders and take appropriate action.

Ministry's Comments

Audit recommendation is acknowledged.

- *Properly Plan & Review Capital Works – key lessons have been learnt from this project. Continuous improvements are being made to new Capital Works.*
- *Bird netting for Contract WSC 64/2014 was an approved variation through the DBGA's office for the preservation of the quality of painting works done at the hospital. Calling for tenders would have resulted in greater administration cost and time, whereby bird dropping would/could decorate the painting works being done.*
- *Variations – the Ministry being under pressure to complete the works, requested GTB's approval for the variations. The same contract (contractor) being recommended to avoid further delays and administration cost for the Ministry. All variations were properly scrutinised by the DBGA's office ensuring there was no overcharge on any particular works.*
- *Fresh Tenders for Lami is noted. However, these renovations were part of the total Refurbishment and Maintenance of the Health Centre and therefore the same contract sum was used. Calling Fresh tenders would result in added administration costs. To our understanding, if cost exceeds the contract sum (inclusive of contingency) only then will GTB need to provide an approval. Procurement Regulation 11(2) Any variations to the value of the initial contract must be approved by the Board.*

24.28 GTB Approvals not obtained for Variation, Waiver of Performance Bond and Reduction in Contingency Sum

Any variations to the value of the initial contract must be approved by the Board.²⁹

The audit noted instances where the Ministry did not obtain approval from the GTB for variation in the performance bond amount to be paid by the Contractor, waiver of performance bond and reduction in the contingency sum. Refer to Table 24.24 for details.

Table 24.24: Details of Changes Made by the Ministry without Seeking Approval from GTB

Contract No	Project Name	Details of Changes	Underprovided (\$)
WSC 200/2012	Refurbishment and Extension of Operating Theatre Complex at CWM Hospital	Performance bond required by GTB was 10% however the Ministry required the contractor to provide 5%. Performance bond underprovided by 5%.	497,714.76
CTN 192/2012	Provision of Security Services	The Ministry obtained approval from the Permanent Secretary of Finance for the waiver of the Performance Bond of 15%.	349,394.76
WSC 38/2014	General Maintenance of South Wing CWM Hospital	Contingency Sum reduced from 20% to 10%.	24,000.00

The findings indicate that the correct amount of performance bond was not obtained from the Contractors and the contingency sum may have been reduced to assist the Contractor rather than protecting government's interest. Hence the Ministry did not comply with conditions of awarding the contract set by the GTB.

Recommendations

The Ministry should:

- **investigate and take disciplinary action against officers responsible for reducing the performance bond and contingency sum despite clear directive from GTB that performance bond to be 10% of the contract price; and**
- **ensure that the terms and conditions of the GTB are complied with.**

Ministry's Comments

Audit recommendations are noted.

- *Procurement Processes will be followed. For WSC 200/2012, to avoid delays and risk of quality control, the same contractor was used.*
- *For CTN 192/2012, the arrangement of performance bond was waived by Ministry of Finance, Procurement Office and due diligence must have been carried out by the respective unit in arriving at this decision and hence allowing for exemption conditional on the grounds that the Ministry is to provide FPO with a performance report of the company. For the Ministry to obtain performance bond from PSF is not a possibility as their contract has come to an end on 31/3/15.*
- *For WSC38/2014 Contract Contingency Sum – contingency sum is \$40,000.00 as per submission (20%) by contractor. Incorrectly stated in contract. Due to several contracts being prepared and contract preparation being new for the unit; this was an oversight by staff in stating contingency sum. However, the contractors bid and Specification forms part of the Contract which states the proper Contingency sum of \$40,000.00.*

²⁹ Procurement Regulations 2010 Section 11(2)

24.29 No Valid Indemnity Cover

Under the Contract Agreement for Construction Works between the Contractor and the Ministry the Contractor is required to indemnify the Client and keep the Client indemnified against all proceeding, claims, demands, liabilities or expenses of any nature brought or alleged against the Ministry arising directly from the negligence or bad faith of the Contractor and its employees.

The audit noted several instances of indemnity insurance cover provided by the Contractor had expired while the project was still in progress. The Ministry did not obtain valid indemnity insurance cover for its employees and third parties after the indemnity insurance cover expired. Refer to Table 24.25 for examples.

Table 24.25: Examples of Projects Where Valid Indemnity Covers Were not Obtained Upon Expiry

Contract Details	Contract Sum (\$)	Type of Indemnity Cover	Date of Expiry	Completion Date
WSC38/2014 for the General Maintenance of South Wing at Colonial War Memorial (CWM)	200,000.00	Public Liability	19/7/14	21/11/14
WSC117/2014 for Maintenance and Refurbishment of Nurses Home at Tamavua	164,340.00	Public Liability and Workers Compensation	9/7/14	25/11/14
WSC98/2013 for the Construction of Maternity Unit and Associated Structural Works at Sigatoka Hospital	2,590,015.99	Public Liability	23/10/14	3/11/14
WSC95/2014 Maintenance and Refurbishment of Existing Maternity Unit at Sigatoka Sub-Divisional Hospital	266,998.08	Public Liability	3/8/14	10/10/14
ITC Contract 2/2013 – Supply and Installation of CAT6 structured cabling for CWM Hospital	175,000.00	Public Liability and Workers Compensation	27/7/14	Not Complete
ITC Contract 3/2013 – Supply and Installation of CAT6 structured cabling for Lautoka hospital	84,290.00	Public Liability and Workers Compensation	27/7/14	30/7/14
ITC contract 4/2013 - Supply and Installation of CAT6 structured cabling for Labasa hospital	40,000.00	Public Liability and Workers Compensation	27/7/14	4/10/14
Project Management Consultancy Agreement for the New Ba Hospital	598,000.00	Professional Indemnity Insurance	23/7/14	Not Complete

The finding indicates laxity of Ministry's staff for not following up on the validity of the indemnity insurance covers. In the absence of valid indemnity covers, the Ministry may not be able to hold the contractors liable for damages and injuries to the Contractor's workers, Hospital staff and the general public.

Recommendations

The Ministry should ensure that:

- **the indemnity insurance covers are obtained from all Contractors; and**
- **where indemnity insurance cover is provided, the expiry of the cover is monitored to have the cover renewed on a timely basis.**

Ministry's Comments

Audit finding are noted and will be incorporated before execution of contracts. There have been vast improvements in contract management in comparison to 2 or 3 years back when such detailed contracts vetted by SG's office were not implemented.

24.30 Poor Planning of Capital Construction

All funds allocated under the approved budget shall be utilized during the year as the authority for the expenses lapses at the end of the financial year in which it was approved.

The Ministry was allocated a total of \$29,940,000 under SEG 8 for Capital Construction in 2014 for various capital works to be undertaken by the Ministry. The original budgetary allocation of \$29,940,000 was revised downwards to \$26,728,112 during the year.

However the Ministry only utilized \$15,729,166.31 or 58.9% of the total revised budget of \$26,728,112 allocated for Capital Construction for the year 2014. Hence the Ministry did not use the \$10,998,946 or 41.1% of its Capital Construction allocation in 2014.

The non utilisation of Capital Construction allocation was due to Ministry of Finance not releasing the funds when requested. This delayed the completion of capital projects planned and approved by the Ministry.

Recommendation

The Ministry should liaise with the Ministry of Finance so that funds allocated for a particular year is fully utilized and the capital projects are completed as planned.

Ministry's Comments

Audit recommendation is acknowledged.

Capital Works Sub-Committee is requesting MOF to release certain funds under 'R' so that is can be used as and when needed, without the lengthy process of RIE requests.

24.31 Outsourcing of Security Services

The Ministry's security services was contracted to the Service Provider on 8/11/12 through contract number 192/2012 effective from 14/1/13 for 2 years. The total contract price was \$1,116,944.40 (VIP) per annum at an hourly rate of \$3.30 or \$2,233,888.80 (VIP) for two years. The contract price was increased to \$2,329,298.40 following a variation of \$95,409.60.

24.31.1 Changes in Security Sites

Neither the Ministry nor the Supplier shall be bound by any variation, waiver or additional conditions except as agreed by both parties in writing.³⁰

³⁰ Agreement for the Provision of Security Services – Tender No. CTN 192/2012 – Ministry of Health and Service Provider on 14/1/13, Clause 7.2

The agreement between the Ministry and the service provider stated that the payments will be made in accordance with the price analysis sheet. Amongst other things, the price analysis sheet provides details of the centres which the service provider must service and the respective hours of security service required per week.

The audit noted the Ministry without the approval of the GTB requested the security company to also provide services at Lami and Raiwaqa Health Centre. The Ministry made several payments to the service provider for providing security services at Lami and Raiwaqa Health Centre even though the centres were not part of the price analysis sheet. Refer to Table 24.26 for examples.

Table 24.26: Examples of Payments made to the Security Provider for Lami and Raiwaqa Health Centres

Payment Date	Cheque Number	Payment for Week Ending	Lami Health Centre (\$)	Raiwaqa Health Centre (\$)	Total Paid (\$)
22/10/14	309784	6/10/14 – 12/10/14	168.30	168.30	673.20
		13/10/14 – 19/10/14	168.30	168.30	
04/12/14	310909	17/11/14 -23/11/14	168.30	168.30	673.20
		24/11/14-30/11/14	168.30	168.30	
20/11/14	310504	3/11/14 – 9/11/14	168.30	168.30	673.20
		10/11/14 – 16/11/14	168.30	168.30	
Total (sample only)					2,019.60

For the additional security services at Lami and Raiwaqa Health Centres the Ministry requested the security company to relocate 2 security officers from the Divisional Office in Tamavua to Lami and Raiwaqa Health Centres. Even though there was no increase in the total contract sum, the Ministry did not seek approval from the GTB for the variation in the scope of work.

The findings indicate that the Ministry did not follow proper process for variations in the contract works. In absence of proper approval the security services provided by the company at Lami and Raiwaqa Health Centres were unauthorised.

Recommendations

The Ministry should:

- **adhere to the terms of the agreement at all times; and**
- **ensure that proper approvals are obtained from GTB prior to making any variations in the contracted works.**

Ministry's Comments

Audit recommendation is acknowledged.

The Ministry has adhered to the terms of agreement at all times and at no time it has gone beyond the scope of the agreement. The Ministry does acknowledge that this ad-hoc arrangement was done during the tenure of the contract as the need of the Ministry of Health and Medical Services required immediate attention to the safety of its other premises/assets not covered under this contract. Hence the Ministry has taken note of this and will ensure that this does not happen in future.

24.31.2 Verification of Payment

Claims submitted by the service providers must be approved by Senior Officers to ensure rates approved in the contract agreement are the rates applied by the Contracted service provider for payment.

The audit noted several instances of claims submitted by the service provider for the Sigatoka Hospital were approved by a Temporary Relieving Clerical Officer 1 (TRCO).

The finding shows poor control over payment to the security service provider. There is a high risk of misappropriation of public funds.

Recommendations

The Ministry should ensure:

- **that the claims and hours are approved by Senior Officers only; and**
- **to review the approval process and hours of service provided by the Security company for other centres and take appropriate corrective action.**

Ministry's Comments

Audit recommendation is acknowledged.

1.) The company used to email TRCO their time sheet.

2.) The timesheet was signed and sent due to the absence of Executive Officer and SDMO. From now onwards, all timesheets will be signed by SDMO or in her absence will be Executive Officer. Management will see that no other staff will sign and approve on this timesheets.

24.31.3 Anomalies in Performance of Services

The supplier should provide the services at the required times in accordance with schedule 2, diligently, expeditiously and with due skill and care.³¹

The audit noted instances where the security service provider failed to provide security services at various locations and stations for different shifts as per the Contract Agreement.

Even though the Ministry paid only for the hours of services provided the Ministry may not be getting the level of security services required at various centers. Refer to **Appendix 24.1** for examples.

The finding indicates that the Ministry failed to monitor and review the performance of the security services provider. The poor performance of the service provider may result in Ministry's assets at a risk of vandalism, theft and misuse.

Recommendation

The Ministry should regularly monitor the performance of the security services to ensure security is provided at all centres as per the contract agreement.

³¹ Agreement For Provision of Security Services Tender number 192/2012, Section 3 (b)
Ministry of Health

Ministry's Comments

Audit recommendation is acknowledged.

The Ministry will ensure that the agreement is always complied with and the performance should not be affected.

24.32 Outsourcing of Cleaning Services

The Government Tender Board (GTB) in its letter dated 27/9/14 awarded the contract number CTN131/2014 for Provision of Cleaning Services at Colonial War Memorial (CWM) Hospital to the service provider at a total cost of \$1,237,301 (VIP) annually or \$23,794.26 (VIP) weekly.

The audit noted the following anomalies in Ministry's cleaning services:

- Performance bond, terms and conditions for purchase and supply of goods and services for the whole of government shall be reflected in the contract document. All bidders whether local or overseas, shall be required to pay a performance bond if the contract is valued more than FJ\$50,000 during the period of the contract.³²

The performance bond clause was not included in the contract agreement between the Ministry and cleaning services provider. In addition the Ministry did not obtain performance bond from the cleaning services provider. Hence the Ministry did not comply with the Finance Circular No. 15/2013 'Policy on Determination of Performance Bond'.

- The agreement between the Ministry and the service provider dated 28/10/14 required that every cleaner to undergo Hepatitis B Vaccination which will be provided by the service provider.³³

However the Ministry was not aware and did not follow up with the service provider whether its cleaners were vaccinated for Hepatitis B.

- Cleaning equipment should be colour coded as per Infection Control Guidelines.³⁴

The Ministry did not know whether the equipment used by the service was in accordance with the Infection Control Guidelines.

Therefore, the audit was unable to ascertain if the service provider complied with the Infection Control Guidelines.

The finding indicates that the Ministry did not comply with the Finance Circular 15/2013. In addition the Ministry did not exercise due diligence to ensure the service provider complied with the terms and conditions of the agreement 131/2014 for the Provision of Cleaning Services.

Recommendations

The Ministry should ensure that:

- **performance bond clause is included in the contract agreement with service provider; and**
- **service provider complies with the contract agreement.**

³² Finance Circular 15/2013 – Policy on Determination of Performance Bond 11/6/13, Section 3.1.1

³³ Agreement CTN 131/2014 - 28/10/14, Schedule 1 Clause 12

³⁴ Agreement CTN 131/2014 - 28/10/14, Schedule 1 Clause 2

Ministry's Comments

Audit recommendation is acknowledged.

Bond is not required for services agreement and needs to be further clarified with Government Tender Board. The Ministry will ensure in future that strict compliance to agreements is maintained and performance bond will be included as part of the agreements where necessary.

24.33 Anomalies in Charter of Aircraft

The Ministry engaged Company C, Company D and Company E to provide charter services for medical evacuation of patients from Maritime Island to CWM Hospital. The Ministry was allocated sum of \$1,283,600 in the 2014 budget for Charter of Aircraft. The budget was later revised to \$2,436,225 during the year. Out of the total revised budget of \$2,436,225 the Ministry used a total of \$2,374,184.79 for charter services in 2014. Refer to Table 24.27 for details of budget allocations and actuals for the last 5 years.

Table 24.27: Details of Revised Budget and Actual Expenditure

Details	2014 (\$)	2013 (\$)	2012 (\$)	2011 (\$)	2010 (\$)
Revised Budget	2,436,225.00	1,916,970.00	750,000.00	900,000.00	500,000.00
Actual Expenditure	2,426,339.40	1,867,178.09	1,046,999.59	887,114.00	885,794.00
Variance	9,885.60	49,791.91	(296,999.59)	12,886.00	(385,794.00)

The audit noted the following anomalies in Charter of Aircrafts:

- Expenditure over \$50,000 requires that tenders to be called for and contracts awarded to the successful bidder subject to approval of the GTB.

However the Ministry did not call for tenders for charter of aircraft services despite the total amount paid for charter of aircraft was in excess of \$50,000 annually. The Ministry obtained services from 3 aircraft service providers who were selected on ad hoc basis without following proper procedures. Refer to table 24.28 for payments made to charter aircraft service providers for the years 2012 – 2014.

Table 24.28: Charter of Aircraft Service Fee Paid 2012 – 2014

Charter Services Provider	Total amount paid in 2014 (\$)	Total amount paid in 2013 (\$)	Total amount paid in 2012 (\$)
Company D	1,136,396.97	1,432,535.26	877,720.47
Company C	394,872.22	92,302.15	69,713.23
Company E	1,232,441.03	452,600.00	---
Total	2,763,710.22	1,977,437.41	947,433.70

In addition no contract agreements were entered into between the Ministry and the charter of aircraft service providers.

- The invoices for all goods and services obtained should be certified by the Medical Superintendents.

However the invoices from Company D and Company C were certified correct for payment by the Telephone Receptionist and a Medical Intern based at the CWM Hospital and not by the Medical Superintendent.

The Telephone Receptionist and the Medical Intern were not authorised to certify invoices as correct for payment. Refer to Table 24.29 for examples.

Table 24.29: Examples of Invoices Certified Correct by the Telephone Receptionist and the Medical Intern

Invoice Date	Invoice Number	Payee	Amount (\$)
27/01/14	FJ0068	Company E	15,180.00
29/01/14	FJ0069	Company E	15,180.00
02/04/14	FJ0118 – 119	Company E	27,089.50
02/04/14	FJ0110	Company E	17,849.50
03/01/14	FJ0053	Company E	25,080.00
17/02/14	6927	Company C	25,000.00
07/03/14	7092	Company C	7,650.00
25/02/14	FJ0092	Company E	11,909.50
01/03/14	FJ0094	Company E	8,910.00
02/04/14	FJ0115	Company E	24,449.50
Total			178,298.00

In addition the Telephone Receptionist also made arrangement/bookings for the charter of aircrafts and certified the invoices as correct.

The findings show that proper procurement processes were not followed by the Ministry for charter of aircrafts. The Ministry may not be obtaining services from the most economical source.

Recommendations

The Ministry should ensure that:

- **proper procurement process is followed for charter of aircrafts;**
- **enter into contract with the charter of aircraft service providers; and**
- **accounting officers review and certify all invoices for charter of aircraft.**

Ministry's Comments

Audit recommendation is acknowledged

There were no tenders for charter of aircraft from 2010-2014.

Due to the nature of transactions the following practice in the Hospital as follows:-

- *Calls are received from outer island for mercy flights.*
- *The respective consultants are notified and approve the mercy flights.*
- *Mercy flight form is filled and head operators make arrangements to the service providers.*
- *Purchase Order is issued to the charter service providers.*
- *Operators and Registrar on call certify the invoice.*
- *Medical Superintendent endorsed the payments before it is processed.*

Improvements

We have reviewed the current process and implemented the changes as follows:-

- 1. Amendment of the mercy flight forms*
- 2. Arrangements process.*
- 3. Tender was approved on GTB 22/14 dated 26/11/14*

24.34 Missing Payment Vouchers

The Ministry should properly maintain all payment vouchers.

The audit noted that several payment vouchers for payments made in 2014 were missing and the Ministry officials could not provide these payment vouchers for audit verifications. Some of these missing payment vouchers were used to make large payments. Refer to Table 24.30 for examples of missing vouchers.

Table 24.30: Examples of Missing Payment Vouchers

Date	Cheque / EFT* Number	Amount (\$)
21/02/14	2245	25,000.00
23/05/14	3547	25,000.00
28/05/14	3628	62,069.50
24/02/14	301799	16,956.55
21/03/14	302944	7,695.00
21/05/14	3474	14,200.00
21/03/14	302939	681,975.84
30/05/14	305394	739,281.40
17/07/14	306863	593,639.94
28/05/14	3629	191,762.00
09/05/14	4650	181,181.25
29/04/14	1096	250,956.15
Total		2,789,717.63

*EFT – Electronic Fund Transfer

The Ministry did not properly maintain its accounting records. This shows poor record keeping and lack of supervision by Senior Officers. In absence of these vouchers audit could not substantiate payments made to various suppliers in 2014 totalling \$2,789,717.63.

Recommendations

The Ministry should:

- **ensure that all payment vouchers are properly filed and kept in secured place; and**
- **investigate and take disciplinary action against Officers responsible for not performing their duties diligently.**

Ministry's Comments

Audit recommendation is acknowledged.

- *The vouchers are sometimes misplaced due to staff turnovers/shortages when new temporary officers/NEC officers are engaged within a short period of time.*

- *Permanent officers will be appointed to carry out the duties of the post.*

We will ensure that vouchers are kept in a proper filing manner for ease of reference and strictly allow accounts staff only to search for payment vouchers.

24.35 Outstanding Contribution for Overseas Medical and Consultancy Service

The Ministry entered into a joint venture agreement with an overseas service provider on 12/07/12. The agreement commenced on 17/9/12 and was valid for a period of 5 years ending on 19/9/17. The agreement was a part of the Ministry's medical treatment scheme that assists patients for medical treatment not available locally.

As per the Contract Agreement³⁵ the Ministry entered into a Supplementary Agreement with the service provider on 17/9/12 regarding the cost of services that will be provided by overseas service provider in Fiji.

The Ministry of Health have an Overseas Medical Treatment committee which determines the patient's contribution towards overseas medical treatments. The Ministry requires full payment of the patient's contribution in advance or at the time of the treatment on all accounts where payments are not guaranteed by an approved third party.³⁶

However as at the date of audit (8/1/15), 15 patients's owed the Ministry a total of \$185,067.86 in respect of their contribution towards the medical treatment cost. Refer to Table 24.31 for details of outstanding contributions.

Table 24.31: Details of Outstanding Contributions

Patient's Contribution (\$)	Payment Received (\$)	Balance (\$)
251,667.86	66,600	185,067.86

Out of the total patient contribution for the medical treatment of \$251,667.86 the Ministry was able to collect only \$66,600 or 26.5% as at 8/1/15. Hence as at 8/1/15 the Ministry was owed \$185,067.86 or 73.5 % of the total patient contributions.

The finding shows poor debt collection by the Ministry. As a result the Ministry has to look for funds to provide treatment to other patients.

Recommendations

The Ministry should ensure that

- **TIN of patients are obtained and filed;**
- **TIN of guarantors are obtained and guarantors to sign for default of payments; and**
- **concerted effort is made to collect the arrears from the patients who have been treated but still owe their contribution to the Ministry.**

³⁵ Clause 5(a) - All cost of service, fees pertaining to the Agreement shall be entered into a Supplementary Agreement between the parties

³⁶ Admission Guide – Terms and Conditions, Clause B, 1.1

Ministry's Comments

Audit recommendation is acknowledged.

The Ministry has written /called the patient and the third party but people are not responding .Other avenues to recover are to seek assistance from Solicitor General Office.

24.36 Local Purchase Order (LPO) Raised After the Date of Invoice

A Local Purchase Order (LPO) shall be issued when procuring any goods, services or works from an organization within Fiji, irrespective of whether a contract or agreement has been entered into or not.³⁷

A LPO must be approved on line and signed by the authorizing officer (i.e. the officer with the necessary procurement authority) before being issued to the supplier.³⁸

The audit noted several instances of local purchase orders raised by the Ministry for charter of air crafts after the invoices were received from the air craft service providers for payment. Hence the LPO's were raised by the Ministry only to fulfil the requirement of issuing purchase orders and not as a system for control over purchase of goods and services. Refer to Table 24.32 for examples.

Table 24.32: Examples of LPO Raised after Date of Invoice

Invoice Date	Invoice Number	LPO Date	LPO Number	Amount (\$)
27/01/14	FJ0068	15/04/14	PO81201-003384	30,360.00
17/02/14	6927	17/03/14	PO81201-003284	25,000.00
07/03/14	7092	17/03/14	PO81201-003284	7,650.00
02/04/14	FJ0110	15/04/14	PO81201-003385	17,849.50
02/04/14	FJ0118-119	15/04/14	PO81201-003386	27,089.50
02/04/14	FJ0115	20/05/14	PO81201-003485	24,449.50
19/05/14	7719	15/08/14	PO81201-003725	25,000.00
02/06/14	FJ0151	18/09/14	PO81201-003826	8,580.00
03/06/14	FJ0149	18/09/14	PO81201-003827	8,580.00
14/07/14	8310	23/09/14	PO81201-003869	25,000.00
15/07/14	FJ0162	16/09/14	PO83201-009387	20,460.00
21/07/14	7909	18/09/14	PO81201-003842	16,632.00
21/07/14	FJ0174	18/09/14	PO83201-009390	17,219.01
22/07/14	FJ0172	18/09/14	PO81201-003828	9,240.00
25/07/14	FJ0176	18/09/14	PO83201-009389	19,169.50
06/08/14	8553	24/09/14	PO81201-003838	25,000.00
17/09/14	8809	02/10/14	PO81201-003885	14,364.01
20/09/14	8852	02/10/14	PO81201-003887	9,828.00
24/09/14	8906	02/10/14	PO81201-003900	12,474.00
Total (Sample Only)				343,945.02

The anomaly shows that the Accounting Officers did not comply with finance manual on issuing LPO's for charter of air crafts. Hence there is inadequate control for charter of aircrafts.

Recommendations

³⁷ Ministry of Health Finance Manual 2011 Section 2.5.1

³⁸ Ministry of Health Finance manual 2011 Section 2.5.9

The Ministry should:

- ensure that LPOs are issued for purchases of goods and services or works; and
- investigate the matter and take appropriate disciplinary action against Officers responsible.

Ministry's Comments

Audit recommendation is acknowledged.

Due to the nature of transactions we are not able to issue the Purchase Order on time. We only issue Purchase Order when the service provider issued the invoice on a monthly basis.

Improvements

We have reviewed the process and following changes were made:-

1. Receive call from the consultant to make arrangements.
2. Notify the service providers
3. Telephone operators immediately notify accounts to raise Purchase Orders based on tender routes and prices.
4. After the completions of mercy flights operators will notify the service providers to send the invoice.
5. After the completion of trip operators notify the service provider to send the invoices for payment.
6. Medivac form must be duly completed for payment purposes.
7. Accounting Officers certify the invoice before payment is processed.

24.37 Invalid Memorandum of Understanding

The Ministry engaged Kidney Foundation of Fiji for the treatment of patients suffering from advance chronic kidney disease. The treatment (Haemodialysis) is either carried out at ICU at the CWMH or in private dialysis centre in Nadi. A sum of \$160,000 was allocated in the 2014 budget for Haemodialysis and the budget was later revised to \$313,810 during the year. The Ministry used a total of \$238,608.47 in 2014 for Haemodialysis.

A Memorandum of Understanding (MoU) should be renewed when it expires.

The audit noted that the MoU between the Ministry and Kidney Foundation expired on 31/12/13 and was not renewed as at the date of audit on 11/12/14.

The laxity on the part of the Management led to nonrenewal of the MoU between the Ministry and Kidney Foundation. In the absence of a MoU it may be difficult to resolve dispute arising between the parties.

Recommendation

The Ministry should ensure that a MoU is entered into with Kidney Foundation.

Ministry's Comments

Audit recommendation is acknowledged.

The MoU automatically terminated on 31/12/13. The MoU emanated from the Minister's advice and instructions were only for one year. Minister was informed but there was no instruction to renew the MoU as far as we know there is no existing dispute between the parties. MoU was entered into between Kidney Foundation of Fiji and Ministry of Health and Medical Services from 01/01/15-31/03/15.

FIJI PHARMACUETICALS & BIOMEDICAL SERVICES

24.38 Anomalies in Performance Bond

Performance bond, terms and conditions for the supply and purchase of goods and services for the whole of government shall be reflected in the contract document. All bidders whether local or overseas, shall be required to pay a performance bond if the contract is valued more than FJ\$50,000 during the period of the contract.³⁹

The audit noted instances where FPBS did not require the Suppliers to renew its performance bond when it expired before the suppliers delivered the required goods and services. The audit also noted several instances where FPBS procured various drugs, consumables and medical equipment from various suppliers without a performance bond from the supplier despite it was required under the contract agreement.

In addition the FPBS did not provide performance bonds for a number of contracts for supply of drugs, consumables and medical equipment for audit verification. Hence the audit could not substantiate if the suppliers submitted the performance bond. Refer to Table 24.33 for examples of expired performance bonds, performance bond not obtained and performance bond not provided for audit verifications.

Table 24.33: Examples of Expired Performance Bond, Performance Bonds Not Submitted and Performance Bond Not Provided for Audit Verification

Agreement Details	Contract Sum (\$)	Performance Bond Sum (\$)	Audit Comments
CTN 3/14 – supply, installation and commissioning of Operating Theatre Equipment at CWM Hospital	1,506,205.19	150,620.52	Performance bond expired on 30/6/14. The equipment is yet to be installed.
CTN 42/14 - supply, installation and commissioning of Radiology Equipment	402,511.02	40,251.10	Performance bond expired on 13/1/15. The equipment is yet to be installed.
CTN155/13 - Contract for the Provision of Medical Imaging Consumables	52,556.50	5,255.65	Performance bond expired 64 days prior to the conclusion of the contract.
CTN 42/14 - supply, installation and commissioning of Radiology Equipment	1,225,328.65	122,532.87	Performance Bond not obtained.
CTN 155/13– Supply of Laboratory Reagents and Consumables	852,391.44	85,239.14	Performance Bond not obtained.
CTN 155/13 – Supply of Laboratory Reagents and Consumables	1,285,250.93	128,525.09	Performance Bond not obtained.
CTN 155/13 – Supply of Laboratory Reagents and Consumables	517,477.37	51,747.74	Performance Bond not obtained.
CTN 155/13 – Supply of Laboratory Reagents and Consumables	99,327.55	9,932.76	Performance Bond not obtained.
CTN 155/13 – Supply of Laboratory Reagents and Consumables	878,341.91	87,834.19	Performance Bond not obtained.
CTN132/13 - Contract for the Provision of Medical Imaging Consumables	443,231.91	44,323.19	Performance Bond not obtained.
CTN133/14 suppliers for supply of dental prosthetic materials	87,598.60	8,759.86	Performance Bond not obtained.
CTN133/14 to several suppliers for supply of	56,428.10	5,642.81	Performance Bond not obtained.

