



EXCELLENCE IN PUBLIC SECTOR AUDITING

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

Volume 4

Audit Report on the Economic & Infrastructure Sector





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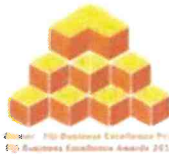


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File: 102

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**



CONTENTS

Volume 1: Audit Report on the Whole of Government Financial Statements and Annual Appropriation Statement

Part 1: Whole of Government Financial Statements and Annual Appropriation Statement for the Republic of Fiji for the Year Ended 31 December 2014

Part 2: Report of the Whole of Government Financial Statements and Annual Appropriation Statement

Volume 2: Audit Report on the General Administration Sector

1. Office of the President
2. Office of the Prime Minister and Public Service Commission
3. Office of the Attorney General and the Solicitor General
4. Ministry of Finance
5. Ministry of i-Taukei Affairs
6. Ministry of Defence, National Security and Immigration
7. Ministry of Labour, Industrial Relations and Employment
8. Ministry of Foreign Affairs, International Co-operation and Civil Aviation
9. Elections Office
10. Judiciary
11. Parliament
12. Accountability, Transparency, Human Rights & Anti-Discrimination Commissions
13. Office of the Director of Public Prosecutions
14. Ministry of Justice, Anti-Corruption & Communications
15. Fiji Corrections Services
16. Information Technology and Computing Services
17. Ministry of Information
18. Ministry of Strategic Planning, National Development and Statistics
19. Ministry of Rural and Maritime Development and National Disaster Management
20. Fiji Military Forces
21. Fiji Police Force
22. Peacekeeping Missions

Volume 3: Audit Report on the Social Services Sector

23. Ministry of Education, National Heritage, Culture and Arts, and Higher Education Institution
24. Ministry of Health.
25. Department of Housing
26. Ministry of Local Government, Urban Development and Environment
27. Ministry of Social Welfare, Women and Poverty Alleviation
28. Ministry of Youth and Sports

Volume 4:

29. Ministry of Agriculture
30. Ministry of Fisheries and Forest
31. Ministry of Lands and Mineral Resources
32. Ministry of Industry and Trade
33. Ministry of Sugar
34. Ministry of Public Enterprise and Tourism
35. Ministry of Works and Transport
36. Ministry of Public Utilities and Energy
37. Government Shipping Services
38. Fiji Roads Authority

VOLUME 4

- 29. Ministry of Agriculture
- 30. Ministry of Fisheries and Forest