³⁹ Finance Circular 13, Section 5(i)

Agreement Details	Contract Sum (\$)	Performance Bond Sum (\$)	Audit Comments
dental prosthetic materials			
CTN 3/14 - supply, installation and commissioning of Operating Theatre Equipment at CWM Hospital	944,558.87	94,455.89	Performance Bond not provided for audit verification.
CTN 45/13 – Supply of Reagents and Consumables	2,144,741.84	214,474.18	Performance Bond not provided for audit verification.
CTN 84/13 supply, installation and commissioning of Accident and Emergency Equipment	638,806.81	63,880.68	Performance Bond not provided for audit verification.
CTN 121/13 - provision of essential medicines	853,855.56	85,385.62	Performance bond provided after 10 months.

The findings indicate that the FPBS failed to monitor the validity of the performance bonds, conduct regular follow ups with the suppliers to provide the performance bond and appropriately maintain the performance bond documents.

In absence of valid performance bonds the FPBS may not be able to recover any sum from the suppliers for non-performance.

Recommendations

The FPBS should:

- **ensure that performance bonds submitted by the suppliers are monitored to ensure it is valid until the goods and services are delivered;**
- **follow up with the suppliers to ensure performance bonds are submitted by the supplier; and**
- **ensure that performance bonds are properly maintained in a safe and secure place.**

The Ministry should investigate the poor performance of officers responsible and take appropriate disciplinary action.

Ministry's Comments

FPBS acknowledges the audit findings.

FPBS would like to clarify the auditors' findings is that one of the tender ref CTN 155/2013 in Table 1 is for supply of Laboratory reagents & consumables thus contract provision expired in December 2014 and the guarantee provided expired on 15th January 2015 i.e. for the supplier. Overall delay in obtaining performance bond for CTN 155 and CTN 132 is due to suppliers would not agreeing to the 10% rates charged while some suppliers do not agree to provide PB when payment terms are 30 days post-delivery. FPBS had sought advice from FPO policy and were told to wait on the formation of the new rates. These new rates were still not in agreement to suppliers and thus not in agreement to sign off contract and PB. CTN 121- Essential Medicines – Ministry of Health and Medical Services had continuously followed up yet there was a delay from the suppliers end. FPBS are not open to many options when dealing with overseas based suppliers but have to wait for supplier's to respond with follow-ups. Therefore no PB was provided by the suppliers due to their issues raise were not resolved until the expiration of the tender hence no PB can be found by the Auditors. FPBS cannot compromise the Health Care Services if it not engaged in the purchasing because the supply chain of medical consumables and important equipment will be disrupted. For the Biomedical Equipments, FPO policy has stated that there is no PB for one-off purchases. FPBS cannot discipline officers because of the reasons stated above. In addition, Contract Management and PB is a new policy requirement introduced by FPO without proper

consultation and training of the agencies involved in the public procurement. Therefore it is unjustified to discipline an officer because the issue is a system level problem. However FPBS continue to work in compliance and improving as new requirements are put in place:

1. *FPBS has made it an initiative to inform suppliers to provide their issues regarding PB while bid submission and is presented during to evaluation committee before awarding contract provision.*
2. *FPBS has established contract position with a new recruit currently managing the program.*
3. *Biomedical Equipment PB will need to be reviewed such as split payments terms for every macro activities concluded.*
4. *A submission is also being put up to FPO policy stating issues faced by FPBS with suppliers on PB for PB policy review.*

24.39 Delay in Site Preparation

Site survey, assessment and further modification of site and necessary preparation for installation shall be at the Ministry's own expense.⁴⁰

Medical equipment purchased by the Ministry need to be installed within a reasonable time to ensure it is used and value for money is obtained.

The FPBS purchased Operating theatre equipment and Radiology equipment valued at \$3,354,189.46 to be installed at CWM Hospital, Lautoka Hospital and Labasa Hospital. The audit noted that the equipment's were not installed at any of these hospitals as at the date of audit on 12/1/15.

The equipment was not installed because the Ministry was unable to prepare the sites for proper installation of the equipment. The equipment has been kept unutilized from 25 days to 183 days. Refer to Table 24.34 for details.

Table 24.34: Delay in Installation of Medical Equipment

Agreement Details	Contract Sum (\$)	Advance Payment Date	Remarks
CTN 3/14 - Supply, Installation and Commissioning of Operating Theatre Equipment	1,506,205.19	28/5/14	Sites for the installation of the equipment for the Orthopedic and Neurology operating theatres were not ready. The equipment was received on 12/6/14 from Supplier F and stored at the CWM Hospital for 183 days as at the date of audit on 13/1/15.
CTN 3/14 - Supply, Installation and Commissioning of Operating Theatre Equipment	220,144.60	5/6/14	The equipment was received on 11/08/14 from Supplier I and stored at the FPBS Warehouse for 153 days as at the date of audit on 16/1/15.
CTN 42/14 - Supply, Installation and Commissioning of Radiology Equipment	1,225,328.65	9/10/14	Radiology Equipment purchased for the CWM, Labasa and Lautoka Hospitals. The Equipment from Supplier F was received by FPBS on 9/12/14 and from Supplier H on 18/12/14.
CTN 42/14 - Supply, Installation and Commissioning of Radiology Equipment	402,511.02	9/10/14	The equipment was received from Supplier F on 9/12/14 and Supplier H on 18/12/14 and has been kept at the loading area of the FPBS for 34 days for Supplier F and 25 days for Supplier H as at the date of audit on 12/1/15. The loading area is not enclosed and the

⁴⁰ Contract Agreement between the Ministry and respective suppliers (Site Preparation Clause)

Agreement Details	Contract Sum (\$)	Advance Payment Date	Remarks
			equipment is exposed to extreme weather conditions.
Total (Sample Only)	3,354,189.46		

The Ministry did not plan the project properly and did not consider the installation issues before procuring the equipment. Hence the Ministry was unable to install the equipment when it was received. The equipment is now idle awaiting site preparations.

Recommendation

The Ministry should investigate why procurement of equipment was not properly planned including its installation and take appropriate disciplinary action for poor planning and delay in installation.

Ministry's Comments

Ministry of Health and Medical Services acknowledges the audit report on the delay in site preparation for new capital equipment purchases. Ministry of Health and Medical Services would like to respond from the outset that there are two units involved in such project for new health facilities and that is FPBS for the purchase of goods while the Assets Management Unit (AMU) is responsible for the construction of the infrastructure. Ministry of Health and Medical Services admits that the lack of coordination of this units when comes to purchases of goods to ensure that capital equipment installation is not delayed. Equipments from CTN 03/2014 had been installed into 2 operating theatre rooms in July 2014 while the remaining equipments which the audit team saw at FPBS been installed after the remaining 2 Operating Theatre Rooms were completed earlier in 2015. For the equipments that have been purchased from CTN 42/2014 have been delivered to the installation site for safe storage. Once the modifications to the rooms where the Radiology equipments will be installed are completed by AMU then installation will be carried out by June 2015. As part of the improvements:

- 1. The AMU will be included in the planning of major capital equipment purchases.*
- 2. Planning for purchases now includes Field Survey and Site inspection.*
- 3. Ministry of Health and Medical Services has formed a Capital Projects Sub-Committee to review and coordinate capital purchases plan.*

24.40 Advance Payment without Contract Agreement

Government Tender Board awarded the contract number CTN 3/14 to the supplier for the supply, installation and commissioning of various New Operating Theatre Equipment for CWM Hospital at a total contract sum of FJ\$118,877.06 (VIP).

Advance payments should be made in accordance with contract agreement to avoid the loss or misuse of public funds.

The FPO made an advance payment of AU\$42,061.08 or 60% of the contract price to the supplier on 29/5/14. The audit noted that at the time of advance payment no contract agreement was signed between the Ministry and the supplier.

The audit further noted that the contract agreement was signed 42 days after the advance payment was made on 10/7/14.

The Ministry did not follow proper procurement process. In absence of the contract agreement, it may be difficult to resolve disputes arising between the parties.

Recommendation

The Ministry should ensure that proper procedures are followed when procuring goods and services.

Ministry's Comments

FPBS acknowledges the audit report on the advance payment made out to the supplier.

CTN 03/2014

*Ministry of Health and Medical Services has to carry out the advance payments to the contractor as delay will contribute to the project delay of the refurbished CWM OT unit. The delay in the signing of the contract was due to the long processes of agreeing to the conditions required by the Ministry.
As part of the improvement:*

- 1. Ministry of Health and Medical Services will consider outsourcing the purchases of the equipment to the contractor responsible for the design and building.*
- 2. Planning with AMU as indicated in the improvements stated in responses from MHMS.*

The Ministry will ensure that with all its efforts to comply with the requirements.

24.41 Delay in Supply of Medical Imaging Consumables

The Government Tender Board (GTB) in its meeting number 24/13 held on 9/12/13 awarded the Contract for the Provision of Medical Imaging Consumables to the supplier. The contract was awarded at a total cost of AU\$30,219.99 (FJ\$52,556.50).

The FPBS on 30/01/14 ordered several items via MD85101-003040 from the supplier costing \$23,800.70. The audit noted the following irregularities.

- At the time of the awarding of contract the GTB in its letter to the Ministry states the delivery lead time for medical consumables. However the FPBS did not comply with GTB's delivery lead time and requested the supplier to provide its delivery lead time.
- To obtain the delivery lead time from the suppliers the FPBS submits order confirmation forms to the suppliers to confirm the delivery lead time. However the indent file for the supplier did not have the order confirmation form. This indicates that the FPBS has not confirmed its order and the delivery lead time (expected time of arrival) with the supplier.

In addition the FPBS did not know when the supplies ordered were expected to be delivered.

- Delay by the supplier in supplying the goods after the specified date of delivery in the agreement would entitle the purchaser to deduct \$100 per day.⁴¹

As at the date of audit on 16/1/15 the order placed by the FPBS for supply of medical consumables with the supplier was still an open order, indicating that the consumables ordered were still not received. Refer to Table 24.35 for consumables ordered but still not delivered.

Table 24.35: Details of Items Yet to be Received by FPBS

⁴¹ Agreement between the Ministry of Health and Supplier, Clause 2.1(e)

Product Code	Product	Date of Order	Delivery Lead Time (Weeks)	Expected Date of Delivery	Quantity Ordered	Price Per Unit (\$)	Total Cost (\$)
2067	Ultra Sound Probe Covers	30/1/14	4	27/2/14	2	616.92	1,233.83
2742	Sony Color Printing Pack for V10 Ultrasound Machine UP-C21L,GS-128	30/1/14	8-10	10/4/14	10	169.76	1,697.58

The FBPS did not take any action to expedite the procurement of these essential medical consumables, such as considering the alternative supplier⁴² approved by the GTB.

The findings indicate that the FPBS did not fully comply with the GTB's terms of awarding the tender. As a result essential medical consumables were not received from the suppliers within the expected time of delivery.

Recommendations

The Ministry should:

- **comply with GTB's delivery lead time; and**
- **ensure that in case of delays in supply alternative suppliers approved by GTB are considered.**

Ministry's Comments

The management acknowledges the audit findings.

FPBS has studied the report and findings are:

In reference to Audit finding; The 2 medical imaging consumables, the deferment of supply was from the manufacturer to the supplier. Later the product was cancelled by the technical team as it did not meet the technical specification. This was later cancelled in the FPBS inventory system.

The delivery lead-time in the GTB approval is what the supplier has indicated.

Ministry of Health and Medical Services have noticed that ETAs are not honoured by suppliers in most purchases because of logistical challenges that relates to processes here in Fiji and as well overseas.

To change contracted supplier immediately at the end of the due ETA involves a longer processes that would be a risk to the services rather than a benefit. For instances, GTB approval must be sought before changing suppliers and this usually take at least another 2 months to complete before an order is to be raised. Therefore a longer delay outweighs the benefit of delay ETA.

As part of the processes improvement:

- 1. Each time an order is written, ETA needs to be re-confirmed by the supplier who checks with manufacturers and advises on lead-times. This is confirmed by the supplier on the Order Confirmation Form filled & sent by suppliers.*
- 2. Monthly follow up on ETA has been implemented and is now part of purchasing officers responsibilities.*
- 3. Suppliers' performances will now be reported on 6 month basis to CP's office beginning in 2015*

⁴² GTB has approved Supplier J as an alternative supplier for these consumable

24.42 Anomalies in Purchase of Medical and Imaging Consumables – Contract Number 155/14

The FPBS should ensure that contract agreement is signed with the suppliers approved by the GTB. The FPBS should purchase medicines and medical supplies from the suppliers approved and contracted by GTB.

The Government Tender Board (GTB) in its meeting number 24/13 awarded the contract for the Provision of Medical Imaging Consumables to the supplier on 19/12/13. The contract was awarded for a total sum of AU\$254,858.35 (FJ\$443,231.91).

The audit noted that the FPBS did not enter into contract agreement with the supplier until 28/11/14. Due to the delay in signing the contract the supplier was not willing to supply the items at the tendered price. The audit noted that the FPBS procured the tendered items from the same supplier after taking 3 quotations.

The audit further noted that the price quoted by the supplier was usually higher compared to the tendered price. As a result of delay in signing the contract the FPBS overspent FJ\$3,266.56 to procure certain medical consumables from the supplier which was awarded the contract to supply the same items. Refer to Table 24.36 for details.

Table 24.36: Difference between the Tendered Price and Quotation Price

Indent	Date	Product Code	Product Name	Tendered Price AU(\$)	Quotation Price AU(\$)	Difference AU(\$)	Quantity	Over/(Under) charged AU	Over/(Under) charged FJ
				(a)	(b)	(a)-(b)		(\$)	(\$)
MD3204	26/3/14	01360	Green Film 30x40cm Box of 1,000	114.90	141.35	26.45	30	793.50	1,345.59
MD3205	26/3/14	01378	Green Film 35x43cm Box of 1,100	135.20	172.65	37.45	30	1,123.50	1,905.20
MD3206	26/3/14	01356	Green Film 18x24cm Box of 1,000	58.51	54.35	(4.16)	20	(83.20)	(141.08)
MD3207	26/3/14	01358	Green Film 24x30cm Box of 1,000	80.20	83.90	3.70	25	92.50	156.85
Total Amount Overcharged (Samples only)								1,926.30	3,266.56

The findings show laxity of the Officers responsible in signing the contract agreement with the supplier. As a result the supplier overcharged the Ministry for the tendered items.

Recommendations

The Ministry should ensure that:

- **the contract agreements are signed as soon as GTB approval is given; and**
- **appropriate disciplinary action is taken against responsible officers for delay in signing the contract.**

Ministry's Comments

The management acknowledges the audit findings.

Tender prices are based on the quantity, manufacturer & country of origin as offered during the bidding. In reference to purchase reflected in table 5, the quantity purchased via quotation is less than the quantity on tender price which is not shown on the table. The reason for buying from quote is due to the delay in getting the contract signed and suppliers are not willing to engage unless MHMS resolved contract issues. The products cannot be sourced from anywhere else because of the specification and compatibility with the machines, MHMS has to source from the same supplier. This order was placed through quotes because of its urgency due to non availability of stocks as the contract is still being negotiated and supplier has not commit to the tender sales unless issues are resolved.

This case has put Ministry of Health and Medical Services in a difficult position therefore it has to buy from quote amidst the requirement of the contract.

The delay in signing the contract is because of the processes involved:

- *Every contract will be vetted by SG's office*
- *Suppliers do not agree to contract clauses especially implication of Performance Bond against post payment terms.*
- *Suppliers await on the legal advice from their end before informing MHMS*
- *MHMS has no legal adviser therefore contract with supplier's comment is sent to SG's for vetting and advice.*
- *MHMS played the conduit between contractor's legal team and SG's office therefore the communication logistics is longer*
- *As previously advised most of the suppliers are overseas based, and FPBS has no choice but wait on response from suppliers with constant follow ups and reminders.*

The preparation of the signing of the contract can be seen as a bottleneck in the processes therefore the demand from health facilities outweighs the legal requirement of the contract as it is the 'duty of care' of the MHMS to provide health.

Therefore Ministry of Health and Medical Services has put in place improvements:

Ministry of Health and Medical Services has made it an initiative to inform suppliers to provide their issues regarding PB while bid submission and is presented during to evaluation committee before awarding contract provision.

1. *Ministry of Health and Medical Services has established contract position with a new recruit currently managing the program.*
2. *Ministry of Health and Medical Services has made it an initiative to inform suppliers to provide their issues regarding PB while bid submission and is presented during to evaluation committee before awarding contract provision.*

It is difficult to isolate the issues to an officer alone as the whole system has its own challenges together with the skills and know ledges that are required to undertake this demand work effectively. The management has transferred the officer to another facility to develop his management and leadership skills. Management has also sent current staffs for Procurement Training to address knowledge gap.

24.43 Purchase and Supply of Vaccines – No Reconciliation for the Cost Sharing Scheme

A cost sharing arrangement for purchase and supply of Cervarix, Synflorix and Rotarix vaccines was signed between the Ministry and the Australian International Aid Agency (AusAid) on 9/7/12. The purchase and supply of vaccine will be implemented according to the terms and conditions of the Memorandum of Understanding signed between the Ministry and Fiji Health Sector Support Program (FHSSP) on 7/9/95.

Under the Memorandum of Understanding (MoU) signed on 7/9/95 between the Ministry and FHSSP, Glaxo Smith Kline New Zealand (GSK) will supply Cervarix, Synflorix and Rotarix vaccines to the Ministry. Under the MoU cost of the vaccines for the year 2014 will be shared 50% each between the Ministry and the FHSSP.

However the FHSSP in a letter dated 12/9/13 advised the Ministry that the cost for all vaccines purchased for the first half of the year (1/1/14 - 30/6/14) will be paid by FHSSP and the cost for all vaccines purchased for the second half of the year (1/7/14 – 31/12/14) will be paid by the Ministry.

The audit noted that under this arrangement the Ministry paid total of US\$755,265 or 53% of the total cost of the vaccines compared to US\$665,844 or 47% paid by FHSSP. The Ministry therefore overpaid the cost of vaccine by US\$44,711 compared to the 50% – 50% cost sharing arrangement for 2014.

The audit further noted that the Ministry did not maintain copies of the invoices for the payment made by FHSSP. In absence of the invoices the Ministry is not able determine the total cost of vaccine paid by the FHSSP and whether it is in accordance with the cost sharing arrangement.

The findings show the laxity of the Officers responsible in monitoring the total cost of vaccines purchased under the cost sharing arrangement. As a result the Ministry overpaid US\$44,711.

Recommendations

The FPBS should ensure that:

- **the amount over spent (US\$44,711) is recovered from FHSSP; and**
- **copies of invoices for all payments made by FHSSP is obtained to monitor the percentage of cost paid for the vaccines by each party.**

Ministry's Comments

Ministry of Health and Medical Services acknowledges the findings of the Audit and will use the findings as trajectory for improvement towards its operations.

FPBS has this cost sharing of vaccine purchases with FHSSP through a MOU till end of June 2016, and will recover the extra charges from FHSSP which FPBS has over paid on the next shipment payments.

For future purchases FPBS would advise its supplier to provide two (2) sets of invoices for every order supplied

- (i) One invoice to FPBS on the agreed percentage of payments*
- (ii) Second invoice to FHSSP on the percentage applicable to FHSSP, the two invoices will tally and make 100% of the total order if fully supplied.*

This will enable the accounts department at FPBS to monitor what was ordered and received, who has paid and what amount and most importantly it will keep a clean debtors account with the supplier (GSK)

All articles documentations regarding the payments will be obtained from FPO office and FHSSP and filed in respective indent folders for follow ups and future records and analysis, supplier performance managements. Reconciliation on payments will also be conducted on a quarterly basis for the project

24.44 No GTB Approval for change in Contract Sum for CTN 121/13 – Contract for the Provision of Essential Medicines

All contracts should be made in accordance with the GTB's approval. Any variations in the contract sum should be made after the approval of the GTB.

The GTB awarded the contract number 121/13 for the provision of essential medicines to the supplier at a sum of FJ\$2,234,452.92 per year. The contract was for a term of 2 years commencing on 16/7/14.

However the Ministry signed the contract with the supplier for a total sum of \$1,550,346.22 instead of \$2,234,452.92.

The audit further noted that the FPBS did not write to GTB to advise and seek approval to amend the original contract sum from \$2,234,452.92 to \$1,550,346.22.

The findings indicate that the Ministry did not follow proper procedures when amending the contract price as approved by the GTB. Without GTB approval the changes in the contract price are unauthorized.

Recommendations

The Ministry should ensure that:

- **GTB approval is sought for any variation in contract sum; and**
- **appropriate disciplinary action is taken against those responsible for not performing their task.**

Ministry's Comments

The management acknowledges the audit findings.

FPBS has studied the report & findings are:

The anomaly in the total contract sum was identified at the time of contract negotiation. The total exceeded was due to typo error. Since the correct sum is less than the approved amount FPBS did not inform GTB as usually GTB approval is sought for increments however it will inform the GTB for any future variation. The endorsed contract has the correct sum of \$1,550,346.22. Ministry of Health and Medical Services has a designated officer handling contracts and be in line with all procurement officers for the awards and edify policies in place.

24.45 Delay in Supply of Drugs and Consumables

The maintenance of efficient Public Health Systems is largely dependent on having a robust supply chain management to eradicate delays and minimize stock outages.

Significant amount of drugs and consumables purchased and distributed by FPBS to Public Health facilities are procured from overseas suppliers. The FPBS has predetermined maximum and minimum stock levels for all drugs and consumables.

- The review of the EPICOR System revealed that several orders of drugs and consumables placed with overseas Suppliers were yet to be supplied or were partially supplied as at 2/2/15. For example the FPBS ordered 25,000 units of Sodium Chloride 0.3% with Dextrose Injection 100ml bag via indent number MD85101-002884 on 28/11/13 which was to have been received on 30/4/14. However there was a delay of 278 days as the items were yet to be received by FPBS.

Similarly the FPBS ordered 115,000 units of Sodium Chloride 0.9% with Dextrose Injection 100ml bag via indent number MD85101-002594 on 2/9/13 which was to have been received on 30/2/14. However the FPBS was only supplied 112,640 and were yet to be provided the remaining 2,360 or 2% of the total order. Hence a total 368 days of delay was noted.

As at the date of audit on 2/2/15 total value of \$5,213,478.68 of drugs and consumables were yet to be received by FPBS.

- Any delay by the Supplier in supplying the goods after the specified date of delivery in the agreement would entitle the Purchaser to deduct \$100 per day.

On several instances the suppliers did not supply the drugs and consumables ordered on expected delivery dates. However the FPBS did not deduct delay damages from these suppliers for payments made for purchases of other items from the same supplier. Refer to Table 24.37 for examples.

Table 24.37: Penalties not Deducted from Payments

Product	Indent Number	Total Cost of Indent FJ (\$)	Amount Paid (\$)
E2300AMAA-Hepatitis A Virus Antibody - 48 wells (HAV IgM - 48 wells)	MD85101-003370	1,467.87	US\$794.00
MB02266A-Oxidase strips (50 strips/pkt)	MD85101-004074	1,355.60	AU\$2,700.50
Streptokinase Injection 1.5mU	MD85101-004020	21,164.89	US\$6,297.20
Dextrose 10% inj 500ml Bag	MD85101-003757	3,148.24	US\$9,063.00
Bandage elastic adhesive BP 5cm x 5m (stretched)	MD85101-002652	11,369.68	US\$4,238.09
Cold Cure Liquid Self Cure	MD85101-004095	2,028.06	AU\$1,671.55
Formatray Liquid 1ltr	MD85101-004087	3,931.42	AU\$227.00
TC Acrylic Trimming BURS Bullet Coarse Medium	MD85101-003930	666.15	NZ\$20,537.00
Needle Disposable Sterile 23G x 32mm Packet of 101	MD85101-002932	192,520.27	US\$5,2250.00

The findings indicate that the FPBS did not monitor and follow up the orders placed with Suppliers. Failure to invoke the delay damages may result in continued delays and increase the Ministry's commitments in future.

Recommendation

The Ministry should ensure to follow up all orders placed on a regular basis and charge delay damages for any delays in supply.

Ministry's Comments

The management acknowledges the audit findings.

Ministry of Health and Medical Services has studied the report and would like to clarify few points:

Date of PO from last quarter of 2014 and one month prior which is from August onwards is the advance purchase orders for 2015 to be received in 2015. MHMS strategy is to improve planning which will contribute to improve availability of supplies.

Ministry of Health and Medical Services purchasing cycle at FPBS is such that the order for next year has to be raised in 2nd and third quarter of current year for the items to be received by 1st quarter for following year or with predetermined ETAs. The reasons are:

- *Based on reporting evidence, delivery lead-time of 4-6 months for most of the high volume pharmaceutical products therefore orders has to be placed early.*
- *FMIS system is fund control and MHMS can only raised purchase orders when fund is available therefore before fund runs out towards the end of the year it needs to raise official order from the 2nd quarter with predetermined ETAs.*
- *Auditors report from EPICOR is accurate however MHMS use the system to register orders that are with suppliers as FMIS cannot.*

The orders with ETA from January to July, these orders have been supplied in 90 – 99% of the ordered quantity, however due to technical reporting this did not reflect in the current reporting of the balance left to be supplied. The variation in the quantity supplied is due to different pack sizes from the manufacturers.

As part of the Improvement, Ministry of Health and Medical Services has:

1. *Established a Monthly follow up on ETA's*
2. *A contracts manager position has been established with the key role of monitoring of POs, financial commitments and suppliers performances.*

In addition to this, Ministry of Health and Medical Services will also review the performances of the suppliers on 6 monthly basis beginning in 2015.

24.46 Discrepancies in Stock Card Record and Actual Stock

The storekeeper shall keep an inventory card for each inventory item to determine the value of items. Each card must provide the following details.⁴³

- date and description of each item purchased;
- quantity purchased and cost price;
- quantity sold and at which price;
- quantity remaining and price; and
- expiry date.

The audit noted several instances of stock cards not updated when stocks were received or issued. Therefore the stocks recorded in the stock card did not match with actual stocks on the shelves.

The FPBS did not provide any reasons for the discrepancies in the actual stock and stock recorded in the stock cards. Refer to Table 24.38 for details of the variance noted.

⁴³ Ministry of Health Finance Manual 2011 Section 8 (8.1.6)

Table 24.38: Variance between Stock Card and Actual Stock

Item	Unit of Measure	Balance as per Audit Count as at 14/1/15	Balance as per Stock Card as at 14/1/15	Variance ⁴⁴
Enalapril Tablets 5mg	Units	0	282,400	(282,400)
Zinc Sulphate Monohydrate Tablets 20g	Units	12,500	14,800	(2,300)
Levodopa 200mg / 50g	Packets	59	84	(25)
Phenobarbitone Sodium Injection	Units	1,385	1,435	(50)
Ephedrine Injection	Packets	3,063	0	3,063
Paracetamol Tabs	Units/Packets	91	94	(3)
Paracetamol Mixture 120mg/100ml	Bottles	50	100	(50)
Pencillin G Inj.	Units	3,615	480	3,135
Amitriptyline Tabs	Units	700	595	105
Arthiomygn Tab 500mg	Units	23	24	(1)
Bisacodyl Tabs – 5mg	Units	17	16	1
Ephedrine Injection	Units	3,063	Nil	3,063
Paracetamol Tabs	Units	91	94	(3)
Paracetamol Mixture 120mg/100ml	Packets	50	100	(50)
Pencillin G Inj.	Units	3,615	480	3,135
Amitriptyline Tabs	Units	700	595	105
Arthiomygn Tab 500mg	Units	23	24	(1)
Bisacodyl Tabs – 5mg	Units	17	16	1
Ampicillin Sodium for injection 500mg	Units	27	37	(10)
Glibenclamide Tablets BP 5mg	Units	16	9	7
Fortified Procaine Pencillin for Injection	Units	20	2	18

The irregularity indicates poor supervision in the Stores Department at the FPBS. In absence of up to date stock cards theft of medical supplies is highly likely.

Recommendations

The Ministry should ensure that:

- **the Stores Officers are properly supervised by Senior Officers;**
- **stocks are properly recorded when received or issued; and**
- **appropriate disciplinary action is taken against Officers for not updating the stock card.**

Ministry's Comments

Ministry of Health and Medical Services acknowledges the Audit report on the discrepancies between stock cards and actual stock.

The findings have been acknowledged and MHMS will work in improving recording of stocks being issued. The demands of meeting targets with constraint resources amidst the heavy manual intensive processes usually resulted in some processes being compromised. However Ministry of Health and Medical Services maintains the importance of records and this will be re-enforced again especially to senior officers. This instance it is being found that replenishment of the stocks from Bulk to Issue area was done without updating the stock cards. The officer will be counselled and issued with the Cautionary Letter following his leave. Ministry of Health and Medical Services is also in the processes of procuring a new Warehouse Information System to improve recording accuracy.

⁴⁴ Balance as per Audit Count minus Balance as per Stock Card

24.47 Open Contract for Supply of Essential Medicine – Contract Number 121/13

The Government Tender Board (GTB) awarded the contract number 121/2013 for the provision of essential medicines to Supplier K and Supplier L at a sum of \$268,481.66 and \$1,058,471.90 per year respectively. The contract was for a term of two years commencing from 24/3/14 and 6/5/14 respectively.

The contract for supply of goods and services should state the contract sum.

The audit noted that the contract agreement did not state the contract sum for the supply of essential medicines. Due to the negligence and poor supervision by the Senior Officers in the Procurement Section the contract agreements did not state the total contract sum.

In absence of an approved contract amount the Ministry does not have any control over the price or the total value of medicines to be supplied by the suppliers.

Recommendation

The Ministry should ensure that contract sum is stated in the contract agreement.

Ministry's Comments

Ministry of Health and Medical Services acknowledges the audit findings.

When a tender is approved by GTB, FPO notifies the suppliers of their award with the total award value. MHMS sends approved award list consisting of the approved quantity with unit & total price upon which the contract is signed. Contract clauses 3.1 states that The Purchase order should clearly state the item description, quantity required unit cost as contracted price, and the preferred specified time for delivery. This guides the purchasing officers not to deviate from tender approved prices. Contract clause 5.4 refers- If there is changes in price as long as the payment made to these prices remains the same approved by the Government Tender Board any increase in payment require approval by the Government Tender Board. Such the purchasing officers & suppliers are fully aware that they cannot change any pricing and procurement officer's order according to the approved rates and quantity avoiding leverage of over expenditure. For improvement MHMS has a designated contracts officer who vets the contract ensuring that contract sum is stated before endorsement.

24.48 Anomalies in Supply of Emergency and Accident Equipment – Contract Number CTN 84/13

The Ministry invited written submissions from reputable organizations via the Fiji Procurement Office (FPO) on 28/5/13 for the provision of supply, installation and commissioning of Accident and Emergency Equipment for various hospitals. A total of 7 suppliers submitted their bids prior to the tender closing date of 13/6/13.

The Government Tender Board (GTB) awarded the phase 1 of the tender to Company F and Company G at a total cost of FJ\$766,166.72 and FJ\$95,455.40 respectively. On 23/1/14, the GTB approved that phase 2 be awarded to Company G at a total cost of US\$341,750 or FJ\$638,806.81. Final payment of 30% or US\$102,471 be made by the Ministry 7 days after the receipt of goods.⁴⁵

⁴⁵ Contract – Tender No. CTN 84/13 – Supply, Installation & Commissioning of Phase 2 Accident and Emergency Equipment for Fiji, Ministry of Health, Clause 4a - 1b

Company G was awarded the contract for supply, installation and commissioning of Accident and Emergency Equipment for various hospitals at a total cost of US\$341,750 or FJ\$638,806.81. The review of the payments made to the supplier revealed the following anomalies.

- As per the contract agreement the supplier was to be paid in installments. The first payment FJ\$453,288.25 or 70% of the total cost was to be paid in advance. The second payment of FJ\$192,273.28 or 30% was to be made after the receipt of equipment.

The Ministry received the equipment in 2 separate consignments on 2/5/14 and 8/5/14. The audit noted that the second or the final payment of FJ\$192,273.28 was paid by the Ministry on 29/4/14 which was 9 days before the second consignment of equipment was received.

- It is in the best interest of the government to ensure that final payment is made after successful installation and commissioning of the equipment.

However, the contract between the Ministry and Company G stated that the final payment of 30% or FJ\$192,273.28 to be made after 7 days from the receipt of the equipment and not after the successful installation and commissioning of the equipment.

- The equipment delivered must be inspected within 7 working days following the delivery to reject the equipment.⁴⁶

The equipment was received by the FPBS in two consignments on 2/5/14 and 8/5/14 respectively and was inspected on 26/5/14. The inspection of the equipment was carried out 12 working days after the date of receiving the last consignment.

The findings show that the Ministry did not comply with the contract agreements and laxity of the management to carry out their duties in reviewing the contract thoroughly. The Ministry's interests were not adequately protected.

Recommendations

The Ministry should ensure that:

- **all payments are made as per the contract agreement;**
- **where possible the final payment is made after installation and commissioning of the equipment in future; and**
- **equipment is inspected within the stipulated timeline as per the contract agreement.**

Ministry's Comments

Ministry of Health and Medical Services acknowledges the audit report findings.

Ministry of Health and Medical Services will review its process and documentation to ensure that it complies with all the requirements of the contracts and also ensure that officers perform their duties diligently in managing the contract and its requirements. For improvement Ministry of Health and Medical Services has a designated contracts officer who vets the contract ensuring that contract sum is stated before endorsement.

⁴⁶ Contract – Tender No. CTN 84/13 – Supply, Installation & Commissioning of Phase 2 Accident and Emergency Equipment for Fiji, Ministry of Health

24.49 Poor Monitoring and Supervision of Stores

If the quantity of the goods received is less than the quantity shown in the supplier's invoice or delivery note, the receiving officer shall furnish a report to make a claim against the supplier or carrier.⁴⁷

The Ministry ordered 18 units of XCN-5 Nebulizer Pumps from Supplier G on 10/2/14 for total cost of \$55,548. The Nebulizer Pump were supplied on 2/5/14 and 8/5/14 to the FPBS. The review of the purchase of the Nebulizer Pumps revealed the following anomalies.

- The XCN-5 Nebulizer Pumps were verified and received by the Temporary Relieving Stores Officer at FPBS on 26/5/14. However the Temporary Relieving Stores Officer only recorded 16 units of XCN-5 Nebulizer Pump in the Taken on Charge Form.

The FPBS was not aware where the remaining 2 units of XCN-5 Nebulizer Pumps were.

- The FPBS issues a dispatch docket for items dispatched out of the FPBS stores. A copy of the dispatch docket is retained in the dispatch book.

The FPBS was not able to provide the dispatch dockets for the issue of the Nebulizer Pumps. Hence the audit was not able to verify how many of the XCN-5 Nebulizer Pumps were dispatched and to whom the pumps were dispatched.

This finding shows poor controls in receiving and dispatching of stores at FPBS Warehouse. There is high risk of loss of stores from the warehouse.

Recommendations

The Ministry should ensure that:

- **adequate controls are put in place at the warehouse for receiving and issue of stores; and**
- **investigate the missing 2 units of XCN-5 Nebulizer Pump and take appropriate action.**

Ministry's Comments

Ministry of Health and Medical Services acknowledges the audit report findings.

Ministry of Health and Medical Services will investigate the occurrence of the missing 2 units of the nebulizer and appropriate actions will be taken as per the findings of the investigation. Ministry of Health and Medical Services has now have strengthen that every biomedical equipment received at the warehouse will have a proper dispatch documentation.

24.50 Losses Due to Tender Bids in Different Currencies

Bidding on the same currency avoids questions like what conversion rate to use when converting different currencies to a common currency. Comparison between bidders will be easily made when they are bidding in common currency.

The audit noted that while drafting tender documents for procurement of pharmaceutical items or biomedical equipment the Procurement Unit at FPBS allowed bidders to quote prices in any currency

⁴⁷ Finance Manual 2011, 2.5.17

of their choice. The following contracts were noted to have different currencies. Refer to Table 24.39 for details.

Table 24.39: Details of Contracts with Different Currency

Contract Details	GTB Approved Amount FJ(\$) (A)	Amount As Per the Agreements (\$)	Suppliers Total Invoice Amount (\$)	Total Sum Paid In FJ(\$) (B)	Loss FJ(\$) (A)-(B)
CTN 3/14 – Supply, Installation and Commissioning of New Operating Theatre Equipment	220,144.60	No Agreement signed as at 16/1/15	NZD140,562.33	220,615.01	470.41
CTN 3/14 – Supply, Installation and Commissioning of New Operating Theatre Equipment	1,506,205.19	FJ1,506,205.19	USD797,535.65	1,522,547	16,341.81
CTN 3/14 – Contract for Supply, Installation and Commissioning of New Operating Theatre Equipment	118,887.06	AU70,101.80	AU70,101.80	125,063.31	6,176.25
CTN 42/14 - Supply, Installation and Commissioning of Radiology Equipment	1,225,328.65	No Agreement signed as at 16/1/15	USD663,638	1,282,392.27	57,063.62
CTN 42/14 - Supply, Installation and Commissioning of Radiology Equipment	402,511.08	USD218,000	USD218,000	421,256.04	18,744.96
CTN 84/14 – Contract for Supply, Installation and Commissioning of Accident and Emergency Equipment	638,806.81	USD341,570	USD341,570	645,541.53	6,734.72
Total					105,531.77

The Procurement Unit at FPBS was unnecessarily creating foreign exchange risk and complexity in the procurement process.

The finding indicates that the FPBS did not consider foreign currency risks when purchasing from international suppliers. As a result public funds were lost through foreign exchange losses.

Recommendation

The Ministry should request all suppliers to bid in Fiji dollar and the contract to state the contract sum in Fiji dollar to avoid foreign currency loss and make price comparison easier and fairer to all bidders.

Ministry's Comments

The Ministry of Health and Medical Services acknowledge the audit findings.

Ministry of Health and Medical Services has studied the audit report and findings are:

The purchase of pharmaceutical goods is aligned to the terms and conditions for purchase and supply of pharmaceutical goods for Ministry of Health and Medical Services and the payment by Ministry of Finance.

The conversion of the common currency of US\$ bid by the suppliers will be converted to FJ\$ by MHMS before evaluation and or GTB recommendation. The major reason for MHMS using the current method is because of the currency variations. The payments of purchases are carried out 7 months or more from the day of bidding

hence currency variation exists which is not a viable environment to use the \$FJ. Ministry of Health and Medical Services uses the tendered unit rate & conversion rate to raise orders in Fiji dollars. Payment is made for same by Ministry of Finance in suppliers currency based on daily exchange rate.

One of the strategies Ministry of Health and Medical Services has is to have foreign exchange rate hedging to minimise the foreign exchange risk. Requesting bidders to bid in local currency will require calibration with Ministry of Finance for overseas payment terms.

24.51 Delay in Contract Signing

A contract establishes critical elements of the agreement such as the scope of work, contract amount, time for completion, circumstances for acceptable delays, insurance requirements, dispute handling, indemnification and responsibilities of each party.

The FPBS engaged with several suppliers for supply of medical supplies and equipment during the year 2014. The audit reviewed the contract agreement of several suppliers of medical supplies and equipment with an aggregate value of \$11,562,810.57.

The audit noted several instances of either contract agreements not signed at all between the FPBS and the supplier as of the date of audit on 12/1/15 or contract agreements were signed after medical supplies and equipment was received by the FPBS. Refer to Table 24.40 for examples of the anomalies.

Table 24.40: Examples of No Contract Agreement and Contract Agreement Signed After Medical Supplies and Equipment Supplied

Agreement Details	Contract Sum (\$)	Advance Payment Date	Contract Date	Remarks
CTN 42/14 - Supply, Installation and Commissioning of Radiology Equipment	1,225,328.65	9/10/14	No contract entered into.	Equipment received on 9/12/14. There was a lapse of 95 days between the day the advance payment was made and the date of audit.
CTN 42/14 - Supply, Installation and Commissioning of Radiology Equipment	402,511.02	9/10/14	4/11/14	Equipment received on 18/12/14. There was a lapse of 26 days between the day the advance payment was made and the date the contract was signed.
CTN 3/14 - Supply, Installation and Commissioning of Operating Theatre Equipment	118,877.06	29/5/14	10/7/14	There was a lapse of 42 days between the day the advance payment was made and the date the contract was signed.
CTN 3/14 - Supply, Installation and Commissioning of Operating Theatre Equipment	220,144.60	5/6/14	No contract entered into.	No contract agreement entered as of the date of audit on 16/1/15.
CTN 3/14 - Supply, Installation and Commissioning of Operating Theatre Equipment	124,555.88	No advance payment was made.	No contract entered into.	No contract agreement entered as of the date of audit on 16/1/15..
CTN 155/13 - Supply of Laboratory Reagents and Consumables	852,239.14	No advance payment was made.	No contract entered into.	No contract agreement entered as of the date of audit on 16/1/15.
CTN 155/13 - Supply	1,285,250.93	No advance	No	No contract agreement entered as of the

Agreement Details	Contract Sum (\$)	Advance Payment Date	Contract Date	Remarks
of Laboratory Reagents and Consumables		payment was made.	contract entered into.	date of audit on 16/1/15.
CTN 155/13 – Supply of Laboratory Reagents and Consumables	517,477.37	No advance payment was made.	No contract entered into.	No contract agreement entered as of the date of audit on 16/1/15.
CTN 155/13 – Supply of Laboratory Reagents and Consumables	99,327.55	No advance payment was made.	No contract entered into.	No contract agreement entered as of the date of audit on 16/1/15.
CTN 155/13 – Supply of Laboratory Reagents and Consumables	878,341.91	No advance payment was made.	No contract entered into.	No contract agreement entered as of the date of audit on 16/1/15.
CTN 155/13 – Provision of Medical Imaging Consumables	52,556.50	No advance payment was made.	30/7/14	There was a lapse of 9 months from the date the contract was prepared (9/11/13).
CTN 155/13 – Provision of Medical Imaging Consumables	443,231.91	No advance payment was made.	28/11/14	There was a lapse of 11 months from the date the contract was prepared (9/12/13).
CTN 08/14 - Supply of Laboratory Reagents and Consumables	871,277.91	No advance payment was made.	26/9/14	There was a lapse of 113 days from the date the contract was prepared (15/5/14).
CTN 133/14 – Provision of Dental Prosthetics Material	56,428.10	No advance payment was made.	23/10/14	There was a lapse of 228 days from the date the contract was prepared (9/3/14).
CTN 121/13 – Provision of Essential Medicines	2,234,452.92	No advance payment was made.	16/7/14	There was a lapse of 161 days from the date the contract was prepared (5/2/14).
CTN 121/13 - Provision of Essential Medicines	853,855.56	No advance payment was made.	20/3/14	There was a lapse of 43 Days from the date the contract was prepared (5/2/14).
CTN 121/13 - Provision of Essential Medicines	268,481.66	No advance payment was made.	24/3/14	There was a lapse of 47 Days from the date the contract was prepared (5/2/14).
CTN 121/13 - Provision of Essential Medicines	1,058,471.90	No advance payment was made.	6/5/14	There was a lapse of 90 Days from the date the contract was prepared (5/2/14).
Total (sample only)	11,562,810.57			

The findings show laxity on the part of the senior officials for not having the contract agreement with suppliers. In the absence of a contract agreement the supplier may not fulfill its obligation as expected and disputes may arise.

Recommendation

The Ministry should take disciplinary action against officers responsible for not having contract agreements with the suppliers for supply of medical supplies and equipment.

Ministry's Comments

Ministry of Health and Medical Services acknowledges the audit findings.

The Ministry of Health and Medical Services are aware of the importance of having the contract in place. However the due processes conducted before the contract signing is the bottle neck that led to the delay in signing the contracts with the suppliers.

Ministry of Health and Medical Services sends draft contracts to suppliers after receiving awards result from GTB for solicitation on the terms and conditions after which it will be vetted by SG's office. In addition, delays in this process attributes to the number of suppliers that will be engaged per tender

Ministry of Health and Medical Services has experienced the following during the above process:

- *Suppliers would not agree to contract clauses especially implication of Performance Bond against post payment terms.*
- *Suppliers await on their legal advice from their end before informing MHMS their comments*
- *Ministry of Health and Medical Services has no legal adviser therefore contract with supplier's comment is sent to SG's for vetting and advice. This process itself is time consuming too as correspondence with the SG's office requires formal writing as per the process requirements.*
- *Which is then forwarded to supplier and the steps are repeated until both parties come to consensus.*

Ministry of Health and Medical Services therefore have considered ways to resolve the bottle neck such as creating a trading off a position for contractual officer to oversee the processes to run efficiently however. MHMS acknowledges the right skills and knowledge is required for this position to address this therefore training is being planned to address it. Ministry of Health and Medical Services has also considered that contracts to be send to interested bidders with the RFT documents to look into the terms and conditions of engagement therefore evaluation criteria will also be considering compliance to the conditions of the contract

24.52 User Guide and Other Documents not provided by the Supplier - Contract Number 3/14

Government Tender Board awarded the contract number 3/14 to the supplier on 15/4/14 for supply, installation and commissioning of Operating Theatre Equipment for CWM Hospital. The total cost of the project as per the agreement was \$1,506,205.19.

The supplier shall provide a copy of the Operator Manual, Service Manual, and Operator Guide (written and soft copy), Spare Parts List and up to date catalogues and or system information of current items and prices to be kept on file by Fiji Pharmaceutical and Biomedical Service's (FPBS) Biomedical Section.⁴⁸

However the supplier did not provide written and soft copy of Spare Parts List and an up to date catalogues and or system information of current items and prices.

In addition the supplier only provided soft copies of Operator Manual, Service Manual, and Operator Guide which were at the respective hospitals. The written copies of Operator Manual, Service Manual, and Operator Guide were not provided by the supplier.

The soft copies of the Operator Manual, Service Manual, and Operator Guide were not made available for audit review despite several requests. Hence the audit could not substantiate whether the soft copies of these documents were actually provided by the supplier.

The findings show that the Ministry did not properly monitor that the supplier fulfills its requirements under the contract agreement. As a result Operator Manual, Service Manual, and Operator Guide (written and soft copy), Spare Parts List and up to date catalogues and or system information were not provided by the supplier to the Ministry.

⁴⁸ Agreement between the Ministry and Supplier F, Clause 15

In absence of these documents/information the Ministry may face difficulties in service and maintenance of these equipment.

Recommendation

The Ministry should ensure that Operator Manual, Service Manual, and Operator Guide (written and soft copy), Spare Parts List and up to date catalogues and or system information are obtained from the supplier.

Ministry's Comments

Ministry of Health and Medical Services acknowledges the audit report findings.

Ministry of Health and Medical Services through FPBS has instructed the supplier that the required documents are to be provided and the supplier has obliged. All copies of the Manuals have been provided through an online portal where the Biomedical technicians can access them. Process of ordering and receiving will ensure that these items will be required to be part of the supply.

24.53 Poor Inventory Management

The Fiji Pharmaceutical and Biomedical Services (FPBS) is responsible for the purchase of medicines and medical supplies for both public and private sector. The FPBS currently uses both stock cards and EPICOR Software to manage and maintain inventory records electronically.

The review of FPBS inventory system revealed the following anomalies:

- Accounting records may be destroyed after a period of 6 years provided that these records are not required for audit purposes or have already been audited.⁴⁹

Many instances were noted where the warehouse Supervisors did not provide old stock cards of various drugs and consumables for audit verification.

As a result the audit could not substantiate the stock balances of drugs and consumables as neither the old stock cards were available nor the closing balance carried forward to the new card.

- The Ministry of Health will support the introduction and maintenance of systematic, practical and accurate procedures for the estimation and regular reporting of medicine consumption at all levels so that the FPBS can use this data in the compilation of correct estimates for national medicine procurement needs.⁵⁰

However several instances were noted where the physical stock count of the drugs and consumables varied from the EPICOR System balances. Refer to Table 24.41 for details.

Table 24.41: Variance between Audited Physical Stock Count and EPICOR System Balance

Item	Unit of Measure	Balance as per Audit Count as at 14/1/15	Balance as per EPICOR as at 14/1/15	Variance ⁵¹
Enalapril Tablets 5mg	Units	---	113,400	(113,400)

⁴⁹ Ministry of Health Finance Manual 2011, Section 18.1.4

⁵⁰ The National Medicinal Products Policy of the Republic of Fiji Islands, 13 section 6.2.1

⁵¹ Balance as per Audit Physical Count as at 14/1/15 minus Balance as per EPICOR as at 14/1/15

Item	Unit of Measure	Balance as per Audit Count as at 14/1/15	Balance as per EPICOR as at 14/1/15	Variance ⁵¹
Zinc Sulphate Monohydrate Tablets 20g	Units	12,500	34,200	(21,700)
Carbamazepine Tablets 200g	Units	29,000	69,000	(40,000)
Levodopa 200mg / 50g	Packets	59	84	(25)
Phenobarbitone Sodium Injection	Units	1,385	1375	10
Warfarine Tablets 5mg	Units	55,400	38,800	16,600
Warfarine Tablets 3mg	Units	52,100	37,000	15,100

The finding indicates poor control over drugs and consumable stocks at FPBS stores. There is risk of loss of stocks through theft. In addition the FPBS may not be able to properly monitor the stock levels and reorder point if the stock record in the EPICOR System is incorrectly maintained.

Recommendations

The Ministry should ensure that:

- **proper controls over the drugs and consumable stock is implemented; and**
- **periodic stock count is undertaken and any variance is investigated and reconciled with the EPICOR System.**

Ministry's Comments

Ministry of Health and Medical Services acknowledges the audit report on the poor inventory management.

Ministry of Health and Medical Services agrees to the findings that proper control has to be in place. In the last two years the warehouse operation has reviewed its business processes in light of the reduction in the HR numbers and the demand to meet targets set to ensure the delivery of health services. This has resulted in the critical control activities to be compromised. For example EPICOR does not have a service support to assist Ministry of Health and Medical Services so that the business process of the EPICOR is to reconcile with the change of operations. Periodic stock counts are undertaken regularly to reconcile the records in EPICOR.

However, Ministry of Health and Medical Services is securing a consultant to review the warehouse operations in light of the changes to the environment. In addition to this is the current process of procuring a new Warehouse Information Management System to replace EPICOR.

24.54 Variance between EPICOR System and Actual Stock Take

The Ministry of Health will strive to improve and standardize inventory control procedures at all levels of the public drug supply system.⁵² Proper record keeping of drugs and consumables should be maintained by FPBS at all times.

The EPICOR System is the Inventory Management Software utilised by FPBS to record its movement of stock. This includes entering of stock as it is received, deliveries made to Hospitals and Health Centre's, orders placed by Hospitals and Health Centre's, orders placed by FPBS to its suppliers and other stock related activities. At any point in time, the physical stock should coincide with the system stock records.

The review of annual stock take report for the year ending 31 December 2014 revealed variances between the balance as per the EPICOR System and the balance of actual stock for numerous drugs

⁵² The National Medicinal Products Policy of the Republic of Fiji Islands, Section 6.2

and consumables. The audit noted that the stock balance for several drugs and consumables were either overstated or understated in the EPICOR System.

The stock take report also revealed that several drugs and consumables were not recorded in the EPICOR System. Therefore the quantity recorded in the EPICOR System was understated compared to the actual stock balance.

The FPBS did not update the system on a timely basis resulting in significant variances between the actual stocks on hand and stock balance as per the EPICOR System. There is a high risk of misappropriation or theft of stores. This audit finding was also reported in last year's audit.

Recommendations

The Ministry should:

- **investigate the variances noted and take appropriate remedial action; and**
- **take disciplinary action against Officers responsible for recording stocks.**

Ministry's Comments

Ministry of Health and Medical Services acknowledges the audit report on the variances between Epicor System and Actual Stock take.

In the last two years the warehouse operation has reviewed its business processes in light of the reduction in the HR numbers and the demand to meet targets set to ensure the delivery of health services at health facilities such as new services. This has resulted in the critical control activities to be compromised because of the lack of resources. EPICOR also does not have a service support to assist Ministry of Health and Medical Services so that the business process of the EPICOR is to be reconciled with the change of operations. Therefore the variances are attributed to the current software issues and processes changes amidst changing environment to serves. However Ministry of Health and Medical Services is securing a consultant to review the warehouse operations in light of the changes to the environment. In addition to this is the current process of procuring a new Warehouse Information Management System to replace EPICOR. In addition to these regular reports provided from the warehouse is being monitored on monthly basis by the Logistic Management Unit to address anomalies. The reports are BMSL, Expiry and Stock Outs. This is to ensure the supplies are always available

24.55 Increase in the Value of Expired Stock

The Ministry of Health will strive to improve and standardize inventory control procedures at all levels of the public drug supply system.⁵³

It is difficult to estimate the exact amount of drugs and consumable usage in the health system annually. An attempt to fully eliminate expiring drugs cost to zero may also put the Ministry in a risk of not having appropriate supply of drugs and consumables when needed.

The audit noted that drugs and consumables costing \$717,206.93 expired as at 31/12/14 at FPBS alone. Refer to Table 24.42 for value of expired drugs for the last 3 years.

⁵³ The National Medicinal Products Policy of the Republic of Fiji Islands, 13 section 6.2

Table 24.42: Expired Drugs as at 31/12/14

Month	Expired Stock 2014 (\$)	Expired Stock 2013 (\$)	Expired Stock 2012 (\$)
January	43,528.49	24,942.62	24,512.84
February	60,898.42	54,751.33	255,781.10
March	147,553.59	65,176.94	47,031.60
April	8,771.37	50,086.08	17,761.15
May	50,780.73	8,431.81	98,185.94
June	25,111.55	23,621.40	46,156.48
July	30,817.08	35,771.75	13,119.79
August	16,314.44	19,943.34	19,320.14
September	123,694.91	22,509.25	21,774.51
October	64,507.35	15,422.79	49,560.67
November	141,387.78	12,545.84	6,676.08
December	3,841.22	36,124.74	35,765.56
Total	717,206.93	369,327.89	635,645.86

The total cost of expired drugs and consumables could be far more than the amount reported as the FPBS did not have records of expired drugs and consumables from all hospitals and health centers in Fiji.

The audit also noted the cost of expired drugs at the FPBS increased by \$347,879.04 or 94.2% in 2014 compared to total expired drugs and consumable of \$369,327.89 in 2013.

Due to poor inventory management by the FPBS significant value of drugs and consumables expired resulting in waste of public funds.

Recommendations

The Ministry should:

- **review the reorder levels for all drugs and consumables to avoid losses due to expired drugs and consumables;**
- **implement proper inventory management system to reduce the cost of expired drugs and consumables to WHO standards; and**
- **request all hospitals and health centers to submit annual returns of expired drugs and consumables to the FPBS.**

Ministry's Comments

MHMS acknowledges the finding and recommendations on the Audit Report

Ministry of Health and Medical Services currently monitors and review its purchase quantity while striving to keep expiry value to minimum. Eliminating of expiration is impossible with indication from WHO standard of less than 5% of the total purchase budget accepted wastage level. The wastage is unavoidable however controlling the wastage is the goal. Wastage is the result of the following elements:

- 1. Purchase quantity is based on historical consumption from warehouse with a complex procurement process.*
- 2. Disease forecasted based on the history changes or do not appear in the New Year.*
- 3. Changing of prescribing practices due to changes of doctors' treatment based on new research.*

4. *Poor, inadequate or inaccessible data from facilities contributes to weak forecasting at FPBS.*
5. *Fluctuation in usage due to technological constraints such as machine down times.*

To eliminate wastage as the strategy of supply management will only result in the negative consequences of stock outs which can be very detrimental to health services.

Therefore review of maximum levels based on consumption history, item characteristics and logistical challenges are conducted regularly. In addition '6 monthly forecast report' (generated monthly) and 'inventory receipts report' (generated weekly) is distributed to facilities. New application will improve data reliability therefore improve forecasting. As part of HR improvement, Logistic Management Unit officers are trained based on key competencies including forecasting and data management. In 2014 May laboratory logistics officer was sent for week long training specifically designed for procurement and supply management of essential laboratory commodities.

24.56 Nil Stock for Drugs and Consumables

The Ministry of Health will strive to improve and standardize inventory control procedures at all levels of the public drug supply system.⁵⁴

The Ministry's EPICOR System indicates when a particular drug or consumables reaches its minimal level. Once the minimum stock is reached the stock controller needs to ensure that new orders are placed immediately to ensure adequate supply of drugs and consumables are available at all times. Scrutiny of the EPICOR System on 14/1/15 revealed that several drugs and consumables were out of stock at the FPBS.

In addition the EPICOR System did not state the date out of stock drug and consumable were reordered. Hence the audit could not substantiate whether the orders were placed before the items reached minimum or nil balance.

The finding shows poor inventory management at the FPBS. Non availability of essential pharmaceutical supplies may place patients' life and health at risk.

Recommendation

The Ministry should ensure that drugs and consumables are ordered at minimum reorder point to avoid 'run outs'.

Ministry's Comments

Ministry of Health and Medical Services acknowledges the findings and recommendations of the Audit Report.

Ministry of Health and Medical Services on a monthly basis generates a 'stock status' report and 'below minimum stock level' report for all categories of products. The reports [BMSL, Expiry and Stock Outs] are analysed by the LMU before necessary orders can be placed. The analysis includes:

- *To determine the necessity to order the items and hold stock at warehouse*
- *The availability of non-urgent items at facility level and need for reordering*
- *To establish the slow moving items which are NIL in stock in the Divisions.*

As part of its improvement in re-ordering, products have been standardised ranging from Standard 1 to 6 based on impact on service delivery, demand, market availability and logistical challenges. Priority is to have standard 1 to 3 in stock at FPBS warehouse and on order with suppliers to avoid 'run out' therefore orders are placed based on historical lead time experiences from suppliers. BMSL have not been used as the re-order point for

⁵⁴ The National Medicinal Products Policy of the Republic of Fiji Islands, 13 section 6.2

Standard 1 - 3 because of the delays incurred through the internal processes and suppliers processes which cannot be appropriately addressed in the BMSL level. The concept of extending the integration of the health facilities demand and processes; procurement and warehouse processes; and now supplier/manufacturing processes in the whole supply chain management principle is being explored by MHMS in this renewed strategy with the output to eliminate stock outs, reduce wastage and improve cost savings. The ultimate outcome of these improvements by MHMS is to impact the Health Outcomes of the Ministry and that is to reduce NCDs, eliminate CDs and improve maternal and child health.

24.57 Stocks Below Predetermined Minimum Level

The Ministry of Health will strive to improve and standardize inventory control procedures at all levels of the public drug supply system.⁵⁵

The Ministry's EPICOR System indicates when a particular drug or consumables reaches its minimal level. Once the minimum stock is reached the stock controller needs to ensure that new orders are placed immediately to ensure adequate supply of drugs and consumables are available at all times.

The review of the EPICOR System as at 14/1/15 revealed that several drugs and consumables on hand were below the predetermined minimum stock levels.

However the FPBS in its EPICOR System did not have the dates these drugs and consumables were reordered. Hence, the audit cannot substantiate whether these drugs and consumables were reordered. The Ministry did not properly monitor the stock levels and reorder drugs and consumables on time. This may lead to drugs and consumables shortage in hospitals and health centres if supplies are not reordered and received on time.

Recommendations

The Ministry should:

- **investigate why drugs and consumables below the predetermined minimum stock level were not reordered; and**
- **take appropriate action to ensure appropriate level of drugs and consumables are available at all times.**

Ministry's Comments

Ministry of Health and Medical Services acknowledges the findings and recommendations of the Audit Report.

Below minimum stock level is a guide to FPBS but not necessarily an instruction to purchase as due process need to be undertaken before orders can be raised. Processes such as determination of the need, checking availability in facilities, determining item status in service delivery, availability of alternative stock that needs to be mobilised are carried out prior to ordering.

Minimum order level is also open for review depending on demand from facilities as some may be season use item. MHMS has put in place monthly reporting matrix to monitor stock level by the LMU and appropriate re-order point triggering the procurement point. In addition of its continual improvement process in re-ordering, products have been standardised ranging from Standard 1 to 6 based on impact on service delivery, demand, market availability and logistical challenges. Priority is to have standard 1 to 3 in stock at FPBS warehouse and order with suppliers to avoid 'run out' therefore orders are placed based on historical lead time experiences from suppliers

⁵⁵ The National Medicinal Products Policy of the Republic of Fiji Islands, Section 6.2

24.58 Stocks in Excess of Predetermined Maximum Level

The Ministry of Health will strive to improve and standardize inventory control procedures at all levels of the public drug supply system.⁵⁶ Proper stock management ensures that stock level does not exceed maximum stock level.

The FPBS has predetermined maximum stock levels for all drugs and consumables. The review of the EPICOR System as at 14/1/15 revealed that several drugs and consumables were available in excess of the required maximum stock levels.

The audit noted that several of these drugs and consumables were significantly overstocked when compared to its maximum stock levels. For example the predetermined maximum stock level for Propranolol tablets 40mg was 550,000 units only at any point in time. However the stock on hand as at 14/1/15 was 737,600 units, which were 187,600 units or 34.11% more than the predetermined maximum stock level.

Similarly the predetermined maximum stock level for Chlorpromazine tablets 50mg was 32,000 units only. However the stock on hand as at 14/1/15 was 105,500 units which was 73,500 units or 230% more than the predetermined maximum stock level.

The audit also noted that the total cost of drugs and consumables in excess of the predetermined maximum stock levels was \$9,906,174.96 as at 14/1/15.

The audit further noted that several drugs and consumables were reordered despite the stock levels were above the maximum stock levels. Refer to Table 24.43 for details.

Table 24.43: Details of Drugs and Consumables Ordered as at 14/1/15

Item Description	Minimum Stock Level	Maximum Stock Level	Unit of Measure	Quantity In Stock	Quantity Reordered	Unit Cost (\$)	Total Cost (\$)
Blood Glucose Monitoring Meter	200	400	EA	425	180	23.42	4,215.29
Mesh Prolene 15x15cm box of 5pieces	67	200	BX	218	100	1,018.10	101,809.79
Catheter Foley silicone treated 10FG, sterile, individually wrapped	513	1,600	EA	1,794	1,200	1.80	2,157.51
Catheter Foley Silicon treated 24FG, (3 way), Sterile, individually wrapped	500	1,500	EA	1734	600	9.60	5,760.33
Syringe Disposable 20ml Box of 50	233	700	BX	930	272	7.90	2,148.07
Gloves Surgical, Sterile, Latex, size 6 1/2	16,700	50,000	PR	99,398	50,000	0.51	25,280.16
Catheter Foley Silicon treated 22FG, Sterile, individually wrapped	833	2,500	EA	5183	1,200	1.01	1,216.76
Ledermix Paste 5g-tube	8	30	PK	54	5	183.05	915.26
Vitamin K(1) inj 10mg/1ml	900	2,700	AM	2944	2,000	0.59	1,179.07
Pancuronium Bromide Injection 4mg/2ml	1,860	3,720	AM	4,530	400	2.97	1,189.70

⁵⁶ The National Medicinal Products Policy of the Republic of Fiji Islands, 13 Section 6.2

Item Description	Minimum Stock Level	Maximum Stock Level	Unit of Measure	Quantity In Stock	Quantity Reordered	Unit Cost (\$)	Total Cost (\$)
Paracetamol Suppository 125mg	1,633	4,900	SU	9,981	4,900	0.18	865.69
Glutaraldehyde (Stabilized) Solution 2% 5 Litre Bottle	156	312	BT	5,019	312	68.46	21,361.05
Condom Teats (Male 53mm)	158,583	475,749	EA	887,328	382,400	0.04	14,378.95
Bag autoclave Biohazard-Large 600x900mm 125 deg.C Yellow 100/pkt	25	60	BX	69	50	1.12	55.89
Calcium Chloride Solution (15ml bottle)	160	320	BT	850	300	15.74	4,722.33
Total (sample only)							187,255.85

The irregularities indicate poor inventory management and reordering by the FPBS which led to the accumulation of excessive drugs and consumable stocks. As a result significant amount of public funds are tied up with excessive stocks and may result in loss of public funds if these drugs and consumables were not utilized before its expiry.

Recommendations

The Ministry should:

- ensure that the FPBS does not hold drugs and consumables stock in excess of the predetermined maximum stock levels; and
- investigate over stocking of drugs and consumables and take disciplinary action against those responsible for over purchasing.

Ministry's Comments

Ministry of Health and Medical Services acknowledges the findings and recommendations of the Audit Report. Maximum levels are being constantly reviewed based on recent consumption history contract agreement and delivery lead time from suppliers. Management has put in place monthly reporting matrix to monitor stock level by the LMU and appropriate re-order point based on the recent consumption data. This is to enable MHMS to reorder based on demand rather than set max level, especially during disease outbreaks.

Appendix 24.1: Variance in Performance of Security Services

Station	Week Ending	Shift	Hours As Per Contract	Total Hours As Per Time Sheet	Variance In Performance (Hours)
Mosquito Yard	6/10/14 – 12/10/14	5pm – 12am	35	28	(7)
		12am – 7am	35	28	(7)
		7am – 3pm	40	24	(16)
		3pm – 11pm	16	24	(8)
		11pm – 7am	16	24	(8)
Old People's Home Samabula	6/10/14 – 12/10/14	5am – 7pm	70	56	(14)
		7am – 5pm	20	30	(10)
		5pm – 7am	28	42	(14)
Fiji Pharmaceutical Services	6/10/14 – 12/10/14	3pm – 11pm	40	32	(8)
	13/10/14 – 19/10/14	3pm – 11pm	40	32	(8)
Wainibokasi Hospital	6/10/14 – 12/10/14	5pm – 6am	13	14	(1)
	13/10/14 – 19/10/14	5pm – 6am	13	14	(1)
Old People's Home Labasa	13/10/14 – 19/10/14	4am – 7pm	75	60	(15)
		7am – 4pm	27	18	(9)
		4pm – 7am	75	45	(30)
Sigatoka Hospital	6/10/14 – 19/10/14	7am – 3pm	182	224	(42)
		3pm – 8pm	70	224	(154)
		8pm – 7am	154	112	(42)
Raiwaqa Health Center	6/10/14 – 12/10/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
	13/10/14 – 19/10/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
Lami Health Center	6/10/14 – 12/10/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
	13/10/14 – 19/10/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
Mosquito Yard	13/11/14 – 23/11/14	7am – 3pm	40	16	(24)
	24/11/14 – 30/11/14	7am – 3pm	40	16	(24)
Raiwaqa Health Center	17/11/14 – 23/11/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
	24/11/14 – 30/11/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
Lami Health Center	17/11/14 – 23/11/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
	24/11/14 – 30/11/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
Mosquito Yard	3/11/14 – 9/11/14	7am – 3pm	40	16	(24)
	10/11/14 – 16/11/14	7am – 3pm	40	16	(24)
Lami Health Center	3/11/14 – 9/11/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
	10/11/14 – 16/11/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
Fiji Pharmaceutical Services	3/9/14 – 9/11/14	7am – 3pm	80	32	(48)
	10/11/14 – 16/11/14	3pm – 11pm	80	32	(48)
Raiwaqa Health Center	3/11/14 – 9/11/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
	10/11/14 – 16/11/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)
Lami Health Center	20/10/14 – 26/10/14	4pm – 11pm	---	28	(28)
		8am – 4pm	---	24	(24)
	27/10/14 – 2/11/14	4pm – 11pm	---	28	(28)

Station	Week Ending	Shift	Hours As Per Contract	Total Hours As Per Time Sheet	Variance In Performance (Hours)
		8am – 4pm	---	24	(24)
Raiwaqa Health Center	20/10/14 – 26/10/14	4pm – 11pm	---	28	(28)
		8am – 4pm	---	24	(24)
	27/10/14 – 2/11/14	4pm – 11pm	---	35	(35)
		8am – 4pm	---	16	(16)

Section 25**Department of Housing****Role and Responsibilities**

The Department of Housing is responsible in the formulation and implementation of housing and integration of programmes to eradicate poverty. It is also responsible for the administering of Government Grants to social housing providers such as Public Rental Board, Housing Authority and Housing Assistance Relief Fund including the implementation of National Housing policy.

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PART A: FINANCIAL STATEMENT**25.1 Audit Opinion**

The audit of the 2014 accounts of the Department of Housing resulted in the issue of an unqualified audit report.

25.2 Statement of Receipts and Expenditure

The Department collected revenue amounting to \$22,867 and incurred expenditure totalling \$11,483,824 in 2014. Details are provided in Table 25.1 below.

Table 25.1: Statement of Receipts and Expenditure for 2014

Description	2014 (\$)	2013 (\$)
RECEIPTS		
Agency Revenue		
Miscellaneous Revenue	22,867	170,283
Total Agency Revenue	22,867	170,283

Description	2014 (\$)	2013 (\$)
TOTAL RECEIPTS	22,867	170,283
EXPENDITURE		
Operating Expenditure		
Established Staff	341,572	279,143
Unestablished Staff	16,834	15,722
Travel & Communications	33,969	35,236
Maintenance & Operations	24,652	37,418
Purchase of Goods & Services	7,384	18,032
Operating Grants & Transfers	725,000	750,000
Special Expenditure	165,862	140,258
Total Operating Expenditure	1,315,273	1,275,809
Capital Expenditure		
Construction	3,729,993	1,955,234
Grants & Operations	5,829,755	11,917,235
Total Capital Expenditure	9,559,748	13,872,469
Value Added Tax	608,803	321,692
TOTAL EXPENDITURE	11,483,824	15,469,970

Total revenue decreased by \$147,416 or 86.6% in 2014 compared to 2013 due to decrease in miscellaneous revenue.

Total expenditure decreased by \$3,986,146 or 25.8% in 2014 compared to 2013 due to:

- decrease in Travel and Communication costs;
- decrease in Maintenance and Operations costs;
- decrease in Purchase of Goods and Services related costs;
- decrease in Operating Grants and Transfers costs;
- decrease in Capital Grants and Transfers costs.

25.3 Appropriation Statement

The Department of Housing incurred expenditure totalling \$11,483,824 in 2014 against the revised budget of \$35,695,393 resulting in saving of \$24,211,569 or 67.8%. Details are provided in Table 25.2

Table 25.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	341,573	---	341,573	341,572	1
2	Unestablished Staff	16,834	---	16,834	16,834	---
3	Travel & Communication	36,000	---	36,000	33,969	2,031
4	Maintenance & Operations	50,000	---	50,000	24,652	25,348
5	Purchase of Goods & Services	24,000	---	24,000	7,384	16,616
6	Operating Grants & Transfers	1,000,000	---	1,000,000	725,000	275,000
7	Special Expenditure	174,000	---	174,000	165,862	8,138
	Total Operating Costs	1,642,407	---	1,642,407	1,315,273	327,134
	Capital Expenditure					
8	Construction	5,500,000	---	5,500,000	3,729,993	1,770,007
9	Purchases	---	---	---	---	---
10	Grants & Transfer	29,685,386	(2,000,000)	27,685,386	5,829,755	21,855,631

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Total Capital Expenditure	35,185,386	(2,000,000)	33,185,386	9,559,748	23,625,638
13	Value Added Tax	867,600	---	867,600	608,803	258,797
	TOTAL EXPENDITURE	37,695,393	(2,000,000)	35,695,393	11,483,824	24,211,569

25.4 Trust Fund Account Statement of Receipts and Payments

The City Wide Main Trust Fund had a credit balance of \$7,269 for the year 2014 compared to a credit balance of \$7,269 in the year 2013. Refer Table 25.3 for receipts and payments for the year ended 31/12/14.

Table 25.3: Trust Account Statement of Receipts & Payments for 2014

Particulars	2014 (\$)	2013 (\$)
RECEIPTS		
Main Trust Fund Receipts	---	243,655
Total Receipts	---	243,655
PAYMENTS		
Main Trust Fund Payments	---	235,321
Total Payments	---	235,321
Net Surplus	---	8,334
Balance as at 1 January	7,269	(1,065)
Closing Balance as at 31 December	7,269	7,269

PART B: AUDIT FINDINGS

25.5 City Wide Trust Fund Unsubstantiated Variance

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

The Department of Housing's main Trust Fund account had a balance of \$7,269.30 in FMIS general ledger while the bank statement had a balance of \$170.85 as at 31/12/14. The Department did not prepare the City Wide Trust Fund account reconciliation for 2014. Hence the main Trust Fund account balance as at 31/12/14 was not reconciled.

The Department had an unreconciled variance of \$7,098.45 between the main Trust Fund account general ledger and the bank statement balance as at 31/12/14. Refer to Table 25.4 below for details.

¹ Finance Instructions 2010 Section 58(3)
Department of Housing

Table 25.4: Variances in City Wide Trust Fund Account

Balance As Per Trust Fund Bank Statement (\$)	Balance As Per Trust Fund Ledger (FMIS) (\$)	Unsubstantiated Variance (\$)
170.85	7,269.30	7,098.45

Furthermore, the audit review of the Trust Fund Bank Statement revealed that there was a withdrawal of \$7,000 on 20/06/14 through a counter² cheque number 16276. However, the Ministry failed to provide the supporting documents to substantiate the withdrawal of \$7,000 from the trust fund account.

The above finding indicates laxity of the officers responsible for not performing monthly reconciliation of the main trust fund account. As a result audit was not able to ascertain that all receipts and payments had been accurately accounted for in the general ledger.

Recommendations

- **The Department should ensure that the trust fund account bank balance is reconciled with the Trust Fund FMIS ledger balance on a monthly basis.**
- **The Permanent Secretary should instigate an investigation on the withdrawal of \$7,000 from the City Wide Trust Fund Account and take appropriate action.**

Department's Comments

No comments were provided

25.6 Revolving Fund Account

Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Accounts Officer shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.³

The audit verification of the Department of Housing Revolving Funds Account (RFA) reconciliation revealed the following RFA account had credit balances as at 31/12/14. Refer to Table 25.5 for details.

Table 25.5: RFA Account with Credit Balances

Account	Description	Amount (\$)
12310123999560203	Accounts Receivable Individuals-Housing Department	46,035.98

As a result, the audit could not ascertain the accuracy of the RFA balances as at 31/12/14.

² A counter cheque is presented over the counter when the cheque book for the account is not available to withdraw funds from the bank account.

³ Finance Manual 2013 – Ministry of Local Government, Housing and Environment Section 16.3.3

Recommendations

- **The Department should ensure that the credit balance is investigated and rectified.**
- **The Permanent Secretary should ensure that appropriate disciplinary action is taken against responsible officers.**

Department's Comments

No comments were provided

25.7 Anomalies in Contract for Cuvu Squatter Upgrading Project

Government Tender Board (GTB) awarded the contract for upgrading of Cuvu squatter settlement to the Contractor on 7/8/14 for a total contract sum of \$3,660,577.12 (VIP) inclusive of 10% contingency sum for a period of one year. The contract works included mobilization, site works, storm water drainage, road works, concrete headwall and wing walls, water supply and sewer reticulation.

The review of the schedule of prices included in the contract revealed the following anomalies.

- The schedule of prices to a contract shall provide a detailed breakdown of all the works required to be carried by the contractor.

The schedule of prices under item 1.2 of the contract agreement included temporary works costing \$25,000. The contract agreement did not state the detailed breakdown of temporary works which were to be carried out by the Contractor. Hence the audit could not substantiate how the \$25,000 for temporary works was determined in the schedule of prices to the contract.

- The Solicitor General's Office when vetting the contract stated that the site office is part of the Contractors responsibility and the cost of the site office to be borne by the Contractor.

However \$55,000 for site office was still included in the schedule of prices under item 1.8 of the contract agreement. The Department did not provide the correspondence from the Solicitor General's Office for the temporary works and the inclusion of the \$55,000 for the cost of the site office.

The findings indicate the laxity of Director for Housing in protecting the government's interest. As a result funds allocated by the Department for temporary work and for the site office were not justified.

Recommendations

The Department should ensure that:

- **a detailed breakdown of scope of works is provided for the temporary works costing \$25,000;**
- **the inclusion of \$55,000 for cost of site office is investigated and take appropriate disciplinary action for not adhering to advice from the Solicitor General's Office;**
- **appropriate disciplinary action is taken against responsible officers.**

Department's Comments

The Department had complied with SG office final vetting of the final version of contract document whereby an electronic copy was provided to the Ministry on the day of the project launching for printing and binding.

The concerns and recommendations however have been noted by the Ministry and the officers concerned have been informed to continue to adhere to advice from the SG Office

The Ministry has written a Memorandum to Solicitor General's Office on 16/7/15 to confirm the deletions and amendments of clause 1.2 (temporary works) & 1.8 (site office) to confirm the above mentioned statements.

25.8 Anomalies in the Lagilagi Housing Development Project

The Department entered into an agreement with a Non-Government Organization (NGO) on 24/1/14 for the Construction of Lagilagi Housing Project at Jittu State, Raiwaqa. The project is for a period of two years commencing on 31/12/13 and is bound to be completed on 31/12/15.

25.8.1 Re-engagement of Phase 1.3 Contractor for Phase 2

The Cabinet in its 12th meeting on 24/9/13 approved to allow the completion of Phase 1.3 of the Lagilagi Housing Project at Jittu State, Raiwaqa only by the existing Contractor.

The Department paid total of \$3,131,346.52 to the NGO during 2014 to be paid to the Contractor for Phase 1.3 and Phase 2 of the Lagilagi Housing Development Program/project. Refer to Table 25.6 for details of funds disbursed by the Department to the NGO for works completed by the Contractor.

Table 25.6: Breakdown of Funds Disbursed by the Department to the NGO for Payment to the Contractor

Payment Date	Amount Paid (\$)	Claim Number	Project Phase
3/3/14	1,686,616.05	1	1.3
		1	2.0
4/7/14	1,444,730.47	2	1.3
		3	1.3
		4	1.3
Total	3,131,346.52		

The audit noted that the total payment of \$3,131,346.52 to the NGO by the Department included \$691,322.44 for works carried out by the Contractor on Phase 2 of the project despite the Cabinet did not approve the Contractor to work on Phase 2 of the project.

The finding indicates that the Department did not adhere to the Cabinet decision. The payment made was not properly authorized.

Recommendations

The Department should ensure that:

- **Cabinet decision are adhered to at all times;**
- **necessary guidance is provided to the NGO to follow where public funds are involved; and**

- **the matter is investigated and appropriate disciplinary action is taken against Officers responsible.**

Department's Comments

The Department of Housing agreed that it made a total payment of \$3,131,346.52 to NGO including \$691,322.44 for the commencement of Phase 2 Civil Works and Buildings Works was made in accordance with the Cabinet Decision No. 263, recommendation ii relating to request for continuing funding of the Lagilagi Housing Project.

The Department of Housing refuted that it had not adhered to Cabinet decision, since the intent of the Cabinet was to request Government for continuing funding of the Lagilagi Housing Project and not to specify the name of the civil works contractor for Phase 2 Civil Work and Building Works. This is contractual arrangement between NGO and recommended civil work and building contractors to decide. In supporting this justification, the NGO and the Contractor had signed a Building Construction contract for both Lagilagi Housing Project for Phase 1.3 and Phase 2 in accordance normal standard for condition of contract for Building and Civil Engineering Construction known as NZS 3910:2003. Furthermore, the payment \$691,322.44 for the commencement of Phase 2 Civil Works and Buildings Works was made in accordance with provision of Financial Management Act. Therefore the payment made to the Contractor is properly authorized.

The Ministry has written to the NGO for the justification for the re-engagement of the Contractor for the Civil Works Construction for Stage 2.

25.8.2 Funds Given to the NGO not used for the Intended Purpose

The agreement between the Department and the NGO outlines that the funds paid by the Department were to be used for the Lagilagi Housing Project.

The Department paid a sum of \$701,500 as first installment to NGO as per the agreement between the Department and the NGO during the year 2013.

The audit noted that the NGO used \$125,491.26 or 17.89% of the \$701,500 for payment of its operational and staff costs. The audit also noted that the agreement between the Department and the NGO dated 24/1/14 did not include any provision for the NGO to use government funds to pay for its operational and staff costs.

The audit further noted that the NGO used \$68,666.70 or 9.8% of the first installment of \$701,500 for the Lomaivuna Farmers Project. In addition, the NGO did not obtain approval from the Department to utilize the funds for the Lomaivuna Farmers project.

The NGO incorrectly used government funds to pay for its staff salaries, operational costs and Lomaivuna Farmers Project. Hence government funds were not used for the purpose it was given for to the NGO.

Recommendation

The Department should recover the amount used by the NGO to pay for its operational and staff costs and Lomaivuna Farmers Project.

Department's Comments

The Department of Housing has noted that the NGO had utilized \$125,491.26 for payment of its operational and staff cost and also utilized \$68,666.70 for the Lomaivuna Farmers Project respectively on 31/12/2013.

The Department of Housing will ensure to properly monitor that fund allocated for the Lagilagi Housing Project to be used for its intended purpose.

The Department of Housing will recover \$194,157.96 that was utilized amount used by the NGO of its operational and staff cost and the Lomaivuna Farmers Project respectively by 31st December 2015.

The Ministry has written to the NGO on 16/7/15 to repay \$194,157.96 within 3 days.

25.9 Delay in Completion of Construction Works

The Project Implementation Plan must be strictly adhered to inform, substance and time schedule except where variations have been agreed to by the Department. The completion date for the project was 31/12/14.⁴

The audit noted that the Nadi Town Council was yet to complete the construction of the Disaster Rehabilitation Shelter for the Settlement. The project was delayed by 3 months as at the date of audit on 3/3/15 and was only 90% complete. The works outstanding were the installation of louver blades, plumbing works, installation of the toilets facilities and exterior painting.

The Nadi Town Council as at 27/2/14 had a balance of \$3,402.69 in the Disaster Rehabilitation Project account. The project was delayed due to the non-availability of labour for the construction works. The Nadi Town Council was considering paying for the labour cost in order to complete the construction works.

The findings indicate poor project management by the Department. As a result the project was not completed on time.

Recommendations

The Department should ensure that:

- **adequate supervision and monitoring of project is carried out by the Council; and**
- **appropriate disciplinary action is taken against responsible officers.**

Department's Comments

The delay in the completion of the construction of Disaster Rehabilitation Center is due to the shortage of certain building materials required for the project and also the shortage of labour within the community as most of the residences have found employments with other construction companies. To fast track the construction works Department of Housing has instructed the Council to complete the outstanding works namely the installation of the louver blades, plumbing works, installation of toilet facilities and exterior painting by 31st August 2015.

The Department of Housing is to follow up with the Council on the submission of the physical work and financial acquittals reports at the completion of the project.

25.10 Vuci Road Drainage Works

The Department entered into an agreement with the Nausori Town Council on 12/1/14 for the Construction of a new drainage system project which included cleaning of the existing drains and construction of new V drains at Vuci Settlement costing \$100,000. The project was to commence from

⁴ Agreement between the Ministry and Nadi Town Council Clause 6.5
Department of Housing

January 2014 and conclude in December 2014. The Department paid a total of \$70,000 to the Council on 23/06/14 and the reminder of the \$30,000 was to be paid on the completion of the project.

The Council entered into an agreement with a Contractor to carry out the construction and upgrade of earth drains to v-drains and rock-line in Vuci area. The contractor was required to commence work on 12/02/15 and complete the required works by 17/03/15. Refer to Table 25.7 for the program implementation work plan as per the agreement:

Table 25.7: Project Implementation Work Plan

Description / Activity	Timeline
Establishment	12/02/15
Clear and remove Existing Drain	13/02/15 – 23/02/15
Prepare Base and install V-drain	16/02/15 – 6/03/15
Construct Rock-line	18/02/15 – 14/03/15
Clear and remove all waste material	16/03/15
De establishment	17/03/15

During the site visit of the project on 10/3/15 the audit noted that the contractor was not performing the works as per the agreed program implementation work plan. As per the work plan the contractor should have installed the v-drains and begun the construction of rock-line work. However, at the time of site visit on 10/3/15 the audit noted that the contractor was in the process of clearing the existing drain and preparing the base for the installation of v-drains. The project work was delayed by 2 weeks. Refer to figures 25.1- 25.4 for details of the works in progress during site visit on 10/3/15.

Figure 25.1 – 25.4: Pictures of Works in Progress



Figure 25.1: Clear Existing Drain



Figure 25.2: Preparing Base For v-Drain



Figure 25.3: No Work Done



Figure 25.4: Preparing Base For v-Drain

The finding indicates poor project management and supervision by the project engineers of the Nausori Town Council and the Department's Project Supervisor which resulted in delay of works carried out by the Contractor.

Recommendations

The Department should ensure that:

- **adequate supervision and monitoring of project is carried out by the Council and**
- **appropriate disciplinary action is taken against responsible officers.**

Department's Comments

The Department agrees that more and more frequent inspection should be carried out to monitor the progress of drainage work on site at Vuci Settlement.

Department of Housing will ensure that the outstanding drainage upgrading works is completed by the Town Council by 31st August 2015.

The Department of Housing is to follow up with the Council on the submission of the physical work and financial acquittals reports at the completion of the project.

The Department has written to the Council to recover the \$2,000 from the Contractor and to explain the tender process in engaging the Contractor.

Section 26**Ministry of Local Government, Urban Development and Environment****Role and Responsibilities**

The Ministry of Local Government, Urban Development and Environment have three main Departments under its Portfolio, namely: Department of Town and Country Planning, Department of Local Government and the Department of Environment.

The Ministry is responsible for the formulation and implementation of local government and urban planning policies, the development of government policy for the protection of the environment and its sustainable use for human resources and policing the use of the environment and ensuring compliance with Government policy by economic agents.

The Ministry is also responsible for administering the Government Grant for the National Fire Services.

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PART A: FINANCIAL STATEMENT**26.1 Audit Opinion**

The audit of the 2014 accounts of the Ministry of Local Government, Urban Development and Environment, resulted in the issue of a qualified audit report.

The basis of qualification was that an unreconciled variance of \$593,940 exists in the Department of Environment Main Trust Fund Account between the bank statement balance and the General Ledger (FMIS) balance.

26.2 Statement of Receipts and Expenditure

The Ministry collected revenue amounting to \$249,450 and incurred expenditure totalling \$19,018,640 in 2014. Details are provided in Table 26.1.

Table 26.1: Statement of Receipts and Expenditure for 2014

Description	2014 (\$)	2013 (\$)
RECEIPTS		
State Revenue		
Town and Country Planning Fees	198,246	137,027
Commission	5,413	4,679
Total State Revenue	203,659	141,706
Agency Revenue		
Miscellaneous Revenue	45,791	44,248
Total Agency Revenue	45,791	44,248
TOTAL RECEIPTS	249,450	185,954
EXPENDITURE		
Operating Expenditure		
Established Staff	2,637,643	2,193,446
Unestablished Staff	130,963	132,212
Travel & Communications	164,988	176,141
Maintenance & Operations	234,343	262,395
Purchase of Goods & Services	153,030	156,657
Operating Grants & Transfers	1,640,416	1,642,026
Special Expenditure	1,602,256	1,917,027
Total Operating Expenditure	6,563,639	6,479,904
Capital Expenditure		
Construction	1,678,856	1,260,724
Purchases	869,565	300,000
Grants & Operations	9,219,996	3,002,500
Total Capital Expenditure	11,768,417	4,563,224
Value Added Tax	686,584	586,958
TOTAL EXPENDITURE	19,018,640	11,630,086

The Ministry's revenue increased by \$63,496 or 34.1 % in 2014 compared to 2013 due to increase in Town and Country Planning Fees collected, increase in Commission Revenue and increase in miscellaneous revenue.

Total expenditure increased by \$7,388,554 or 63.5% in 2014 compared to 2013 due to increase in staff establishment, increase in capital construction and purchase and increase in capital grants and operations.

26.3 Appropriation Statement

The Ministry of Local Government, Urban Development and Environment incurred expenditure totalling \$19,018,640 in 2014 against a revised budget of \$22,749,604 resulting in saving of \$3,730,964 or 16.4%. Details are provided in Table 26.2.

Table 26.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	3,070,032	---	3,070,032	2,637,643	432,389
2	Unestablished Staff	146,963	---	146,963	130,963	16,000
3	Travel & Communications	189,029	---	189,029	164,988	24,041

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
4	Maintenance & Operations	301,200	---	301,200	234,343	66,857
5	Purchase of Goods & Services	181,841	---	181,841	153,030	28,811
6	Operating Grants & Transfers	1,656,222	---	1,656,222	1,640,416	15,806
7	Special Expenditure	3,102,509	---	3,102,509	1,602,256	1,500,253
	Total Operating Costs	8,647,796	---	8,647,796	6,563,639	2,084,157
	Capital Expenditure					
8	Construction	4,432,616	(2,232,616)	2,200,000	1,678,856	521,144
9	Purchases	1,000,000	---	1,000,000	869,565	130,435
10	Grants & Transfer	12,036,000	(2,000,000)	10,036,000	9,219,996	816,004
	Total Capital Expenditure	17,468,616	(4,232,616)	13,236,000	11,768,417	1,467,583
13	Value Added Tax	1,200,700	(334,892)	865,808	686,584	179,224
	TOTAL EXPENDITURE	27,317,112	(4,567,508)	22,749,604	19,018,640	3,730,964

26.4 Statement of Losses

There was no loss reported for the Ministry in 2014. A board of survey for the year ending 31 December 2014 was conducted by the Ministry.

26.5 Trust Fund Account Statement of Receipts and Payments

The Environment Main Trust Fund Account had \$2,872,275 credit balance for the year 2014 compared to a credit balance of \$2,094,231 in 2013. Refer Table 26.3 for receipts and payments for the year ended 31/12/14.

Table 26.3: Trust Account Statement of Receipts & Payments for 2014

Description	2014 (\$)	2013 (\$)
RECEIPTS		
Ozone Depletion Substance (ODS) Fines	408,983	506,944
Waste and Environment Impact Assessment	2,057,250	1,977,707
Environment Trust	461,072	919,198
Convention on International Trade in Endangered Species	30,966	69,455
Total Receipts	2,958,271	3,473,304
PAYMENTS		
Ozone Depletion Substance (ODS)	86,286	37,596
Waste & EIA	1,829,196	1,802,520
Environment Trust	264,745	994,526
Total Payments	2,180,227	2,834,642
Net Surplus	778,044	638,662
Balance as at 1 January	2,094,231	1,455,569
Closing Balance as at 31 December	2,872,275	2,094,231

PART B: AUDIT FINDINGS**26.6 Main Trust Fund Account – Unreconciled Balances**

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

The department of environment's main trust fund account had a balance of \$2,872,276.07 in FMIS general ledger while the bank statement had a balance of \$3,466,216.58 as at 31/12/14. The department did not prepare the main trust fund account reconciliation for 2014. Hence the main trust fund account balance as at 31/12/14 was not reconciled.

The department had an un-reconciled variance of \$593,940.51 between the main trust fund account general ledger and the bank statement balance as at 31/12/14. Refer to Table 26.4 below for details.

Table 26.4 Variances in Environment Trust Fund Account

Balance As Per Trust Fund Bank Statement (\$)	Balance As Per Trust Fund Ledger (FMIS) (\$)	Variance (\$)
3,466,217	2,872,276	593,941

The findings show laxity of the officers responsible for not performing their duties. As a result audit was not able to ascertain that all receipts and payments had been accurately accounted for in the main Trust Fund account.

Recommendations

The Senior Accounts Officer should ensure that:

- **Trust Fund account bank balance is reconciled with the Trust Fund FMIS ledger balance on a monthly basis;**
- **receipts and payments from the Environment Trust Fund account are posted to the general ledger on a timely basis; and**
- **necessary action is taken against officers responsible for not performing their duties.**

Ministry's Comments

No comments were provided.

26.7 Variance in FNPF Figures

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

¹ Finance Instructions 2010 Section 58(3)

contribution calculated upon the amount of wages payable to such employee by such employer for the preceding month at the appropriate rates.²

The rate of contribution in 2014 was 16 cents on each dollar earned, with the employer and employee each contributing 8 cents.

A variance of \$11,828.63 was noted between the Ministry's gross pay on which FNPF was paid and the audit calculations of gross pay subject to FNPF. Refer to Table 26.5 below for details.

Table 26.5: Un-Reconciled FNPF Variance

Details	Amount (\$)
Total FNPF against salaries and wages for 2014:	
FNPF as per General Ledger	223,083.08
Less: December 2013 FNPF	43,690.56
	179,392.52
Add: December 2014 FNPF	41,093.20
FNPF Contribution by Employer for 2014 (A)	220,485.72
Gross Pay Subject to FNPF (220,485.72 / 0.08)	2,756,071.50
Salaries and Wages for 2014 subject to FNPF	
Salaries, wages and allowances as per financial statement	2,903,929.42
Less: Salaries, wages and allowances for 2014 not subject to FNPF	---
Gross Salaries, Wages and Allowances Paid	2,903,929.42
FNPF Contribution by Employee (2,903,929.42*0.08) (B)	232,314.35
Un-reconciled Variance (A) – (B)	11,828.63

The variance in gross pay may be attributed to some staffs and project officers either paid from SEGs other than SEG 1 and SEG 2 or FNPF deductions incorrectly posted to other allocations.

As a result, audit was unable to ascertain the accuracy of the FNPF payment made by the Ministry.

Recommendation

The Senior Accounts Officer should ensure that proper FNPF reconciliation is carried out on a monthly basis to identify variances and take appropriate corrective actions.

Ministry's Comments

No comments were provided

26.8 VAT Reconciliation

Subject to the provisions of this Decree, the tax shall be charged in accordance with the provisions of this Decree at the rate of fifteen percent on the supply (but not including an exempt supply) in Fiji of

² Chapter 219 – Fiji National Provident Fund – Section 13 (1)

goods and services on or after the 1st day of July 1992, 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.³

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.⁴

The audit noted that the Ministry did not prepare VAT reconciliations during the year. The review of VAT returns and total expenses revealed a variance of \$114,503.06 between the taxable supplies as per VAT Return and total expenditure/income subject to VAT as per Statement of Receipts and Expenditure. Refer to Table 26.6 and 26.7 below for details.

Table 26.6: Un-Reconciled VAT Variance

Details	Amount (\$)
Total expenditure as per Expenditure Statement	30,502,462.74
Less: Expenditure not subject to VAT – SEG 1,2, 6 and 10	20,542,179.19
Total expenditure subject to VAT	9,960,283.55
Less: Total taxable supplies as per VAT Returns	10,074,786.61
Un-reconciled variance	114,503.06

In addition, a difference of \$115,412.19 was noted between the actual VAT paid for the year 2014 and the balance disclosed in the general ledger. Refer to Table 26.7 below for details.

Table 26.7: Variance in VAT Paid Amount in FMIS

Details	Amount (\$)
VAT payments (VAT payments to FRCA and VAT Input) as per General ledger (SEG 13)	1,295,386.63
VAT payments (VAT payments to FRCA and VAT Input) as per VAT Returns for 2014	1,179,974.44
Un-reconciled variance	115,412.19

No explanation was provided by the Ministry for the variances.

The non-reconciliation of VAT and poor monitoring by the Ministry may have resulted in the differences highlighted above. The Ministry may be paying incorrect VAT to FRCA.

Recommendations

The Senior Accounts Officer should:

- ensure that VAT paid to FRCA is reconciled on a monthly basis;
- take necessary steps to identify the error and reconcile the records to avoid such variances in future; and
- ensure supervisory checks on the preparation of VAT Returns.

³ Value Added Tax Decree 1991 revised to 4th March 2011 – Section 15 (1)

⁴ Finance Circular No 9/95

Ministry's Comments

No Comments were provided.

26.9 Construction of Naboro Landfill Stage 2

The proper management of expenditure is fundamental to ensuring value for money in delivering services to the community.⁵

The Ministry of Local Government, Urban Development, Housing and Environment was allocated \$1,232,616 in the 2014 budget for the extension of the current Naboro Landfill. According to the Public Sector Investment Program (PSIP), the budget was divided into the following components as shown in Table 26.8.

Table 26.8: Budget Components

Description	Amount (\$)
Detailed design, investigations, and specification	373,520
Construction: Survey	186,760
Operational: Survey	186,760
Establishment and Supervision	373,520
Contingency	112,056
Total	1,232,616

The Ministry on 12/03/14 called tenders for the detail design, investigation and specification works. Following the tender evaluations process, the Government Tender Board (GTB) on 06/08/14 awarded the Tender for a sum of \$280,527.50.

The audit noted that the Contractor signed the contract agreement on 11/05/15 which was after 9 months from the date tenders were awarded by the GTB. According to the Director Environment the delay in the finalization of the agreement was due to the disagreement between the Contractor and the Department of Environment on the terms and conditions of the contract agreement.

As a result, on 18/12/14 the Ministry of Finance redeployed \$1,232,616 allocated for construction of the 2nd phase of the landfill as the Department of Environment failed to utilize the fund.

The audit further noted that the current Operation Managers of the Landfill raised its concern in its March 2015 reports that the current landfill will reach its maximum capacity by November 2015 and the available airspace in the landfill would become a serious issue. Therefore the construction of the 2nd phase of the landfill is vital for Operations Managers to continue to manage the wastage. In addition the Operations Managers estimated that it would take 18 months to complete the next stage of the landfill.

The Ministry failed to carry out proper planning for the construction of the 2nd phase of the landfill. The Ministry may not be able to complete 2nd phase of the landfill before the current space gets filled by November 2015.

⁵ Ministry of Local Government, Urban Development, Housing and Environment Finance Manual 2013 Part 2

Recommendations

The Ministry should ensure that:

- **capital projects are properly planned and managed so that funds allocated are effectively used within the fiscal year;**
- **works on the construction of the 2nd phase of the Landfill commences immediately; and**
- **there is a master plan in place for the long term sustainability of the landfill.**

Ministry's Comments

The Ministry fully acknowledged the recommendations of the OAG. The delay in signing the contract was due to the Contractor disagreeing on the deduction of 15% Withholding Tax. After consultation with FIRCA, the Ministry will be paying for the 15% WHT from the Naboro Landfill Stage 2 Capital Project allocation. On the construction of 2nd Phase, construction would start upon the completion of the design by the Contractor. The Ministry held meetings with the Contractor and the Contractor has confirmed to produce the intermediate design for the latter part of Stage 2 by July 2015.

26.10 Waste Transfer Station

Capital Project needs to be properly planned to ensure that projects are completed on time and that the objective of funds allocated for the Capital Projects are met.

The Ministry of Local Government, Urban Development, Housing and Environment was allocated \$1,000,000 in the 2014 budget for the construction of Waste Transfer Station at Laqere.

However, the Ministry failed to commence with the project work in the first quarter of 2014 and the Ministry of Finance redeployed \$1,000,000 on 18/12/14.

The Ministry called tenders for the architectural design of the construction of the Waste Transfer Stations on 08/10/14. The tender evaluation was carried out on 11/12/14. The GTB awarded the tender to Hydea Spa on 13/02/15 amounting to \$332,668.87.

The finding indicates the Ministry's lax attitude in its service delivery which resulted in the tender process to be carried out towards the fourth quarter of 2014. The project was delayed which may result in poor service delivery to the community.

Recommendation

The Permanent Secretary should ensure that proper planning for capital expenditure is carried out as soon as the Parliament approves the National Budget.

Ministry's Comments

The Ministry fully acknowledge the recommendations of the OAG. Whilst the Ministry admits that work under this Capital Project was not properly managed and this was mainly due to staff workload as the only officer available was also held responsible in delivering other capital projects. Moving forward, the Department has assigned a desk officer this year solely responsible for ensuring works are carried out as per the Capital Project work plan.

26.11 Operation of Naboro Landfill

Under the Special Condition of the contract agreement, the Engineer is the Permanent Secretary or their nominee.⁶

Progress payments to the Contractor should be made after reviewing the progress of the project, materials used and workmanship. Upon inspection and before payment is effected a progress report and inspection reports should be prepared by the Engineer or a qualified officer having knowledge of the operations of the Landfill.

The Ministry of Local Government, Urban Development, Housing and Environment entered into a five year contract agreement with the Contractor for the operation of Naboro Landfill with a contract price of \$5,834,070 (VIP).

The table below shows the total subsidies paid to the Contractor for the operation of Naboro landfill as at 31/12/2014.

Table 26.9: Total Subsidies Paid for Naboro Landfill Operations as at 31/12/2014

Year	Revenue (\$)	Subsidy (\$)	Total Contract Cost (\$)
2005-2010	7,242,241.41	6,339,926.07	13,582,167.48
2011	1,621,807.78	1,200,000.00	2,821,807.78
2012	1,583,713.83	908,838.82	2,492,552.65
2013	1,734,099.01	1,200,000.00	2,934,099.01
2014	1,993,178.30	1,194,058.73	3,187,237.03
Total	14,175,040.33	10,842,823.62	25,017,863.92

The audit noted that the Ministry failed to appoint an Engineer to supervise the operations of the Naboro Landfill. The Ministry continued to make payments to the Contractor for managing the operations of the landfill based on the progress reports prepared by the Environment Officer who was the Ministry's nominee. As at 31/12/14, the Ministry paid a total of \$3,308,759.46 (VEP) to the Contractor for managing the Naboro Landfill.

However, the Environment Officer does not have the required expertise for the operation and management of an active landfill face (the outline of the landfill) and maintenance of existing landfill assets including weighbridge, landfill leachate aerators, access road and building.

The above finding indicates that the Ministry comply with the special conditions of the contract agreement.

In the absence of a qualified Engineer supervising the operations of the Landfill, there is a high risk that the Ministry may not be able to detect malpractices by the Contractor.

Recommendation

The Permanent Secretary should ensure that a qualified Engineer is appointed for managing the operation of Naboro Landfill.

⁶ Special Conditions of Contract Section 6.2.1

Ministry's Comments

The Ministry fully acknowledges the recommendations of the OAG.

The Ministry had requested for the recruitment of a qualified Engineer through the 2015 Budget submission but was unsuccessful.

The officer would be responsible to act in position of an Engineer to the Naboro Landfill Operations Contract, Landfill and Waste Transfer Station development Capital projects and to develop future waste management capital projects. The Engineer will provide much needed expertise in the field of civil engineering, project inception, management and development which the Ministry currently lacks. In terms of national development, the inclusion of the engineer will enhance efficiency, accountability, good governance and delivery in national waste management infrastructure development as stated under Pillar 5 of Peoples Charter of Achieving Higher Economic Growth while ensuring Sustainability.

26.12 Naboro Landfill Debtors

All refuse accepted on credit shall be the responsibility of the Contractor. The acceptance of cheques for payment of fees, the recovery of fees from users who do not have sufficient cash and the recovery of bad debts shall be the responsibility of the Contractor.⁷

The Contractor allowed rubbish to be disposed at Naboro Landfill on credit. The audit noted that the total debtor's balance for the Naboro Landfill as at 31/12/14 was \$545,329.35 out of which \$255,365.80 or 46.8% was outstanding for more than 90 days.

The audit also noted that \$448,726.28 or 82.3% of the total debts was owed by four municipal Councils. Refer to Table 26.10 for details.

Table 26.10: Municipal Councils Debt

Municipal Council	Amount Owed as at 31/12/14 (\$)	Percentage of Total Debtors
Council 1	214,417.11	39.3
Council 2	119,033.26	21.8
Council 3	30,359.23	5.6
Council 4	84,916.68	15.6
Total	448,726.28	82.3

The Ministry does not maintain any evidence to substantiate that the Contractor has been following up with the debtors to recover the amount owed.

The audit further noted that the Naboro Landfill debtors is significantly contributing to large amount of subsidy paid by the Ministry to meet the short fall in the monthly gate fees collected. For the financial year 2014, the Department of Environment paid \$1,199,999.84 as subsidy to the Contractor out of which 45.44% or \$545,329.35 was for the Naboro Landfill debtors.

The above findings indicated that the Contractor's debt recovery procedures are ineffective as significant amount of debtors balance is outstanding for more than 90 days. In addition the findings also indicates that the Contractor does not recognize the importance of recovering debts as the Ministry has been continuously meeting the short fall in the gate fees through subsidy payment.

⁷ Contract Agreement between the Contractor and MLGUDHE clause 2.5
Ministry of Local Government, Urban Development and Environment

Failure by the Contractor to effectively manage the debtor balances will increase the risk of bad debts.

Recommendations

The Permanent Secretary should:

- **ensure that the Contractor complies with all aspects of the contract agreement and effectively manages the Naboro Landfill Debtors; and**
- **consider assisting the Contractor in collecting the debts from the municipal councils as 82.3% of the debts are owed by the municipal councils.**

Ministry's Comments

As per the specifications, the contractor has to pass all revenue from the operations of the Naboro landfill to the principal and assumes responsibility for recovering all debts that are incurred for customers allowed on credit basis. The specifications state that the contractor must ensure that there are sufficient funds in the nominated trust fund to ensure payment to the contractor for the previous month's; this in itself acts as a control for requiring the contractor to recover a minimum of \$230k-\$250k from its debtors.

We also note that majority of the debtors are municipal councils and the Ministry also being responsible for the affairs of Local Governments appreciates the variable and volatile cash flows experienced by the councils mentioned.

The subsidy is relied on regardless of the state of the creditors as the revenue in any given month is certain not to exceed the contractual costs; this is due to the fact that the gate fees are set at a level whereby revenue does not break even with the costs. To address the above disparity, cabinet has recently approved an increase in gate fee thus the Landfill is in a position to break even with the contractual costs for the first time in its history.

26.13 Naboro Landfill Design and Construction of Phase 2

The Ministry will appoint the Engineer and advice at the commencement of the Contract.⁸ Progress payments to the Contractor should be made after the Engineers review of the progress of the project, materials used and workmanship. Upon inspection and before payment is effected a progress report and inspection reports should be prepared by the Engineer.

The GTB on 26/06/13 awarded tender number CTN 241/2012 for the Design and Construction of Naboro Landfill Phase 2. The total contract price for the project was \$3,155,350 VEP. The project was to be completed in 56 weeks. The project works commenced on 01/07/13 and the Ministry issued the certificate of practical completion on the 11/11/14.

The audit noted that the Ministry did not appoint an Engineer for the Naboro Landfill Phase 2 Design and Construction project. The project works were completed on 11/11/14. Instead the Ministry appointed Environment Officer to oversee the project implementation.

The Environment Officer did not have expertise in the Landfill project design and construction as he holds a Bachelor's Degree in Environment Studies.

The Ministry made 8 progressive payments amounting to \$2,962,188 (VEP) and all the progress payments were certified by the Environment Officer.

⁸ Special Conditions of Contract Section 6.1.2

The above issue was also highlighted in the 2013 audit report however the Ministry failed to take corrective action to appoint a qualified Engineer to oversee the construction of the landfill.

This indicates that the progress of the construction work was not supervised by appropriate personnel.

There is a high risk that the project works may not have properly supervised and monitored.

Recommendation

The Permanent Secretary should ensure that a qualified engineer is appointed to monitor, supervise and review progress claims for the construction of such projects in future.

Ministry's Comments

The Ministry fully acknowledged the recommendations of the OAG.

The Ministry had requested for the recruitment of a qualified Engineer through the 2015 Budget submission but was unsuccessful.

The officer would be responsible to act in position of an Engineer to the Naboro Landfill Operations Contract, Landfill and Waste Transfer Station development Capital projects and to develop future waste management capital projects. The Engineer will provide much needed expertise in the field of civil engineering, project inception, management and development which the Ministry currently lacks. In terms of national development, the inclusion of the engineer will enhance efficiency, accountability, good governance and delivery in national waste management infrastructure development as stated under Pillar 5 of Peoples Charter of Achieving Higher Economic Growth while ensuring Sustainability

Section 27 Ministry of Social Welfare, Women and Poverty Alleviation

Role and Responsibilities

There are two departments under the Ministry of Social Welfare, Women and Poverty Alleviation whose plans all across the units are aligned to the core vision of the Roadmap for Democracy Sustainable Socio-Economic Development (2009 – 2014) which is to create “A Better Fiji for All” and the provisions under relevant sections under the 2013 Constitution.

Department of Social Welfare

The Department of Social Welfare's primary role is to alleviate poverty through providing welfare support and empowering people who are disadvantaged in all the vulnerable section of the community including the underprivileged children as stipulated in the relevant legislation. It is also responsible for the administration of Poverty Alleviation Programmes through seed grants for Income Generating Projects to eradicate poverty.

Department of Women

The Department of Women is the primary advisor to Government on public policies that affect women and the key catalyst for the implementation of the National Women's Plan of Action 2010 - 2019 which includes the strategic objectives and directions for action in the following five thematic areas: i) Formal Sector Employment and Livelihood; ii) Equal participation in decision making; iii) Eliminating of violence against women and children; iv) Access to basic services and v) Women and the Law. These areas of concern are aligned to key International Conventions and Agreements including the Convention on the Elimination of All Forms of Discrimination Against Women [CEDAW]; the Beijing Platform of Action (BPA), the Millennium Development Goals (MDGs) and Regional Agreements such as the Pacific Platform for Action. Furthermore, the Department assists the Government's work towards the full and active participation of women in society.

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PART A: FINANCIAL STATEMENT

27.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Social Welfare, Women and Poverty Alleviation resulted in the issue of a qualified audit report. The qualifications were as following:

- The Ministry of Social Welfare, Women and Poverty Alleviation did not complete the annual Board of Survey for the whole Ministry.
- The Ministry did not include in the Statement of Losses the amount of \$113,548.42 written-off by the Ministry of Finance from the Ministry's Drawings account. As a result, the correctness of the Statement of Losses submitted by the Ministry could not be verified.

27.2 Statement of Receipts and Expenditure

The Ministry collected revenue amounting to \$17,594 and incurred a total expenditure of \$35,534,832 in 2014. Details are provided in Table 27.1 below.

Table 27.1: Statement of Receipts and Expenditure for 2014

Description	2014 (\$)	2013 (\$)
RECEIPTS		
State Revenue		
Commission	1,367	1,949
Total State Revenue	1,367	1,949
Agency Revenue		
Miscellaneous Revenue	16,227	5,471
TOTAL REVENUE	17,594	7,420
EXPENDITURES		
Operating Expenditure		
Established Staff	3,711,554	2,901,265
Unestablished Staff	603,724	493,431
Travel & Communication	252,441	179,218
Maintenance & Operations	811,647	486,847
Purchase of Goods & Services	629,534	479,576
Operating Grants & Transfers	27,656,516	24,050,035

Description	2014 (\$)	2013 (\$)
Special Expenditures	490,396	247,618
Total Operating Expenditure	34,155,812	28,837,990
Capital Expenditure		
Capital Construction	235,520	149,492
Capital Purchases	---	---
Capital Grants & Transfers	902,037	629,355
Total Capital Expenditure	1,137,557	778,847
Value Added Tax	241,463	220,646
TOTAL EXPENDITURE	35,534,832	29,837,483

The Ministry's revenue increased by \$10,174 or 137.1% in 2014 compared to 2013 due to significant increase in Miscellaneous Revenue.

The total expenditure increased by \$5,697,349 or 19.1% in 2014 compared to 2013 due to the introduction of the Expanded Food Voucher Program for pregnant mothers in rural areas, increase in the number of recipients for the Poverty Benefit Scheme, Social Pension Scheme and Care and Protection Scheme and construction of new Women's Resource Centres.

27.3 Appropriation Statement

The Ministry of Social Welfare, Women and Poverty Alleviation incurred expenditure totalling \$35,534,832 in 2014 against the budget of \$39,588,899 resulting in savings of \$4,054,067 or 10.2%. Details are provided in Table 27.2.

Table 27.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,478,881	232,693	3,711,574	3,711,554	20
2	Unestablished Staff	424,442	179,494	603,936	603,724	212
3	Travel & Communication	170,900	86,326	257,226	252,441	4,785
4	Maintenance & Operations	477,826	338,219	816,045	811,647	4,398
5	Purchase of Goods & Services	655,800	(30,482)	625,318	629,534	(4,216)
6	Operating Grants & Transfers	32,441,220	(910,183)	31,531,037	27,656,516	3,874,521
7	Special Expenditure	677,430	(61,566)	615,864	490,396	125,468
	Total Operating Costs	38,326,499	(165,499)	38,161,000	34,155,812	4,005,188
	Capital Expenditure					
8	Capital Construction	180,000	55,566	235,566	235,520	46
10	Capital Grants and Transfers	800,000	106,259	906,259	902,037	4,222
	Total Capital Expenditure	980,000	161,825	1,141,825	1,137,557	4,268
13	Value Added Tax	282,400	3,674	286,074	241,463	44,611
	TOTAL EXPENDITURE	39,588,899	---	39,588,899	35,534,832	4,054,067

27.4 Statement of Losses

The Board of Survey for the year 2014 was not completed for the Northern, Western and Central/Eastern Divisions for the year ended 2014. In addition, no Board of Survey was carried out for

the Social Welfare Department and the Corporate Section of the Ministry for the year 2014. The Ministry recorded a loss of safe amounting to \$962.

PART B: AUDIT FINDINGS

27.5 Drawings Account

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.¹

The Permanent Secretary must appoint a Board of Survey to conduct a physical stock takes of all cash on hand and other stocks held in safes at least once a year.²

A new format of the Drawings account reconciliation was introduced by the Ministry of Finance effective from 1/1/14 through the Finance Circular Number 2/2014. The Ministry of Finance did not carry out any training on the new format for the Ministry and prepared the reconciliations on behalf of the Ministry.

The audit noted the following anomalies in the Ministry's Drawings account.

- A variance of \$147,776.89 existed between the Ministry's closing balance for 2013 and the opening balance for 2014 used by the Ministry of Finance for carrying out the Drawings account reconciliation on behalf of the Ministry. Refer to Table 27.3 for details.

Table 27.3: Variance in Opening Balance in Drawings Account

Description	2013 Closing Balance As Per Ministry's Reconciliation (\$)	2014 Opening Balance Used By Ministry Of Finance (\$)	Variance (\$)
Drawings Account	2,213,676.46	2,065,899.57	147,776.89

- The Ministry of Finance prepared the Drawings account reconciliations for the Ministry on a monthly basis for the months of July to October 2014 only. The Ministry of Finance combined the reconciliations for the months of January to May and the months of November to December 2014.
- The closing balance of Ministry's Drawings account reconciliation for the month of May 2014 and the opening balance for the month of June 2014 had a variance of \$2,854,298.86. Refer to Table 27.4 for details.

¹ Finance Instruction 2010 - Section 32 (6)

² Finance Instruction 2010 – Section 31(5)

Table 27.4: Variance in Closing and Opening Balance in Drawings Account for the months of May and June

Description	Closing Balance As Per May Reconciliation (\$)	Opening Balance As Per June Reconciliation (\$)	Variance (\$)
Drawings Account	3,257,621.54	403,322.68	2,854,298.86

- The Ministry did not carry out Board of Survey for the unpresented cheques as at 31/12/14.
- A variance of \$1,521,623.18 existed between the Ministry's Drawing account reconciliation and the FMIS general ledger balance as at 31/12/14. Refer to Table 27.5 for details.

Table 27.5: Variance in closing balance in Drawings Account

Description	Balance As Per Drawings Account Reconciliation (\$)	Balance As Per FMIS (\$)	Variance (\$)
Drawings Account	3,472,703.75	1,951,080.57	1,521,623.18

The findings indicate lack of supervision and monitoring by Senior Officers and lack of coordination between the Ministry and the Ministry of Finance.

Recommendations

The Ministry should ensure that:

- adequate supervision and monitoring is provided by the senior officers to their subordinates;
- concerted effort is made to liaise with the Ministry of Finance to ensure the records between the two Ministries are reconciled;
- the correct closing balance for the year 2013 is used as the opening balance for the year 2014;
- monthly reconciliations are prepared for the Drawings account;
- Board of Survey of the unpresented cheques is carried out at the end of the year;
- necessary adjustments are made to rectify the variances; and
- appropriate disciplinary action is taken against responsible officers.

Ministry's Comments

No comments were provided.

27.6 Unpresented Cheques Listing

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

Electronic Funds Transfer (EFT) is the electronic exchange, transfer of money from one account to another, either within a single financial institution or across multiple institutions, through computer-based systems.⁴

EFT's numbers are automatically generated in the FMIS Ledger for individual payments. The processing for the EFT's is done in batches by the Bank.

The audit noted that the Ministry of Finance while carrying out the bank reconciliations could not map the batch postings in the bank statement to the EFT numbers generated in the FMIS Ledger.

As a result, the unpresented cheques totalling to \$3,472,703.25 for the Ministry as at 31/12/14 was inclusive of \$1,404,786.08 or 40.5% of the EFT. In addition some of the EFT amounts included in the Drawings account reconciliation as at 31/12/14 were dated as far back as 2013. Hence, the Drawings account reconciliation does not reflect the correct amount of the unpresented cheques listing at balance date. Refer to Appendix 27.1 for details of EFT's reflected in the unpresented cheques listing.

The findings indicate poor reconciliation and monitoring process of the Drawings accounts. As a result the unpresented cheques listing was overstated by \$1,404,786.08 at balance date.

Recommendation

The Ministry should liaise with the Ministry of Finance to ensure that proper reconciliation of the unpresented cheques is carried out.

Ministry's Comments

No comments were provided.

27.7 Statement of Losses

Statement of Losses is a component of the Agency Financial Statement which includes the loss of cash, loss of assets and write-offs reported during the financial year.

The audit of Statement of Losses for the Ministry revealed the following anomalies.

- The losses statement shall provide information on losses written-off during the financial year and the status of recoveries of losses.⁵

The Ministry did not include in the Statement of Losses the amount of \$113,548.42 written-off by the Ministry of Finance from the Ministry's Drawing account in 2014.

Due to negligence on the part of the management the Statement of Losses was not correctly reported. As a result the losses may not be properly disclosed by the Ministry in the Statement of Losses.

³ Finance Instruction 2010 - Section 32 (6)

⁴ Wikipedia

⁵ Ministry of Social Welfare, Women and Poverty Alleviation 2013, Section 14.1.8

- An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register provided that, for agencies that have, in the opinion of the Permanent Secretary a large asset base, the board of survey to be conducted on a cyclical basis so that all assets are checked every year.⁶

The audit of Statement of Losses revealed that the Ministry did not complete its Board of Survey for the year ended 31/12/14.

As at the date of audit⁷ the Board of Survey was not completed for Northern, Western and Central/Eastern Divisions. In addition the Board of Survey was not carried out for the Social Welfare Department and the Corporate Section of the Ministry. Furthermore the Board of Survey carried out in 2014 was declared as invalid by the Ministry of Finance. As confirmed by the Principal Assistant Secretary this was due to the fact that the committee members submitted to Ministry of Finance was different from the members who carried out the actual Board of Survey in 2014.

Due to lack of proper planning and coordination by the Ministry, the Board of Survey for 2014 was not complete.

As a result the losses may not be properly disclosed by the Ministry in the Statement of Losses.

Recommendations

The Ministry should ensure that:

- **all the write-offs are adequately reported in the Statement of Losses;**
- **annual Board of Survey is properly planned so that correct amount is reflected in the financial statement;**
- **annual Board of Survey is conducted before agency financial statement audit to ensure losses are properly disclosed;**
- **the members whose names are submitted to the Ministry of Finance are the ones who carry out the actual Board of Survey; and**
- **appropriate disciplinary action is taken against responsible officers.**

Ministry's Comments

No comments were provided.

27.8 Overdrawn Operating Trust Fund Account

Operating Trust Fund account consists of other moneys that were recorded as trust such as salary deductions payable to other entities, insurance premium deductions from employees, Fiji National Provident Fund deductions from employees etc. These other moneys were recorded in the Operating

⁶ Financial Instructions 2010 Section 49 (1)

⁷ 31/3/14

Trust Fund account and by convention should always have credit balances. Thus, the Trust Fund accounts should not at any time be overdrawn.

The audit noted that the Ministry's Operating Trust Fund account was overdrawn by \$407.87 as at 31/12/14. Refer to Table 27.6 for details.

Table 27.6: Overdrawn Operating Trust Fund Account

Account Number	Description	Amount (\$)
1-24101-24999-861307	264 PD Home Finance Company	316.19
1-24101-24999-861501	286 PD Fiji Public Service Association	6.68
1-24101-24999-861525	316 PD Service Worker Credit Union	15.00
1-24101-24999-861616	PD Maintenance Nasinu	30.00
1-24101-24999-861927	PD Fijian Holdings Unit Trust	20.00
1-24202-91011-861101	202 PD OPR Current Year	20.00
Total		407.87

The overdrawn Trust Fund accounts may arise from payments to the organisations for which deductions were not made.

The finding indicates inadequate reviews by Senior Officers of deductions made and paid to various organisations.

Recommendations

The Ministry should:

- ensure that adequate reviews are carried out by the Senior Officers on the Trust Fund accounts;
- ensure that Trust Funds are not overdrawn at any time;
- ensure that salaries/wages deducted from the employees are paid to the appropriate organisation; and
- investigate the overdrawn Trust Fund account balance as at 31/12/14 and take appropriate corrective action.

Ministry's Comments

No comments were provided.

27.9 VAT Reconciliation

Subject to the provisions of this Decree, the tax shall be charged in accordance with the provisions of this Decree at the rate of fifteen per cent on the supply (but not including an exempt supply) in Fiji of goods and services on or after the 1/7/92, 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.⁸

⁸ Value Added Tax Decree 1991 revised to 4th March 2011 – Section 15 (1)
Ministry of Social Welfare, Women and Poverty Alleviation

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.⁹

The current rate of VAT is 15 cents of every dollar spent on goods and services bought and sold with exception of zero-rated and exempted supplies.

The review of the monthly VAT returns revealed the following anomalies:

- A variance of \$176,598.13 existed between the VAT paid to FRCA for the year 2014 and the balance disclosed in the FMIS general ledger. Refer to Table 27.7 for details.

Table 27.7: Variance in VAT reconciliation

Details	Amount (\$)
VAT payments (Input VAT) as per Statement of Receipts and Expenditure	241,462.62
VAT payments (VAT payments to FRCA and Input VAT) as per VAT Returns for 2014	64,864.49
Un-reconciled variance	176,598.13

- Ministry of Finance Circular 9/95 provides the guidelines for the preparation of VAT returns. The Circular also provides an example to guide accountants in the preparation of VAT returns.

The Ministry changed the methodology for preparation of VAT Returns from the month of April 2014. The Ministry did not account for sales and income in VAT returns from April onwards. In addition the Ministry did not account for VAT on the budget loading by the Ministry of Finance. Refer to Table 27.8 for details.

Table 27.8: VAT returns for 2014

Month	Taxable Supplies (VIP)	VAT Output	VAT Input	VAT Payable
	(\$)	(\$)	(\$)	(Refund) (\$)
January	88,276.22	11,514.29	9,548.24	1,966.05
February	139,507.43	18,196.62	16,920.40	1,276.22
March	269,510.81	35,153.58	36,118.84	(965.26)
April	---	---	29,553.85	(29,553.85)
May	---	---	21,200.28	(21,200.28)
June	---	---	19,172.20	(19,172.20)
July	---	---	13,645.55	(13,645.55)
August	---	---	13,693.07	(13,693.07)
September	---	---	19,571.16	(19,571.16)
October	---	---	24,340.28	(24,340.28)
November	---	---	13,712.01	(13,712.01)
December	---	---	30,549.70	(30,549.70)
Total	497,294.46	64,864.49	248,025.58	(183,161.09)

The methodology adopted by the Ministry in preparing its VAT returns effective from April 2014 is contrary to Note 2 (b) of the Ministry's Special Purpose Financial Statements for the year ended 31 December 2014.

The Ministry did not comply with the Ministry of Finance circular 9/95.

⁹ Finance Circular No 9/95

The variance in the VAT reconciliation indicates that the Ministry did not correctly record the revenues and thus did not correctly pay the VAT on revenues.

Recommendations

The Ministry should ensure that:

- **the Ministry of Finance Circular 9/95 on preparation of VAT returns is adhered to;**
- **VAT paid to FRCA is reconciled on a monthly basis;**
- **necessary steps is taken to identify the error and reconcile the records to avoid such variances in future; and**
- **supervisory checks on the preparation of VAT returns is improved so that the balances reflected in the VAT returns reconcile with the FMIS.**

Ministry's Comments

No comments were provided.

27.10 Unauthorised Journal Vouchers

Only the SAO and AO shall approve journal adjustments.¹⁰ Journal vouchers must be numbered in sequential order. Supporting documents shall be attached to the voucher.¹¹ Once the journal voucher has been approved, it shall be posted into the appropriate ledger and the general ledger system.¹²

The audit noted several instances where the journal vouchers were posted in the FMIS (general ledger) without the approval of the Principal Accounts Officer and Accounts Officer. Refer to Table 27.9 for examples.

Table 27.9: Examples of Journal Vouchers not Approved

Date	Journal Voucher Number	Amount (\$)	Approved By
14/08/14	08	5,800.00	JV not approved
14/08/14	12	13,000.00	JV not approved
14/08/14	03	610.00	Clerical Officer 1
14/08/14	15	5,422.00	Clerical Officer 1
14/08/14	14	16,900.00	Clerical Officer 1
14/08/14	13	1,300.00	Clerical Officer 1
15/08/14	18	3,840.40	JV not approved
15/08/14	17	25.29	Clerical Officer 1
15/08/14	16	55.82	Clerical Officer 1
27/08/14	21	1,402.70	JV not approved
27/08/14	20	302.00	JV not approved
05/09/14	04	636.00	JV not approved
05/09/14	03	90.00	JV not approved

¹⁰ Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013, Section 16.1.2

¹¹ Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013, Section 16.1.3

¹² Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013, Section 16.1.5

Date	Journal Voucher Number	Amount (\$)	Approved By
05/09/14	02	12,000.00	JV not approved
05/09/14	01	11,600.00	JV not approved
15/09/14	19	731.90	JV not approved
19/09/14	14	262.00	JV not approved
Total (Sample Only)		73,978.11	

The audit further noted that the journal vouchers did not include any supporting documents. Refer to Table 27.10 for examples.

Table 27.10: Examples of Journal Vouchers with no Supporting Documents

Date	Journal Voucher Number	Amount (\$)	Approved By
23/01/15	85	5,287.00	Accounts Officer
23/01/15	86	3,812.02	Accounts Officer
28/01/15	88	1,900.00	Principal Accounts Officer
28/01/15	89	500.00	Principal Accounts Officer
Total (Sample Only)		11,499.02	

The findings indicate lack of monitoring by the Principal Accounts Officer on the processing of journal vouchers. Hence there is a high risk of fraudulent or incorrect journal entries passed and processed into the FMIS (general ledger.)

Recommendation

The Permanent Secretary should investigate and take appropriate action against Principal Accounts Officer for not controlling and monitoring the processing of journals.

Ministry's comments

No comments were provided.

27.11 Anomalies in New Appointments

The Permanent Secretary for each Ministry, with the agreement of the Minister responsible for the Ministry, has the authority to determine all matters pertaining to the employment of all staff in the Ministry, including:

- the terms and conditions of employment;
- the qualification requirements for appointment and the process to be followed for appointment, which must be an open, transparent and competitive selection process based on merit;
- the salaries, benefits and allowances payable, in accordance with its budget as approved by Parliament; and
- the total establishment of the total number of staff that are required to be appointed, in accordance with the budget as approved by Parliament.¹³

¹³ Constitution of the Republic of Fiji Section 127 (8)

The audit noted that the Permanent Secretary for Social Welfare, Women, and Poverty Alleviation created 29 positions without consultation and approval of the line Minister. The Ministry had total of 149 established and 33 unestablished staff positions approved in its 2014 budget. However the Ministry had a total of 211 staff which included 158 established and 53 unestablished staffs.

The audit also noted that the Permanent Secretary for Social Welfare, Women, and Poverty Alleviation appointed 9 Officers at lower level after the positions became vacant on promotion and acting appointment to the newly created positions.

However the Ministry did not recruit these Officers through an open, transparent and competitive selection process based on merit. Refer to Table 27.11 for details of appointments.

Table 27.11: Details of Staffs Acting and Temporary Appointments

Number	Positions	Acting/Promoted to
1	Clerical Officer 5	Acting Human Resource Officer/ Post Processing Unit
2	Admin Officer	Senior Admin Officer (Corporate)
3	Executive Officer	Admin Officer -Women/Office Superintendent- Civic Towers
4	Clerical Officer 6	Admin Officer -Logistics/Operations
5	Clerical Officer 7	Executive Officer - Logistics/Transport
6	Clerical Officer 8	Assistant Accounts Officer
7	Clerical Officer 9	Assistant Accounts Officer (Women- Payments)
8	Clerical Officer 10	Executive Officer – Training
9	Clerical Officer 11	Executive Officer - Accommodation/Registry
10	Attachee 1	TRCO- Women Reconciliation
11	Attachee 2	TRCO-PBS/FA/Food bank – Reconciliation
12	Data Clerk	TRCO-PBS/SPS/Food bank
13	Driver 1	1- Nasinu, 1-Ba, 1-Nausori, 1-Korovou, 1-Corporate, 1-Beggars, 1-Women
14	Driver 2	
15	Driver 3	
16	Driver 4	
17	Driver 5	
18	Driver 6	
19	Driver 7	
20	NEC Attachee 3	Stationary, Registry, Records
21	NEC Attachee 4	
22-28	7-Part-time Cleaners	Tavua, Nausori, Labasa, Lautoka, Ba and Korovou.
29	Attachee 5	TRCO – Ledgers

The Ministry recruited additional staff on the understanding that the Ministry of Finance will increase the budgetary allocation. However the Ministry of Finance did not approve the increase in payroll budget and advised the Ministry to cease the new appointments. The Ministry did not adhere to the advice from the Ministry of Finance and continued to employ additional staffs.

In addition the Permanent Secretary for Social Welfare, Women, and Poverty Alleviation appointed a Consultant for the National Child Helpline without the approval of the line Minister. The Ministry did not use competitive selection and tender process and a comprehensive cost-benefit and needs analysis was not carried out prior to the appointment of the Consultant. Furthermore the contract signed by the Consultant and the Permanent Secretary on 9/5/14 was not signed-off by the Solicitor General.

The Permanent Secretary for Social Welfare, Women, and Poverty Alleviation did not follow proper procedures for creating new positions and making appointments on acting and temporary relieving basis. In the absence of proper approvals, the acting and temporary relieving appointments were unauthorized.

Recommendations

The Ministry should ensure that:

- **all new appointments are made in consultation and approval of the line Minister;**
- **all recruitments are undertaken through an open, transparent and competitive selection process based on merit;**
- **approval from the Ministry of Finance is obtained for increase in payroll budget for new positions;**
- **funds from other SEG's are not vired for the payment of wages and salaries;**
- **all appointments made without proper approval and funding is reversed; and**
- **the matter is investigated and appropriate action is taken against those responsible for unauthorized appointments and payroll expenses.**

Ministry's Comments

No comments were provided.

27.12 Over Expenditure in Payroll

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. No officer may incur expenditure, which results in the agency's appropriation being exceeded without the authorization of the Ministry of Finance, pending approval by Cabinet.¹⁴

The Ministry was allocated a total of \$3,478,881 and \$424,422 for the established staff and the government wage earners respectively in its original budget for 2014. However the Ministry's actual payroll expenses in 2014 increased by 27.9% or \$810,289 and 22.4% or \$110,293 for the established staff and government wage earners respectively compared to 2013. The Ministry overspent both the allocations in the year 2014.

The Ministry vired funds from Care and Protection Allowance, Welfare Graduation Program, Expanded Food Voucher Program, Poverty Benefit Scheme, Commission Charges, Power Supply, Office Supplies and Telecommunication allocations to meet the over expenditure in payroll allocations. Refer to Table 27.12 for details.

¹⁴ Finance Instructions 2010 Section 7

Table 27.12: Details of Over Expenditure

SEG	Item	Original Budget (\$)	Actual Expenditure (\$)	Over Expenditure (\$)	Allocation Funds Vired From (\$)	Amount (\$)
1	Established Staff	3,478,881	3,711,554	232,673	Care and Protection Allowance 1-24202-91011-060309	307,170
2	Unestablished Staff	424,442	603,724	179,282	Welfare Graduation Program 1-24101-24999-100117	38,741
					Expanded Food Voucher Program 1-24202-91011-060699	27,493
					Poverty Benefit Scheme 1-24202-91011-060308	20,000
					Commission Charges 1-24202-91011-050399	11,101
					Power Supply 1-24201-24301-040421	2,900
					Telecom 1-24202-91011-030401	2,350
					Office Supplies 1-24101-24999-040203	1,200
					Telecom 1-24201-24301-030401	1,000
Total		3,903,323	4,315,278	411,955		411,955

The Ministry incurred additional payroll costs due to unauthorized appointments of additional 29 staffs. The funds were diverted from allocations which were specifically budgeted for the needy people by the Parliament. Hence the public funds were not used by the Ministry for the purpose it was allocated for by the Parliament.

Recommendations

The Ministry should:

- ensure that funds from specific programs are not vired for the payment of wages and salaries;
- seek approval from Ministry of Finance prior to appointments made; and
- investigate the matter and take appropriate action for diversion of funds.

Ministry's Comments

No comments were provided.

27.13 Unauthorised Project Posts for the Executive Support Unit

Employment decisions in the public service are made without patronage, favoritism or political influence, and appointments and promotions are made on the basis of merit after an open, competitive selection process.¹⁵

¹⁵ Public Service Act 1999, Part 2 Section 4(2)

Before either a letter of appointment or contract of appointment is issued, a candidate selected for appointment must undergo medical examination and be passed as being in all respects physically and mentally fit by an authorised Medical Officer.¹⁶ The employee must have a satisfactory police record.¹⁷

The Public Service Commission (PSC) carried out a functional review for the Ministry and recommended for an Executive Support Unit (ESU) and Monitoring and Evaluation Unit (MEU) to be established. The PSC also recommended total of 7 additional staffs comprising of 1 Principal Level, 2 Senior Administrative Officers and 1 Administrative Officer for ESU and 1 Principal Level, 1 Senior Administrative Officers and 1 Administrative Officer for MEU.

The Ministry created 4 project posts following the functional review which comprised of 2 Administrative Officers, 1 Clerical Officer and 1 Data Operator. The review of the recruitment of 4 project posts revealed the following anomalies.

- The 7 project posts recommended by the PSC were not approved by the Minister for Social Welfare, Women, and Poverty Alleviation. However the Permanent Secretary for Social Welfare, Women, and Poverty Alleviation appointed 4 project officers. The appointments made by the Permanent Secretary for the ESU was unauthorised.
- The Ministry did not obtain approval from the Ministry of Finance for additional funds for the project Officers. The Ministry diverted funds from the Care and Protection Allowance, Welfare Graduation Program, Expanded Food Voucher Program and the Poverty Benefit Scheme allocations to pay the project officers.
- The Ministry did not advertise the project posts in the local dailies. The 4 project officers were recruited by the Ministry from the NEC¹⁸ without interviews. The Ministry appointed 2 of the 4 project officers directly from NEC to ESU while the other 2 were appointed from the NEC on temporary posts and transferred to the ESU. In addition the Ministry did not obtain the Police and medical clearance for the Project Officers recruited.
- The MQR for the Administrative Officer position was an undergraduate Degree in Management and Public Administration, Business Administration or equivalent with relevant work experience.

However details such as qualification and work experience were not kept in the Project Officers personal files. The audit could not ascertain whether the Project Officers appointed met the MQR.

Further details about the Project Officers appointed by the Ministry are provided in Table 27.13.

Table 27.13: Details of Officers on Project Posts

Position	Anomalies in Appointment
Temporary Administrative Officer (ESU) 1	<ul style="list-style-type: none"> • The Officer was appointed as Temporary Administrative Officer (ESU) on 14/1/14 although there was no vacancy. • Details of qualifications such as degrees and academic transcript were not maintained in the personal file. Hence the audit could not ascertain whether the officer meets the MQR.

¹⁶ General Orders 2011 Section 203 (a)

¹⁷ General Orders 2011 Section 203 (b)

¹⁸ National Employment Center

Position	Anomalies in Appointment
Temporary Administrative Officer (ESU) 2	<ul style="list-style-type: none"> Officer was a NEC Volunteer from 6/3/14 to 5/6/14 and was appointed as a Temporary Administrative Officer (ESU) wef¹⁹ 8/5/14 to 31/12/15 on salary \$23,458 although there was no vacancy. Officer claims that he has completed Bachelor of Commerce from the University of Delhi however details of qualification attained not in the personal file. Hence the audit could not ascertain whether the officer meets the MQR.
Temporary Relieving Clerk (ESU) 1	<ul style="list-style-type: none"> The Officer was appointed as Project Officer – Clerk (ESU) for one year wef 1/1/15 at \$4.68 per hour although there was no vacancy. Details of MQR not in the personal file and hence the audit could not ascertain whether the officer meets the MQR.
Temporary Relieving Data Operator (ESU) 1	<ul style="list-style-type: none"> The Officer was appointed as NEC Volunteer from 24/10/12 to 23/1/13. The Officer was appointed as Telephonist (HQ) wef 2/1/13 to 31/1/13 with wage rate \$4.29 per hour for 44 hours per week. The Officer was appointed as Temporary Clerk/Assistant wef 8/5/14 to 7/8/14 at \$4.60 per hour. The Officer was appointed as Temporary Relieving Typist wef 30/10/14 to 31/12/14 weekly wages \$243.33 in Grade SSO5. The Officer was appointed as Temporary Relieving Data Operator for the Department of Women from 1/1/15 to 31/12/15 with an annual salary \$12,659 in SSO5 Grade The Officer was transferred to ESU wef from 26/1/15 on existing terms and conditions although no vacancy existed. The Officer was absorbed into the civil service without any interviews or vacancy.

The Ministry did not follow proper recruitment procedures for appointing Project Officers. The Ministry may not have recruited Project Officers based on merit.

Recommendations

The Permanent Secretary should ensure that:

- **all new positions are approved by the Minister for Social Welfare, Women, and Poverty Alleviation;**
- **approval from the Ministry of Finance for additional funds is obtained prior to any new appointment;**
- **proper recruitment procedures are followed for appointment of officers which include advertising the vacant position, interviews, police and medical clearance etc; and**
- **personal details of the Officers recruited is maintained in their respective files.**

The Minister for Social Welfare, Women, and Poverty Alleviation should investigate the matter and take appropriate action.

Ministry's Comments

No comments were provided.

¹⁹ With effect from

27.14 Anomalies in the Recruitment of Principal Administrative Secretary

Employment decisions in the public service are made without patronage, favouritism or political influence, and appointments and promotions are made on the basis of merit after an open, competitive selection process.²⁰

The Ministry appointed the Senior Administrative Officer at the ESU in the Ministry on transfer from PSC with effect from 14/2/14 to 24/3/14. However, the position of the Senior Administrative Officer at the ESU in the Ministry did not exist from 14/2/14 to 23/3/14.

In addition, the Senior Administrative Officer's personal file did not have any details on posting from 14/2/14 to 24/3/14. Hence the Senior Administrative Officer's appointment was not valid. The Ministry paid \$3,082.94 as salaries to the Senior Administrative Officer for the period 14/2/14 to 24/3/14.

The Ministry created the Project Enhancement Coordinator position so that the Principal Administrative Secretary position becomes vacant and to be filled by the Senior Administrative Officer's appointment. The Ministry did not follow proper recruitment procedures while appointing the Senior Administrative Officer to the position of Principal Administrative Secretary.

Recommendations

The Permanent Secretary should ensure that:

- **all new positions are approved by the Minister for Social Welfare, Women, and Poverty Alleviation and approval from the Ministry of Finance for additional funds is obtained prior to any new appointment;**
- **proper recruitment procedures are followed for appointment of officers which include advertising the vacant position, interviews, police and medical clearance etc; and**
- **personal details of the Officers recruited is maintained in their respective files.**

Ministry's Comments

No comments were provided.

27.15 Anomalies in the Recruitment of Project Enhancing Coordinator

The Equal Employment Opportunity Policy is intended to provide all Public Service officers with a guide to fairness and equity in employment decisions in the areas of recruitment, promotion, transfer and training on the basis of merit.²¹

Vacant posts will normally be advertised in the Fiji Public Service Official Circular and the press. Certificate of availability of funds from the Ministry of Finance should be obtained before any substantively vacant post is advertised.²²

²⁰ Public Service Act 1999, Part 2 Section 4(2)

²¹ General Orders 2011 Section 1224 (b)

²² General Orders 2011 Section 205

The Principal Administrative Secretary was appointed in the Ministry since 23/4/11. The Ministry created Project Enhancement Coordinator's position and transferred the Principal Administrative Secretary to this position on salary \$42,524 for a period of one year effective from 1/4/14. The Ministry then appointed the Senior Administrative Officer as the Acting Principal Administrative Secretary for Corporate on salary \$39,452 for a period of 3 months with effect from 25/3/14.

The audit noted that the Project Enhancement Coordinator's position was not approved by the Minister for Social Welfare, Women and Poverty Alleviation.

The audit also noted that the position of Project Enhancement Coordinator was not advertised and no interviews were conducted. The Ministry did not follow open and competitive selection process when appointing the Project Enhancement Coordinator.

The MQR for the post was for the Officer to have Bachelor of Arts in Economics or Management/Industrial Relations in the area of planning and development and computer literate (Microsoft Word, Excel, PowerPoint).

However the Project Enhancement Coordinator's personal file did not have any record of his qualification. The audit could not substantiate whether the Project Enhancement Coordinator met the MQR.

The findings show that the Ministry did not follow proper recruitment procedure. The Ministry may not have recruited the Project Enhancement Coordinator based on merit.

Recommendations

The Permanent Secretary should ensure that:

- **all new positions are approved by the Minister for Social Welfare, Women, and Poverty Alleviation and approval from the Ministry of Finance for additional funds is obtained prior to any new appointment;**
- **proper recruitment procedures are followed for appointment of officers which include advertising the vacant position and interviews conducted; and**
- **personal details and the MQR of the Officers recruited is maintained in their respective files.**

Ministry's Comments

No comments were provided.

27.16 Anomalies in the Appointment of Temporary Relieving Clerical Officers

The Equal Employment Opportunity Policy is intended to provide all Public Service officers with a guide to fairness and equity in employment decisions in the areas of recruitment, promotion, transfer and training on the basis of merit.²³

Before either a letter of appointment or contract of appointment is issued, a candidate selected for appointment must undergo medical examination and be passed as being in all respects physically and mentally fit by an authorised Medical Officer.²⁴ The employee must have a satisfactory police record.²⁵

²³ General Orders 2011 Section 1224 (b)

²⁴ General Orders 2011 Section 203 (a)

The Ministry had 23 and 16 NEC attachee's during the year 2013 and 2014 respectively. The audit noted that the Ministry appointed 20 of these attachees as TRCO's positions without advertising the positions for TRCO's to seek applications from other suitable applicants.

The audit also noted that the Ministry did not interview the attachee's before appointing them as TRCO's. In addition Police and Medical Clearance were also not obtained prior to the appointment of these Officers. Refer to Table 27.14 for details.

Table 27.14: Details of NEC Attachees Appointed to TRCO Position

TRCO	Date Appointed	Anomalies
TRCO 1	3/4/14	<ul style="list-style-type: none"> The position did not exist in the Ministry. No details in the personal file to substantiate that the officer meets the MQR. Police and Medical clearance not obtained.
TRCO 2	12/5/14	<ul style="list-style-type: none"> The position did not exist in the Ministry. No details in the personal file to substantiate that the officer meets the MQR. Police and Medical clearance not obtained.
TRCO 3	11/7/14	<ul style="list-style-type: none"> The position did not exist in the Ministry. No details in the personal file to substantiate that the officer meets the MQR. Police and Medical clearance not obtained.
TRCO 4	31/10/13	<ul style="list-style-type: none"> The position did not exist in the Ministry. No details in the personal file to substantiate that the officer meets the MQR. Police and Medical clearance not obtained.
TRCO 5	6/3/14	<ul style="list-style-type: none"> According to the Curriculum Vitae, the Officer holds a Bachelor of Commerce from the University of Delhi however to date of audit (18/5/15); copy of the Degree was not obtained from the Officer. The audit could not substantiate the qualification of the officer. Police and Medical clearance not obtained.
TRCO 6	14/1/14	<ul style="list-style-type: none"> The position did not exist in the Ministry. Police and Medical clearance not obtained.

The findings indicate that the Ministry did not follow proper recruitment procedures to recruit TRCO's. The appointment of TRCO's was not based on merit and there is a high risk of favouritism.

Recommendations

- The Ministry should ensure that proper recruitment procedure is followed for recruiting TRCO's into the civil service; and**
- PSC should investigate and take appropriate action against those responsible for recruitment of TRCO's without following proper recruitment procedures.**

Ministry's Comments

No comments were provided.

²⁵ General Orders 2011 Section 203 (b)

27.17 Anomalies in Acting Appointments

Acting Appointments can only be made when the substantive holder of the post will be absent for more than a month.²⁶ Acting allowance will be paid at a rate equal to 95 percent of the difference between the substantive salary and the minimum salary of the higher office.²⁷

The Ministry appointed 3 Clerical Officers on Acting Assistant Accounts Officer positions for 7 months even though there were no vacant positions for Assistant Accounts Officer. The Acting appointments were made by the Permanent Secretary. Refer to Table 27.15 for details.

Table 27.15: Details of Acting Allowance Paid

Clerical Officer	Acting Period	Substantive Salary (\$)	Acting Salary Scale (\$)	Acting Allowance Paid ²⁸ (\$)
Clerical Officer 2	8/5/14 – 31/12/14	13,191	21,497	5,137.63
Clerical Officer 3	8/5/14 – 31/12/14	13,191	21,497	5,137.63
Clerical Officer 4	8/5/14 – 31/12/14	13,191	21,497	5,137.63
Total allowance paid				15,412.89

The audit also noted that the Ministry diverted funds from Care and Protection Allowance, Welfare Graduation Program, Expanded Food Voucher Program and the Poverty Benefit Scheme allocations totalling \$15,412.89 to pay for the acting allowance.

The audit further noted that the Ministry ceased the acting appointments from 1/1/15 on the directive of Ministry of Finance as there were no funds available in SEG 1 of the Ministry's budget.

The findings indicate that the Ministry did not follow proper procedures for acting appointment. As a result the acting appointments were unauthorized which resulted in over expenditure in the Ministry's payroll expenditure.

Recommendations

The Ministry should:

- ensure that acting appointment are only made against vacant positions; and
- surcharge the Permanent Secretary for the acting allowances paid totaling \$15,412.89 for approving acting appointments resulting in over expenditure.

Ministry's Comments

No comments were provided.

27.18 Lack of Supporting Documents in Case Files

A case file (hard copy) must be opened with the name of the applicant, case number in the system, address and contact details written on it. All documents provided by the applicant must be kept in the case file.²⁹

²⁶ General Orders 2011 Section 413

²⁷ General Orders 2011 Section 416

²⁸ $95\% * (21,497 - 13,191) * (237 \text{ days} / 364 \text{ days})$

The audit noted that the Ministry did not obtain and maintain birth certificates for all household members, hard copy of the completed application, bank account details and details of recipient's relationship with other members living in the same house for several PBS recipients case files. These documents are important to determine the applicant's eligibility for government assistance.

The audit also noted that the case files were not reviewed by the Welfare Officers to ensure adequate records were maintained in the deceased recipients' case files. Refer to **Appendix 27.2** for details.

The Ministry did not obtain these documents even though these documents were necessary to assess the applicant's eligibility for government assistance. In absence of these documents people who are not eligible for PBS allowances may be receiving government assistance.

Recommendations

The Ministry should:

- **ensure that adequate supervision is provided to subordinate officers;**
- **obtain necessary documents from the recipients such as birth certificate, bank details and recipients relationship with other persons living in the same house and maintain copies in the case files;**
- **review and update case files periodically; and**
- **investigate this matter further and take appropriate disciplinary action against those responsible for processing application for PBS allowance without necessary supporting documents.**

Ministry's Comments

No comments were provided.

27.19 Missing Poverty Benefit Scheme (PBS) File

The Officer in Charge of PBS allowance should properly maintain all the PBS files.

The audit requested the Officer in charge of PBS for a sample of case files for the recipients approved and terminated in 2014. However several case files were not provided for audit review. Refer to Table 27.16 for examples of files not provided for audit review.

Table 27.16: Poverty Benefit Scheme Recipient Case Files Not Provided to Audit

Reference Number	Monthly Allowance (\$)	Yearly Allowance (\$)
101-106291	60	720
101-105428	60	720
101-100779	60	720
101-102983	60	720
101-107826	60	720
101-103654	60	720

²⁹ Poverty Benefit Scheme Procedures Section 4.5

Reference Number	Monthly Allowance (\$)	Yearly Allowance (\$)
SUV/PBS/190/14	120	1,440
SUV/PBS/159/14	60	720
SUV/PBS/161/14	120	1,440
SUV/PBS/158/14	120	1,440

The PBS case files were not properly maintained by the Ministry and were missing. There is a high risk of fictitious recipients of PBS allowance.

Recommendations

The Ministry should:

- ensure that recipient case files are properly maintained;
- make an effort to locate the missing recipient case files; and
- take appropriate disciplinary action against the Officer responsible for safe keeping of case files for not performing his/her duties properly.

Ministry's Comments

No comments were provided.

27.20 No Independent Verification of Other Sources of Income for the Recipients

The Care and Protection allowance and the Social Pension Scheme is an assistance provided by Government to assist underprivileged children who are below the age of 18 years and elderly persons who are seventy (70) years and above respectively.

The recipients of Care and Protection allowance and the Social Pension Scheme should not have any other source of income and should not be beneficiaries of superannuation payments such as FNPF Pension Scheme, Ex-Serviceman's After Care Fund, Government or Insurance. Similarly the recipients of other social welfare assistance are also not eligible for this assistance.

The Ministry maintains a register to record all the Care and Protection allowance and the Social Pension Scheme applicants verified with third party for other source of income.

The audit review of the register and the recipient's files revealed that the Ministry did not verify whether applicants for the Care and Protection allowance and the Social Pension Scheme have any other source of income or receiving any other form of government assistance. Refer to the Table 27.17 for examples.

Table 27.17: Examples of Applications Processed Without Verifying Other Source of Income

Care and Protection Allowance		Social Pension Scheme	
File Reference	Amount (\$)	File Reference	Amount (\$)
101_0010232	105.00	SU/SPS/1055/14	50.00
101_0010212	30.00	SU/SPS/1020/14	50.00
101_0009797	25.00	SU/SPS/1061/14	50.00
101_0000792	100.00	SU/SPS/1059/14	50.00
101_0011224	25.00	SU/SPS/1037/14	50.00
101_0009231	110.00	SU/SPS/977/14	50.00
101_0011833	60.00	SU/SPS/987/14	50.00
101_0011515	30.00	SU/SPS/1057/14	50.00
101_0005141	25.00	SU/SPS/1063/14	50.00
101_0011351	80.00		

The finding shows that the Officers responsible for processing the applications for Care and Protection allowance and the Social Pension Scheme did not perform their duties properly. There is a high risk that the recipients of Care and Protection allowance and the Social Pension Scheme may have other source of income or government assistance while also receiving Care and Protection allowance.

Recommendations

The Ministry should ensure that:

- **all applicants for Care and Protection allowance and the Social Pension Scheme are verified against other source of income or government assistance;**
- **all verifications undertaken for other source of income are recorded in the Register and the case files; and**
- **appropriate disciplinary action is taken against officers failing to carry out verification of other sources of income.**

Ministry's Comments

No comments were provided.

27.21 Care and Protection Allowance paid to Children at Different Rates

The minimum amount to be paid for Care and Protection allowance is \$30 per month per child. The maximum amount of Care and Protection allowance is \$110 per month, regardless of the number of children.

The audit noted several instances of Care and Protection allowance paid by the Ministry at different rates without any justification. Hence all Care and Protection allowance beneficiaries were not paid at a fixed rate of \$30 per month. Refer to Table 27.18 for details.

Table 27.18: Incorrect Rate of Care and Protection Allowance Paid to Children

Caregivers Reference Number	Anomalies	Monthly Allowance to be Paid (\$)	Monthly Allowance Paid (\$)	Overpaid/ Underpaid (\$)
101_0009797	The minimum allowance is \$30 and the Ministry approved only \$25	30	25	(5)
101_0011224	The minimum allowance is \$30 and the Ministry approved only \$25	30	25	(5)
101_0005141	The minimum allowance is \$30 and the Ministry approved only \$25	30	25	(5)
101_0011351	Two children are receiving \$80 in total and the minimum for each recipient is \$30	60	80	20
101_0000792	Three children are receiving \$100 in total and the minimum for each recipient is \$30	90	100	10
101_0010232	Three children are receiving \$105 in total and the minimum for each recipient is \$30	90	105	15

The audit also noted that the different rates of Care and Protection allowance were approved by the Assistant Director Family Services.

Due to different Care and Protection allowance rate used by the Ministry the beneficiaries were either overpaid or underpaid their allowances.

Recommendations

The Ministry should:

- ensure that same rate of PBS allowance is paid to all eligible beneficiaries;
- ensure that any change in allowances is properly approved and is applied to all the recipients; and
- investigate the use of 2 different rate for Care and Protection allowance and take appropriate action.

Ministry's Comments

No comments were provided.

27.22 Anomalies in Social Pension Scheme

Social Pension Scheme is for elderly persons who are seventy (70) years and above, and have no source of income and are not the beneficiaries of superannuation payments such as FNPF Pension Scheme, Ex-Serviceman After Care Funds, Government or Insurance. Likewise, recipients of social welfare assistance such as the Care and Protection Allowance and Poverty Benefit Scheme will not be eligible for this assistance.

The Ministry was allocated a total of \$4,175,933 for Social Pension Scheme in its 2014 budget. Out of the total allocation of \$4,175,933 the Ministry used \$4,175,495 or 99.9% in 2014 to pay the Social Pension allowance to recipients.

The four Divisions namely Western, Northern, Central and Eastern are responsible for the Social Pension Scheme and each maintain their own records of recipient's details. The audit of Social Pension Scheme revealed the following anomalies:

- The Ministry must carry out timely reviews to evaluate the status of the recipients of the Social Pension to ensure that allowance is paid to the deserving recipients only.

The Ministry did not carry out any reviews of the status of the recipients of the Social Pension allowance. Hence the Ministry was not aware of the status of the recipients whether they were still alive and whether their financial status has improved.

There is a risk that the Ministry may be providing Social Pension allowance to people who do not deserve government assistance.

- The applicants for Social Pension Scheme must submit a completed application form to the Ministry. The Senior Welfare Officers must provide their recommendations on the application forms and submit the forms to the Director of Social Welfare for approval for payment of Social Pension allowance to the applicants.

The Senior Welfare Officers on several instances did not provide their recommendations in the application forms. However the applications were approved by the Director of Social Welfare, without the recommendations of the Senior Welfare Officers. Refer to Table 27.19 for examples.

Table 27.19: Examples of Recipients without Senior Welfare Officers Recommendations

Recipient Reference Number	Amount (\$)
SU/SPS/1057/14	50.00
SU/SPS/977/14	50.00
SU/SPS/1037/14	50.00
SU/SPS/1063/14	50.00
SU/SPS/1055/14	50.00
SU/SPS/1061/14	50.00
Total (Sample Only)	300.00

- Documents such as birth certificate and passport size photos need to be certified correct by a Justice of Peace or District Officers or the Head of Clan for those who reside in remote areas.

However on several instances the supporting documents such as applicant's passport size photos and copies of birth certificates were not certified correct by the Justice of Peace, District Officers or the Head of the Clan. The Ministry processed the applications without verifying the authenticity of the photos or the birth certificates. Refer to Table 27.20 for examples.

Table 27.20: Examples of Supporting Documents not Certified Correct by Justice of Peace

Date of Application	Recipient Reference Number
06/01/14	SU/SPS/1096/15
16/01/15	SU/SPS/1100/15
02/01/15	SU/SPS/1089/15
06/01/15	SU/SPS/1097/15
06/01/15	SU/SPS/1093/15
02/01/15	SU/SPS/1098/15
02/01/15	SU/SPS/1090/15
09/01/15	SU/SPS/1092/15

Date of Application	Recipient Reference Number
15/01/15	SU/SPS/099/15

The findings show that the Officers responsible for receiving the applications, reviewing for completeness and accuracy, making recommendations and approving the payment of government assistance did not perform their tasks diligently.

Hence proper procedures were not always followed in processing the application for payment of Social Pension allowance to the recipients. This may result in fraudulent payment of Social Pension allowance.

Recommendations

The Ministry should ensure:

- **that review of the Social Pension allowance recipients status is carried out periodically;**
- **the Senior Welfare Officer reviews the application for Social Pension and provides his recommendations in the application form before it is submitted to the Director for decision;**
- **third party checks with Fiji Ex-servicemen After Care Fund, FNPF and Ministry of Finance Pension Section to verify whether the applicants are also receiving any other form of government assistance; and**
- **supporting documents submitted with the application form are certified correct by the Justice of Peace, District Officers or the Head of the Clan.**

Ministry's Comments

No comments were provided.

27.23 No Annual Review of the Schemes

All approved cases will be subject to review; this will be done annually (from the date of approval) either through desk review or home visitation. The purpose for the reviews is to gather information on the current status of the case, which will determine the continuation of the assistance or its termination depending on the information that will be derived. In the review exercise recipients will be required to provide updated information on the status of each household members and other relevant information that will be required.³⁰

The audit noted that the Ministry did not carry out the annual reviews of the Poverty Benefit Scheme, Social Pension Scheme and Care and Protection allowance either by desk review or by home visitation.

The finding indicates laxity of the Senior Officers to ensure annual reviews of the recipients is carried out. Without annual reviews the Ministry was not aware of the current status of the recipients. The

³⁰ Poverty Benefit Scheme Standard Operating Procedures Section 10, Care and Protection Allowance Standard Operating Procedures Section 9, Social Pension Scheme Standard Operating Procedures Section 11.4
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Ministry may provide assistance to people whose status have changed and are no longer eligible for government assistance.

Recommendations

The Ministry should ensure that:

- **an annual review of all the recipients is carried out; and**
- **appropriate disciplinary action is taken against Officers responsible for not reviewing the status of the recipients annually.**

Ministry's Comments

No comments were provided.

27.24 Poor Record Keeping for Grants to Non-Government Organisations

The Non-Government Organisation (NGO) Secretariat shall compile the agenda for the committee meeting and distribute documentation/material for the meeting. He/she is responsible for all correspondence and distribution of documentation/ information relating to the NGO Grants Scheme.³¹

All approved grant applicant records shall be filed and maintained by the NGO Secretariat and a list forwarded to accounts for RIE processing.³²

Each file for Voluntary organisation should have the project proposal, applications for grants, grants committee evaluation paper, signed appointment letter for the NGO committee and acquittals.

The audit noted that the minutes of the NGO committee, signed appointment letter of the NGO committee members, previous quarter acquittals and completion certificate for the constructions of the beggars home were not kept in the files for Church of Nazarene, Homes of Hope, Veilomani Methodist Home, Empower Pacific and St. Christopher's Home.

This finding indicates the Secretary to the NGO committee did not perform her duties properly. In the absence of these documents the Ministry did not have adequate information about the NGO's.

Recommendations

The Ministry should:

- **ensure that all project files are properly maintained by the Secretary; and**
- **ensure that disciplinary action is taken against Officers responsible.**

Ministry's Comments

No comments were provided.

³¹ Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013, Section 3.1.3

³² Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013, Section 3.1.13

27.25 Grant Acquittals not submitted to the Ministry By NGO's

Acquittal reports must be prepared by the recipient of the grant and submitted to the agency that paid the grant.³³ The acquittal report shall provide the following information:

- details of grant money expended and unexpended,
- grants objectives and targets achieved,
- financial statement (audited if practicable) for grants of \$20,000 or more.³⁴

The Ministry provided grants to a number of NGO's. The audit noted that some of the NGO's did not provide acquittals for the full amount of grants given. Refer to Table 27.21 for details.

Table 27.21: Grants Not Fully Acquitted

NGO Name	Grant Provided in 2013 (\$)	2013 Grant Amount for which Acquittals not Provided (\$)	Grants Provided in 2014 (\$)
Methodist Veilomani Boys Home	12,500	2,302.15	20,000
Saint Christopher's Home	15,000	7,851.76	20,000
Saint Christopher's Home	---	---	10,000

The audit also noted that the Ministry did not take any action against Methodist Veilomani Boys Home and Saint Christopher's Home for not submitting the acquittals for the full grant amount and provided further grant of \$20,000 each in 2014. The audit further noted that the Fiji Netball Association did not provide the acquittals for the grant of \$10,000 given in 2014.

The Ministry did not take any action against the grant recipient's for non-submission of acquittals. The findings indicate that the Ministry was not vigilant in reviewing the acquittal reports and following up with grant recipients which did not submit acquittals. In the absence of acquittals there is risk of misuse of grant funds.

Recommendations

The Ministry should:

- ensure that acquittals for the full amount of grant given is provided by the grant recipients before providing further grants;
- follow up with the NGO's who have not provided their acquittals; and
- investigate and take appropriate disciplinary action against officers responsible for approving further grant without verifying how the previous grants were used.

Ministry's Comments

No comments were provided.

³³ Finance Instructions 2010 Section 16 (8)

³⁴ Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013, Section 3.1.17

27.26 Anomalies in Welfare Graduation Program

The Welfare Graduation Program followed a cabinet decision³⁵ on the subject of graduating recipients of Care and Protection Allowances after 5 years of being under state assistance. The Ministry engaged National Centre for Small and Micro Enterprises Development (NCSMED) for the Welfare Graduation Program. Under this program a minimum of \$2,000 was allocated for a recipient to start up a business. The Ministry budgeted \$461,259 for the Welfare Graduation Program. During the year 2014 the Ministry disbursed a total of \$337,410 to NCSMED.

A Memorandum of Understanding was signed between the Ministry and NCSMED for the implementation, training and monitoring of the program. Under the agreement NCSMED uses 20% of the \$2,000 on trainings and monitoring while 80% for Seed funding. Refer to Table 27.22 for details.

Table 27.22: Apportionment of \$2,000

Purpose	Amount (\$)
Seed Funding	1,600
Training and Monitoring	400
Total	2,000

The review of the Welfare Graduation Program revealed the following anomalies.

- The proper management of expenditure is fundamental to ensuring value-for-money in service delivery 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 public funds and over-expenditure do not occur.³⁶

The agreement between the Ministry and NCSMED did not state the grant amount or the number of recipients to be assisted by the Ministry through NCSMED. The Ministry was not able to ascertain the number of people to be assisted through the Welfare Graduation Program.

As a result the Ministry was not able to forecast as to how much would be spent on the implementation of the Welfare Graduation Program.

- A case file (hard copy) must be opened with the name of the applicant, case number in the system, address and contact written on it. A duplicate for all documents provided in the business plan by the applicant must be kept in the case file.³⁷

The Ministry did not maintain the recipients' case files properly for all the divisions of the Ministry. Details such as Income Generating Project (IGP) proposals, quotation, payment details and site visit reports were not filed in the recipients' case files. Refer to Table 27.23 for examples.

Table 27.23: Examples of Recipient Information not maintained at the Divisions

Division	District	Missing Information
Central	Nausori, Vunidawa, Korovou	<ul style="list-style-type: none"> No Quotations No Payment details Details of monitoring report from NCSMED not in file.
Southern Eastern	Suva, Navua	<ul style="list-style-type: none"> IGP Project Proposal not in file No Quotations

³⁵ Cabinet Decision No. 254 [SWD 9/1 CP (10) 206]

³⁶ Ministry of Social Welfare Finance Manual 2013, Part 2

³⁷ Welfare Graduation Program Procedures Section 5.3

Division	District	Missing Information
		<ul style="list-style-type: none"> No Payment details Monitoring report from NCSMED not in file.
Nasinu	Nasinu Office	<ul style="list-style-type: none"> IGP Project Proposal not in file No Quotations No Payment details Monitoring report from NCSMED not in file.
Northern	Labasa, Savusavu,	<ul style="list-style-type: none"> IGP Project Proposal not in file No Quotations No Payment details Monitoring report from NCSMED not in file.
North West	Rakiraki, Ba	<ul style="list-style-type: none"> IGP Project Proposal not in file No Quotations No Payment details Monitoring report from NCSMED not in file.

The recipient files were not updated in the divisions because the Welfare Officers in the divisions did not receive adequate training and awareness on the Welfare Graduation Program Standard Operating Procedures.

- An annual review is to be conducted on the management and administration of the fund, budget proposals for the following year and long term planning of the Welfare Graduation Program.³⁸

The Ministry did not conduct an annual review of the Welfare Graduation Program at all during the year 2014.

- A separate bank account should be maintained for the purpose of project funds provided under any particular program.

NCSMED did not maintain a separate bank account for the funds provided by the Ministry under the Welfare Graduation Program as the agreement between the Ministry and NCSMED did not state that NCSMED was required to use a separate bank account to manage Welfare Graduation Program funds.

The \$337,410 grant that was provided by the Ministry for the Welfare Graduation Program was deposited in the NCSMED's Operating account. The audit could not verify the actual expenditure on the project at the time of visit to NCSMED on 21/5/15.

- The Ministry will deploy the required funds from the Welfare Graduation Program budget provision to the NCSMED for the seed grant to implement, monitor and evaluate the income generating project for the recipients.³⁹

NCSMED did not fully utilise the funding provided by the Ministry for the year 2013 and 2014 under the Welfare Graduation Program. A total of 49 recipients were provided with the training however they were yet to be provided with the seed grant of \$1,600 each. Thus a total of \$78,400 was unutilised in the year 2013 and 2014. Refer to Table 27.24 for detail.

³⁸ Agreement between the Ministry and NCSMED, Clause 5

³⁹ Agreement between the Ministry and NCSMED, Clause 3

Table 27.24: Details of Unutilized Funds for the Years 2013 and 2014

Year	Number of Recipients yet to be Assisted	Amount Unutilised⁴⁰ (\$)
2013	20	32,000
2014	29	46,400
Total	49	78,400

- All payments made must be accurately charged to its correct ledger account.⁴¹

The Ministry used a total of \$16,000 from the Welfare Graduation Program allocation to make payments to the recipients of the Fire Victim Relief Program. The Ministry used the Welfare Graduation Program allocation due to savings in the Welfare Graduation Program.

The findings indicate that the Ministry did not adequately monitor the utilization of grant by NCSMED. Hence there is high risk of mismanagement of project funds.

Recommendations

The Ministry should ensure that:

- a dollar amount is stated in the contract with the number of recipients to be assisted in the contract;
- a mandatory training on the Welfare Graduation Program Standard Operating Procedures is provided to all Welfare officers so that recipients' case files are properly maintained for all the divisions;
- the Welfare Graduation Program Standard Operating Procedures include a record management template;
- a review of the Welfare Graduation Program is conducted annually;
- a clause is incorporated in the agreement with NCSMED for NCSMED to have a separate bank account to administer the Welfare Graduation Program funds;
- NCSMED submits a periodic (such as quarterly) report on the Welfare Graduation Program;
- the funds provided under the budget are used for the intended purpose only; and
- appropriate disciplinary action is taken against responsible officers for poor management of Welfare Graduation Program.

Ministry's Comments

No comments were provided.

⁴⁰ Number of recipients x \$1,600

⁴¹ Finance Instructions 2010, Section 14 (1)

27.27 Accountable Advance not Cleared on Time

A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents. If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel.⁴²

Where an advance has not been acquitted within seven days of travel, the Senior Accounts Officer shall effect recovery action through a salary deduction from the concerned officer's salary within six (6) fortnights.⁴³

The Ministry on 5/8/14 paid accountable advance of \$20,940 to Women Interest Assistant - Lomaiviti for funding Lomaiviti Women registered group in the National Women's Expo held from 6/8/14 to 8/8/14 at the Vodafone Arena in Suva.

The audit noted that the Women Interest Officer did not retire the advance within 7 days which was due on 15/8/14. However the Officer retired the advance 32 days later on 16/9/14 which was short by \$1,397.40.

The Ministry did not commence salary deductions from the Officer to recover the outstanding amount when she failed to retire the advance after due date.

The audit further noted that the Officer was terminated on 24/9/14 for misconduct which resulted in the loss of outstanding advance amounting to \$1,397.40.

The Ministry did not take any action to recover the outstanding advance of \$1,397.40 from the Officer. The findings indicate laxity of Senior Officers supervising retirement of advances. This has resulted in loss of public funds.

Recommendations

The Ministry should:

- **ensure that accountable advance is cleared within 7 days from the date the Officers return to their station from official tours; and**
- **surcharge the officer responsible for not commencing salary deductions for long outstanding advance.**

Ministry's Comments

No comments were provided.

⁴² Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013 Section 10.1.11 and 10.1.12

⁴³ Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013 Section 10.1.14

Appendix 27.1: Details of EFT's in the Unpresented Cheques Listing

EFT Number	Date	Payee	Amount (\$)
1185	31-Dec-13		270.42
4476	12-Jan-14	Silina Dyer	18.00
4470	12-Jan-14	Dilkusha Girls Home	40.00
4471	12-Jan-14	Ilivani Seruvatu	111.00
4474	12-Jan-14	Jone Vakatawase Gade	111.00
4475	12-Jan-14	Josefa Koroivueta	349.00
4468	12-Jan-14	Yatu Lau Company Ltd	480.00
4472	12-Jan-14	Fiji Electricity Authority	887.43
4477	12-Jan-14	Melaia Radrodoro Simp	6,968.33
4469	12-Jan-14	Vinod Patel & Company	23,717.81
3624	9-Feb-14	Velema Gasai	54.00
3623	9-Feb-14	Iliseva Biaukula	99.00
4482	12-Feb-14	Kristi Vandhna Kumar	300.00
4481	12-Feb-14	Kadar Buksh Limited	2,900.00
1596	13-Feb-14	Extreme Stationery	160.00
1601	13-Feb-14	Sisilia Vunibobo	190.00
1597	13-Feb-14	Jale Tauraga	300.00
1599	13-Feb-14	Professional Stationery	1,355.00
1608	14-Feb-14	01 Getrix Limited	263.45
1611	14-Feb-14	Vinod Patel & Company	492.00
1607	14-Feb-14	The Fiji Sun	780.00
1610	14-Feb-14	01 Suva Orchid Horti Ci	3,955.00
1655	18-Feb-14	New World Limited	40.25
1657	18-Feb-14	Unique Rubber Stamp	145.00
1654	18-Feb-14	Marine Drive Motors	231.15
1650	18-Feb-14	Capricorn Apartment	260.00
1656	18-Feb-14	T Premier Distributors	573.80
1652	18-Feb-14	01 Getrix Limited	702.39
1653	18-Feb-14	Janty Kanvan Limited	997.50
1658	18-Feb-14	Vinod Patel & Compan	1,154.00
1651	18-Feb-14	Carpenters Motors	2,200.01
1699	20-Feb-14	Post Fiji Limited	52.00
1697	20-Feb-14	Alipate Daini	117.00
1700	20-Feb-14	Telecom Fiji Ltd	1,566.94
1701	20-Feb-14	Treasure House Child	2,000.00
1698	20-Feb-14	Fiji Electricity Aut	8,790.19
4176	11-Mar-14	Komal Kavita Mani	9.00
4188	11-Mar-14	Ashika Lata	9.00
4189	11-Mar-14	Nafisha Begum Ali	9.00
4186	11-Mar-14	Rozina Safeen Begum	18.00
4185	11-Mar-14	Arieta Drodrolagi	27.00
4182	11-Mar-14	Susana Delailomaloma	40.15
4184	11-Mar-14	Alfreda Senirewa	54.00
1855	11-Mar-14	Sevanaia Watikini	57.00
1853	11-Mar-14	Unwired Fiji	69.93
4171	11-Mar-14	Ilivani Seruvatu	77.20
1847	11-Mar-14	Fiji Crippled Children	100.00

EFT Number	Date	Payee	Amount (\$)
4181	11-Mar-14	Leela Naicker	100.55
1851	11-Mar-14	Post Fiji Limited	103.09
4173	11-Mar-14	Doreen Maria Dakuna	116.00
4175	11-Mar-14	Krishna Kant	132.00
4187	11-Mar-14	Sailosi Tuicakau	193.00
4177	11-Mar-14	Manasa Vasu	306.00
4183	11-Mar-14	Nileshwari Bandana	333.00
1850	11-Mar-14	Office Products	361.80
4168	11-Mar-14	Fvttc For Persons Wi	400.00
1852	11-Mar-14	Telecom Fiji Ltd	1,413.54
1854	11-Mar-14	Vodafone	1,683.93
1848	11-Mar-14	Fiji Electricity Aut	5,598.41
4178	11-Mar-14	Post Fiji Limited	44,053.45
1849	11-Mar-14	Morris Hedstrom	98,520.00
1962	25-Mar-14	Water Authority Of Fiji	1,069.53
4533	12-Apr-14	Entertainment Pro Fi	3,851.00
4532	12-Apr-14	Abalone Limited T/A	5,740.00
4561	12-May-14	Salome Ketedromo	19.00
4572	12-May-14	Alena Waqasiwa	27.00
4573	12-May-14	John Robert Khan	50.00
4575	12-May-14	Avelina Raiwaleta	63.00
4570	12-May-14	Nanise Ratumaiyale	90.00
4551	12-May-14	Ricoh Business Centr	92.00
4578	12-May-14	Krishna Kant	132.00
4564	12-May-14	Senimili Moamoa Vuc	150.00
4554	12-May-14	Veera's Kitchen	160.00
4582	12-May-14	Melania Cakautini	162.00
4568	12-May-14	Rentokil Initial Ltd	177.25
4555	12-May-14	Vinod Patel & Company	229.25
4566	12-May-14	Manasa Vasu	270.00
4565	12-May-14	Le Pain De Mie	291.75
4547	12-May-14	The Friendly North I	555.00
4550	12-May-14	Office Mate Ltd	589.00
4549	12-May-14	Janty Kanvan Limited	694.83
4581	12-May-14	Raijieli Erasito	764.00
4548	12-May-14	Government Printing	5,237.50
4553	12-May-14	Trinetra Marketing L	7,475.00
4567	12-May-14	Post Fiji Limited	85,510.20
2795	6-Jun-14	Leba Mere	27.00
2785	6-Jun-14	Timaima Gavidi	63.00
2789	6-Jun-14	Vasemaca Uqeuqe	63.00
2784	6-Jun-14	Unwired Fiji	79.95
2786	6-Jun-14	Tomasi Basilio	84.00
2791	6-Jun-14	John Robert Khan	84.00
2793	6-Jun-14	Sevanaia Watikini	84.00
2796	6-Jun-14	E Emele Kalara Sovakal	84.00
2792	6-Jun-14	Naulumatua B R T	99.00
2790	6-Jun-14	Ateca Disewasewa	189.00
2794	6-Jun-14	Meli Tailau	189.00
2783	6-Jun-14	Sanaila Marau	198.00

EFT Number	Date	Payee	Amount (\$)
2788	6-Jun-14	Laisa Namela	1,803.05
4207	11-Jun-14	Office Products	19.00
4209	11-Jun-14	Sky Technologies	107.00
4204	11-Jun-14	Fresh'et International	174.50
4212	11-Jun-14	Vinod Patel & Company	242.10
4211	11-Jun-14	Suva Book Shop	326.10
4210	11-Jun-14	South Seas Music Com	400.00
4206	11-Jun-14	Janty Kanvan Limited	417.04
4208	11-Jun-14	Remington	908.50
4205	11-Jun-14	Government Printing	2,219.80
4230	11-Jul-14	John Robert Khan	50.00
4229	11-Jul-14	Unwired Fiji	102.30
4224	11-Jul-14	Manasa Vasu	108.00
4226	11-Jul-14	Rentokil Initial Ltd	143.24
4222	11-Jul-14	Kadar Buksh Limited	250.00
4223	11-Jul-14	Lautoka Sch 4 Special	1,640.00
4227	11-Jul-14	St Christopher's Home	3,800.00
4225	11-Jul-14	Post Fiji Limited	26,266.80
4586	12-Aug-14	Litia Waqanibaravi	57.00
4592	12-Sep-14	Nanise Mate	60.00
4599	12-Sep-14	Lautoka Hotel	195.00
4600	12-Sep-14	Ilano Voce	198.00
2717	15-Sep-14	Fiji Electricity Authority	224.84
2861	16-Sep-14	Filomena Veitube	30.00
2862	16-Sep-14	Keleni Marjorie Bola	30.00
2863	16-Sep-14	Nanise Mate	30.00
2864	16-Sep-14	Sinukula Leilena L.	30.00
4246	11-Oct-14	Telecom Fiji Ltd	220.46
4242	11-Oct-14	Fiji Electricity Authority	306.97
4245	11-Oct-14	Tanoa Rakiraki Hotel	440.00
4248	11-Oct-14	Veilomani Boys Home	1,700.00
4247	11-Oct-14	Treasure House Child	2,700.00
4244	11-Oct-14	St Christopher's Home	3,800.00
4243	11-Oct-14	Post Fiji Limited	41,753.40
4296	13-Oct-14	Office Products	98.40
4288	13-Oct-14	Connect	213.84
4295	13-Oct-14	J Santaram (Stores)	343.66
4300	13-Oct-14	Universal Office Sup	495.01
4299	13-Oct-14	Trinetra Marketing L	750.00
4294	13-Oct-14	Janty Kanvan Limited	1,208.49
4290	13-Oct-14	Dilkusha Girls Home	2,500.00
4298	13-Oct-14	Telecom Fiji Ltd	2,727.67
4301	13-Oct-14	Vodafone	3,120.02
4297	13-Oct-14	St Christopher's Home	3,800.00
4292	13-Oct-14	Fiji Electricity Authority	6,003.63
4291	13-Oct-14	Fiji Airways	6,594.00
4289	13-Oct-14	Daud Musa	13,200.00
4156	31-Oct-14	Fiji National Council	29.80
4157	31-Oct-14	Homes Of Hope	30.00
4164	31-Oct-14	Lautoka Hotel	160.00

EFT Number	Date	Payee	Amount (\$)
4154	31-Oct-14	Father Law Home	174.50
4162	31-Oct-14	Ani Lacanivalu	183.14
4159	31-Oct-14	Telecom Fiji Ltd	404.69
4158	31-Oct-14	Rentokil Initial Ltd	591.55
4155	31-Oct-14	Fiji Electricity Authority	1,591.06
4165	31-Oct-14	Fiji Revenue & Customs	2,781.10
4160	31-Oct-14	Vodafone	6,102.35
2216	4-Nov-14	Lomani Au Childrens	800.00
2217	4-Nov-14	Post Fiji Limited	85,382.65
4312	17-Nov-14	Maria Kaveni	5,879.00
4314	18-Nov-14	Ben Hira Mati	6.08
4321	18-Nov-14	Tuiaren Makin Taremon	17.82
4318	18-Nov-14	Nanise Tabua Wakaniv	30.00
4319	18-Nov-14	Neomai Tukania	30.00
4320	18-Nov-14	Nunia Buadromo	30.00
4322	18-Nov-14	Naomi Wati	30.00
4317	18-Nov-14	Nanise Mate	60.00
4335	18-Nov-14	Jotishma Mishra	420.00
4313	18-Nov-14	Arieta Moceica	1,451.93
4334	18-Nov-14	Madhwi Lata Chand	1,620.60
4332	18-Nov-14	Navneet Nitesh Kumar	6,704.00
4359	20-Nov-14	Redox Limited	70.00
4365	20-Nov-14	Leahlanghi Cakes & C	195.00
4358	20-Nov-14	Office Mate Ltd	250.00
4354	20-Nov-14	Kuver Motors	300.00
4350	20-Nov-14	Dulcinea Hotel Oasis	314.00
4349	20-Nov-14	Best Toner Supplies	574.00
4353	20-Nov-14	Janty Kanvan Limited	704.03
4364	20-Nov-14	Saleshni Naidu Lalji	758.54
4363	20-Nov-14	Vinod Patel & Company	861.90
4355	20-Nov-14	Lomani Au Childrens	900.00
4351	20-Nov-14	Fiji Airways	1,076.45
4360	20-Nov-14	St Mina Children Home	1,800.00
4361	20-Nov-14	Suva Book Shop	3,498.85
4362	20-Nov-14	Trinetra Marketing	38,490.00
4356	20-Nov-14	Morris Hedstrom	108,600.00
4369	21-Nov-14	Tokatoka Resort Hote	550.00
4400	26-Nov-14	Vamarasi Sai	9.00
4403	26-Nov-14	Alfreda Senirewa	9.00
4393	26-Nov-14	Ilimeleki Vasu	27.00
4398	26-Nov-14	Timaima Kadavu	27.00
4395	26-Nov-14	Salote Malo	37.00
4396	26-Nov-14	Fulori Sapela Qarau	54.00
4402	26-Nov-14	Priya Darshani Kumar	72.00
4394	26-Nov-14	Salome Ketedromo	84.00
4401	26-Nov-14	Umeshwar Ram	138.60
4399	26-Nov-14	Total (Fiji) Limited	10,878.53
4457	28-Nov-14	Shadrul Rahiman	10.00
4443	28-Nov-14	Jedi's Stationery	29.70
4461	28-Nov-14	Vasemaca Uqeuqe	60.00

EFT Number	Date	Payee	Amount (\$)
4449	28-Nov-14	Anshoo Mala Chandra	72.00
4464	28-Nov-14	Seini Lewatoga	88.00
4462	28-Nov-14	Lolohea W. Vularua	108.00
4452	28-Nov-14	Jone Rokovesa	120.00
4453	28-Nov-14	Manasa Draki	126.00
4445	28-Nov-14	Nivis Motors & Machi	274.75
4439	28-Nov-14	Courts (Fiji) Ltd	333.00
4446	28-Nov-14	Rotomould (Fiji) Ltd	775.00
4440	28-Nov-14	Fiji Airways	959.10
4442	28-Nov-14	Janty Kanvan Limited	1,160.05
4441	28-Nov-14	Fresh'et Internation	1,659.74
4444	28-Nov-14	Joes Farm Produce Ltd	1,991.27
4259	11-Dec-14	Alena Rokovei Ralulu	11.75
4250	11-Dec-14	Ben Hira Mati	30.00
4251	11-Dec-14	Kelera Navitio	30.00
4252	11-Dec-14	Losalini Tinaicego	30.00
4254	11-Dec-14	Nanise Tabua Wakaniv	30.00
4255	11-Dec-14	Neomai Tukania	30.00
4256	11-Dec-14	Nunia Buadromo	30.00
4258	11-Dec-14	Naomi Wati	30.00
4260	11-Dec-14	Litia Waqanibaravi	30.00
4261	11-Dec-14	Semisi Vunivola	47.79
4624	12-Dec-14	Jotishma Mishra	35.00
4625	12-Dec-14	Nitika Chand	35.00
4606	12-Dec-14	Ilimeleki Vasu	36.00
4607	12-Dec-14	Maira V. Susau	47.80
4626	12-Dec-14	Melania Cakautini	52.05
4623	12-Dec-14	Luisa Bainikoro	60.00
4609	12-Dec-14	Faroon Rasheed	69.60
4608	12-Dec-14	Timaleti Kalou	78.20
4622	12-Dec-14	Leela Naicker	83.00
4620	12-Dec-14	Josefa Koroivueta	90.75
4619	12-Dec-14	Velema Gasai	93.00
4617	12-Dec-14	Trinetra Marketing L	150.00
4611	12-Dec-14	Leahlanghi Cakes	175.00
4631	12-Dec-14	Mr.Fix Electrical Services	240.00
4627	12-Dec-14	Ani Lacanivalu	380.35
4633	12-Dec-14	Dilitiana Baleinabul	593.00
4632	12-Dec-14	Semi Bukarau	1,100.00
4618	12-Dec-14	Veilomani Boys Home	1,800.00
4616	12-Dec-14	Telecom Fiji Ltd	2,223.35
4630	12-Dec-14	Dilkusha Girls Home	2,500.00
4604	12-Dec-14	Cdp Services Ltd	3,800.00
4605	12-Dec-14	Dhan Raj Chuhans Ent	4,230.00
4610	12-Dec-14	Fiji Electricity Authority	10,411.73
4637	16-Dec-14	Losalini Tinaicego	17.82
4640	16-Dec-14	Neomai Tukania	17.82
4635	16-Dec-14	Ben Hira Mati	30.00
4636	16-Dec-14	Kelera Navitio	30.00
4639	16-Dec-14	Nanise Tabua Wakaniv	30.00

EFT Number	Date	Payee	Amount (\$)
4641	16-Dec-14	Nunia Buadromo	30.00
4642	16-Dec-14	Thomas Martin Singh	30.00
4643	16-Dec-14	Tuiren Makin Taremon	30.00
4644	16-Dec-14	Naomi Wati	30.00
4645	16-Dec-14	Litia Waqanibaravi	30.00
4638	16-Dec-14	Nanise Mate	60.00
4657	16-Dec-14	Rajneet Kumar T/A Fa	495.00
4661	16-Dec-14	Punjas Limited	499.99
4654	16-Dec-14	Trinetra Marketing	525.00
4660	16-Dec-14	Office Products	538.00
4650	16-Dec-14	Newworld Supermarket	592.25
4662	16-Dec-14	Shreedhar Motors Lim	697.68
4658	16-Dec-14	Fiji Airways	810.75
4655	16-Dec-14	Vinod Patel & Company	844.60
4648	16-Dec-14	Fiji Airways	1,000.50
4647	16-Dec-14	Dynamic Solutions Lt	1,045.57
4659	16-Dec-14	Fiji Bandag	1,088.40
4668	16-Dec-14	Arieta Tagivetaua	1,540.00
4653	16-Dec-14	Rjs Breakers (Fiji)	1,850.00
4649	16-Dec-14	Government Printing	1,876.00
4656	16-Dec-14	Jahangir Khan T/A Au	2,571.00
4651	16-Dec-14	Office Products	2,781.00
4667	16-Dec-14	Treasure House Child	2,800.00
4663	16-Dec-14	Daud Musa	14,250.00
4665	16-Dec-14	Morris Hedstrom	110,190.00
4683	19-Dec-14	Connect	30.00
4694	22-Dec-14	Jone Rokovesa	50.00
4695	22-Dec-14	Le Pain De Mie	283.50
4698	22-Dec-14	Vodafone	406.73
4699	22-Dec-14	Water Authority Of F	407.64
4693	22-Dec-14	Fiji National Univer	750.00
4700	22-Dec-14	Nitika Chand	992.30
4697	22-Dec-14	St Mina Children Hom	1,900.00
4696	22-Dec-14	Morris Hedstrom	341,100.00
4703	23-Dec-14	Ben Hira Mati	30.00
4705	23-Dec-14	Nanise Tabua Wakaniv	30.00
4706	23-Dec-14	Nunia Buadromo	30.00
4707	23-Dec-14	Thomas Martin Singh	30.00
4708	23-Dec-14	Tuiren Makin Taremon	30.00
4709	23-Dec-14	Naomi Wati	30.00
4704	23-Dec-14	Nanise Mate	60.00
4714	23-Dec-14	Sailosi Tuicakau	63.00
4711	23-Dec-14	The Fiji Sun	130.05
4712	23-Dec-14	Tokatoka Resort Hote	310.00
4710	23-Dec-14	Jahangir Khan T/A Au	1,115.01
4713	23-Dec-14	Jone Melekini	6,652.50
4717	24-Dec-14	Marie Itu	63.00
4723	24-Dec-14	Laisa Namela	63.00
4725	24-Dec-14	Raijeli Erasito	63.00
4733	24-Dec-14	Taruna Goundar	72.00

EFT Number	Date	Payee	Amount (\$)
4718	24-Dec-14	Judith Anne	81.00
4722	24-Dec-14	Saleshni Naidu Lalji	81.00
4736	24-Dec-14	Josevata Duanacoko	81.00
4732	24-Dec-14	Taina Roqaraniqio Wa	99.00
4724	24-Dec-14	Rozia Bi	108.00
4731	24-Dec-14	Peni Tarequci	108.00
4726	24-Dec-14	Akosita Likubiau	117.00
4727	24-Dec-14	Sovaia Qalokivuya	117.00
4734	24-Dec-14	Malakai Waqatabu	117.00
4719	24-Dec-14	Keleni Marjorie Bola	126.00
4735	24-Dec-14	Ashika Lata	126.00
4720	24-Dec-14	Le Pain De Mie	152.25
4721	24-Dec-14	Manasa Vasu	162.00
4729	24-Dec-14	Emele Kalara Sovakal	171.00
4728	24-Dec-14	Babita Devi Singh	189.00
4730	24-Dec-14	Melania Cakautini	264.75
4737	24-Dec-14	Aporosa Mataqila	1,000.00
4738	24-Dec-14	Igneacious Mow	1,000.00
4752	30-Dec-14	Water Authority Of Fiji	1.59
4750	30-Dec-14	Post Fiji Limited	13.96
4748	30-Dec-14	Connect	213.84
4751	30-Dec-14	Telecom Fiji Ltd	1,398.18
4749	30-Dec-14	Ems Courier	3,082.00
4764	31-Dec-14	Reijieli B Mawa	9.00
4769	31-Dec-14	Seini Lewatoga	28.00
4765	31-Dec-14	Ilivani Seruvatu	132.00
4763	31-Dec-14	Maira V. Susau	150.00
4768	31-Dec-14	Ateca Disewasewa	150.00
4757	31-Dec-14	Lautoka Sch 4 Specia	200.00
4766	31-Dec-14	Rurunga Tiaeke	228.00
4770	31-Dec-14	Babita Devi Singh	420.90
4755	31-Dec-14	Fiji Crippled Children	500.00
4758	31-Dec-14	Lomani Au Childrens	900.00
4767	31-Dec-14	Shiu Narain & Lesley	900.00
4756	31-Dec-14	Homes Of Hope	1,000.00
4771	31-Dec-14	Liza Foster	2,076.39
4760	31-Dec-14	St Christopher's Home	3,800.00
4754	31-Dec-14	Church Of Nazarene -	32,416.52
4759	31-Dec-14	Post Fiji Limited	68,035.64
Total EFT Payments			1,404,786.08

Appendix 27.2: Examples of Lack Of Supporting Documents In Case Files

Reference Number	Recipient Status	Monthly Allowance (\$)	Anomalies in Case Files
SUV/PBS/078/14	PBS Recipient	60	<ul style="list-style-type: none"> • Hard copy of the completed application not printed and kept in the file; • Bank account details not in the file; • Birth certificates for other members living with the recipient were not in the file; and • Details of recipient's relationship with other members living in the same house not in the file.
SUV/PBS/180/14	PBS Recipient	120	<ul style="list-style-type: none"> • Bank account details not in the file; • Details of recipient's relationship with other members living in the same house not in the file.
SUV/PBS/061/14	PBS Recipient	120	<ul style="list-style-type: none"> • Hard copy of the completed application not printed and kept in the file; • Bank account details not in the file; • Applicant's and other members' birth certificates not in the file; and • Details of applicant's relationship with other members living in the same house not in the file.
SUV/PBS/062/14	PBS Recipient	120	<ul style="list-style-type: none"> • Hard copy of the completed application not printed and kept in a case file; • Bank account details not in the file; • Applicant's and other members' birth certificates not in the file; • Details of applicant's relationship with other members living in the same house not in the file.
SUV/PBS/157/14	PBS Recipient	120	<ul style="list-style-type: none"> • Hard copy of the completed application not printed and kept in a case file; • Bank account details not in the file; • Total of 4 members receiving the allowance, however only 3 members' birth certificates in the file; and • Details of applicant's relationship with other members living in the same house not in the file.
100165	PBS Recipient	90	<ul style="list-style-type: none"> • Bank account details not in the file; and • Details of applicant's relationship with other members living in the same house not in the file.
SUV/PBS/233/15	PBS Recipient	120	<ul style="list-style-type: none"> • Hard copy of the completed application not printed and kept in file; • Bank account details not in the file; and • Details of applicant's relationship with other members living in the same house not in the file.
101_108936	Deceased PBS Recipient	60	<ul style="list-style-type: none"> • Death certificate not in file • Details of when the payments were ceased not in file.
101_109620	Deceased PBS Recipient	60	<ul style="list-style-type: none"> • Death certificate not in file; and

Reference Number	Recipient Status	Monthly Allowance (\$)	Anomalies in Case Files
			<ul style="list-style-type: none"> Details of when the payments were ceased not in file.
101_105641	Deceased PBS Recipient	60	<ul style="list-style-type: none"> Death certificate not in file; and Details of when the payments were ceased not in file.
101_3003594	Deceased PBS Recipient	60	<ul style="list-style-type: none"> Death certificate not in file; and Details of when the payments were ceased not in file.

Appendix 27.3: Details of Projects Undertaken

Division	Club	Project	Amount (\$)
Western	Vatukacevaceva Women's Group, Naroko, Saivou, Ra	Poultry project	4,794.15
Western	Vuevata Women's Group, Nadrau, Tavua	Poultry project	3,532.90
Western	Tuberanasolo Women's Group, Namulomulo, Nadi District	Poultry project	4,564.92
Western	Saru's Womens Group, Lautoka District	Poultry project	4,781.51
Western	Nasolo Womens Group, Nasolo, Ba District	Poultry project	3,108.73
Western	Rokovuaka Market Extension, Ra	Market stall	642.42
Western	Matawailevu Womens Group, Ra	Screen printing	287.53
Western	Veilomani Womens Group, Tavua	Bakery	166.80
Northern	Seniniu Womens Group, Waica Settlement, Taveuni	Poultry project	3,130.00
Northern	Naqaravatu Womens Group, Vuna, Tunuloa, Cakaudrove	VCO ⁴⁴ project	576.45
Northern	Kanacea Women's Group, Vuna, Taveuni	Bee keeping project	4,998.00
Northern	Lutukina Womens Group, Dreketi	Poultry project	5,938.65
Northern	Rauriko Women's Group, Dogotuki, Macuata	Bakery project	5,996.71
Northern	Waitabu Womens Group, Navunievu, Bua	Canteen project	3,822.97
Northern	Nagasauva Women's Group, Tawake, Cakaudrove	Canteen project	2,767.83
Northern	Manutabu Women's Group	Canteen project	2,467.83
Northern	Nabuouno Women's Group, Udu, Macuata	Canteen project	4,670.77
Northern	Raranibulubulu Wome's Group, Labasa, Macuata	Bakery project	5,996.71
Northern	Senindilo Wome's Group, Saqani, Cakaudrove	Bakery project	529.00
Northern	Vorovoro Wome's Group, Macuata	VCO project	4,739.41
Eastern	Tuatua Women's Group, Mudu, Koro Island, Lomaiviti	VCO project	1,003.59
Eastern	Sinuvaca Women's Group, Mudu, Koro Island, Lomaiviti	VCO project	1,003.59
Eastern	Tikina Sanima Women's Group	VCO project	5,952.80
Eastern	Seniua ni Nabaka Women's Group, Moala, Lau	Canteen project	2,089.00
Eastern	Senimaqo Women's Group, Naioti, Yale, Kadavu	Bee keeping project	4,842.30
Eastern	Yadav Women's Group, Sawaieke, Gau, Lomaiviti	VCO project	2,649.09
Eastern	Lamiti Women's Group, Vanuaso, Gau, Lomaiviti	Canteen project	2,649.09
Eastern	Mualevu Womens Group, Vanuabalavu	VCO project	1,304.60
Eastern	Nakeleyaga Women's Group, Kabara	Canteen project	2,230.20
Eastern	Lomanikoro Women's Group, Waciwaci, Lakeba	Canteen project	2,230.20
Eastern	Uciwai Womens Group, Lomati, Mayuku	Canteen building materials	2,000.00
Eastern	Tubou Womens Group, Lakeba	VCO Project	9,047.40
Eastern	Mabula Womens Group, Cicia	Fuel project	2,024.28
Eastern	Waitabu Womens Group, Lakeba	Fishing net	398.00
Eastern	Nacamaki Womens Group, Lomaiviti	VCO project	1,902.50
Eastern	Kabu ni Waikatakata Womens Club, Nawaikama, Sawaieke, Gau, Lomaiviti	Canteen project	2,209.74
Eastern	Wailevu CMF Women's Fellowship, Nacavanadi, Vanuaso, Gau, Lomaiviti	Canteen project	2,209.74
Eastern	Veituberi Womens Club, Lamiti, Vanuaso, Gau, Lomaiviti	Canteen project	2,209.74
Eastern	Keteira Women's Club, Keteira, Moala, Lau	Canteen project	2,225.58
Central	Banaban Women's Group, Pratt Street, Suva	Sewing/handicraft	4,205.48
Central	Dakuibeqa Women's Group, Sawau, Rewa	Screen printing	1,650.00
Central	Dreketi Women's Group, Nagonenicolu, Naitasiri	Canteen project	2,970.37
Central	Savu Women's Group, Vugalei, Tailevu	Poultry project	4,105.43
Central	Lakshmi Women's Group, Naitata Community, Navua	Shed hire project	2,137.84
Central	Namuumua Women's Club, Wainikoroivula, Namosi	Poultry project	1,705.75
Central	Nakavika Women's Group, Wainikoroiluvu, Namosi	Poultry project	1,705.75
Central	Narukunibua Women's Group, Namosi	Poultry project	1,705.75
Central	IGP Hands & Feet Women's Group (Makoi)	Poultry project	3,556.75
Total			141,437.85

⁴⁴ VCO – virgin coconut oil

Section 28**Ministry of Youth and Sports****Role and Responsibilities**

The Ministry of Youth and Sports is responsible for:

- The formulation and implementation of policies and programs aimed at enabling youths to meet challenges of their generation and create a better future through informed choices; and
- The promotion and development of sports and its infrastructure both in the urban and rural areas in recognition of the important role of Sports in nation building, and to create a vibrant and highly competitive sports industry which will be economically beneficial to Fiji.

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PART A: FINANCIAL STATEMENT**28.1 Audit Opinion**

The audit of the 2014 accounts of the Ministry of Youth and Sports resulted in the issue of an unqualified audit report.

28.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$75,731 and incurred a total expenditure of \$8,996,691 in 2014. Details are provided in Table 28.1.

Table 28.1: Statement of Receipts and Expenditures for 2014

Description	2014 (\$)	2013 (\$)
RECEIPTS		
State Revenue		
Commission	1,710	755
Recovery of OPR in Previous Years	1,097	---

Description	2014 (\$)	2013 (\$)
Total State Revenue	2,807	755
Agency Revenue		
Sales of School Farm Produce Surplus	56,781	51,159
Miscellaneous Revenue	16,143	2,243
Total Agency Revenue	72,924	53,402
TOTAL RECEIPTS	75,731	54,157
EXPENDITURE		
Operating Expenditure		
Established Staff	1,548,190	1,326,774
Unestablished Staff	200,783	179,416
Travel & Communications	147,413	102,449
Maintenance & Operations	189,007	176,716
Purchase of Goods & Services	827,216	561,719
Operating Grants & Transfers	1,960,654	1,384,844
Special Expenditure	2,776,561	982,265
Total Operating Expenditure	7,649,824	4,714,183
Capital Expenditure		
Grants & Operations	833,584	446,769
Total Capital Expenditure	833,584	446,769
Value Added Tax	513,283	223,442
TOTAL EXPENDITURE	8,996,691	5,384,394

The total revenue increased by \$21,574 or 39.8% in 2014 compared to 2013 as a result of increase in Commission, recovery of OPR in previous years, sales of school farm produce surplus and miscellaneous revenue.

The total expenditure increased by \$3,612,297 or 67.1% in 2014 compared to 2013. The increase was mainly due to increase in operating grant provided to Fiji National Sports Commission and increase in special expenditure.

28.3 Appropriation Statement

The Ministry incurred expenditures totalling \$8,996,691 in 2014 against the budget of \$10,343,740 resulting in a saving of \$1,347,049 or 13%. Details of expenditures against the budget estimates are provided in Table 28.2.

Table 28.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Carry- Over (\$)	Lapsed Appropriation (\$) (a-b)
1	Established Staff	1,637,126	(70,000)	1,567,126	1,548,190	---	18,936
2	Government Wage Earners	187,790	30,000	217,790	200,783	---	17,007
3	Travel & Communication	160,350	10,000	170,350	147,413	---	22,937
4	Maintenance & Operations	194,150	25,000	219,150	189,007	---	30,143
5	Purchase of Goods & Services	908,900	5,000	913,900	827,216	---	86,684
6	Operating Grants & Transfers	2,100,000	---	2,100,000	1,960,654	---	139,346
7	Special Expenditure	3,569,216	---	3,569,216	2,776,561	---	792,655

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Carry-Over (\$)	Lapsed Appropriation (\$) (a-b)
	Total Operating Costs	8,757,532	---	8,757,532	7,649,824	---	1,107,708
	Capital						
8	Construction	---	---	---	---	---	---
9	Purchases	---	---	---	---	---	---
10	Grants & Transfers	965,000	---	965,000	833,584	---	131,416
	TOTAL CAPITAL	965,000	---	965,000	833,584	---	131,416
13	Value Added Tax	621,208	---	621,208	513,283	---	107,925
	TOTAL EXPENDITURE	10,343,740	---	10,343,740	8,996,691	---	1,347,049

28.4 Statement of Losses

Loss of Money

There was no loss of money recorded for the year ended 31 December 2014.

Loss (other than money)

There was no loss of fixed asset recorded for the year 2014. However, items worth \$27,819.95 were written off, following the Ministry's Board of Survey conducted for the year ending 31 December 2014.

PART B: AUDIT FINDINGS

28.5 Refurbishment of Youth Training Centre

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.¹

The Ministry of Youth and Sports awarded the contract for the refurbishment of the Youth Training Centre Band Hall Block to the Ministry of Infrastructure and Transport for \$100,000 VIP.

Review of the project files and the contract documents revealed the following anomalies:

- Under the contractual agreement, the Director Building and Government Architect (Agency within the MWTPU) is responsible for conducting fortnightly site meetings to provide an update on the construction of the project to the parties and other stakeholders and it shall be compulsory for all parties to attend the meeting.

However there was no site meeting held with the Director Building and Government Architect on the project site for maintenance works carried out at Youth Training Centre Band Hall Block.

¹ Ministry of Youth & Sports Finance Manual - 2013

- The refurbishment work commenced on the 21/10/14 and was expected to be completed by 30/12/14.

However the refurbishment works were incomplete as at the date of audit on 28/05/15. The Contractor was still to complete the sound proof partitioning, the electrical works, installation of air condition units and the cabinets and lockers which was built as per the scope of work. The completion of the project was delayed by 5 months.

The Ministry of Youth and Sports appointed a Temporary Relieving Youth Officer, (EDP number 94936) who did not have any technical expertise and project management skills to monitor the project. In addition no progress reports were produced by the Officer.

- The audit could not substantiate the utilization of the funds allocated for the refurbishment of Youth Training Centre as the Director Building and Government Architect failed to submit the acquittals.

The findings show that the Ministry does not have adequate project management and supervision skills. In the absence of proper project management and supervision, there is a high risk that the project may not be completed on time and within the budget estimate.

Recommendations

The Permanent Secretary should:

- **ensure that site meeting with the Contractors are conducted for all the capital projects undertaken by the Ministry;**
- **ensure that the Contractor completes the works as required in the scope of work and within the agreed timeframe;**
- **ensure an experience Officer is assigned to monitor and supervise the project; and**
- **consider providing adequate project management and supervision training to the Officers responsible for project management.**

Ministry's Comments²

We acknowledge the issues raised. We will ensure that future Agreements have a retention clause and that a retention sum is deducted from the payment sum should the Agreement be not honoured. We will also ensure that we strengthen our Monitoring activities particularly at the completion of each phase as stipulated in the scope of works. We admit that this was an area that we lacked in and needs to be strengthened in our future Capital works.

28.6 Tender Not Called for Contracts Exceeding \$50,000

A tender must be called for the procurement of goods, services or works valued at \$50,001 and more.³

As part of the youth training program, the Ministry of Youth and Sports carried out upgrading works of the training facilities at Naleba Training Centre.

² The management comments have been summarized for presentation purpose.

³ Finance Circular 2012, Circular No : 9/2012

The audit noted that the Ministry engaged contractors to carry out renovation and extension works at Naleba Training Centre without calling for tenders even though the total contract amount exceeded \$50,000 for each of the contractors. Refer to Table 28.3 for details.

Table 28.3: Details of Work Carried out by the Contractors

Works Carried Out	Amount (\$)
Contractor 1	
Construction of 2 Staff Quarters Naleba	50,000
Extension of Current Classroom	16,000
Total Paid	66,000
Contractor 2	
Renovation and Extension of Current Dormitory into Administration Block	40,000
Extension of Current Kitchen Block	28,244
Total Paid	68,244

The finding shows that the Ministry did not follow the proper procurement process when awarding the contracts for the renovation and extension works. Hence the contractors engaged by the Ministry may not be the best and most economical supplier.

Recommendations

The Ministry should:

- **investigate the matter and take appropriate disciplinary action against the Officers responsible for awarding the contract without calling for tenders; and**
- **ensure that tenders are called for all purchase of goods and services costing more than \$50,000.**

Ministry's Comments

The Ministry has taken note of the recommendations highlighted. The Ministry admitted tender was not called for the upgrading projects at Naleba. However, due to the limited timeframe and the fact that expenditure utilisation of 60% was targeted by June, 2014 our Northern Division Officers managed to obtain quotations from Contractors within Labasa for each project. Due to its geographical location and within a 25 km distance from Labasa Town, most companies were not willing to provide quotations.

Both the Contractors were recommended by other Ministries through consultations. Submissions were made to the Ministry of Finance seeking derequisitioning of funds with the endorsement of the Permanent Secretary as the cost of each project was less than \$50,000 with an agreement signed detailing the scope of works to be carried out.

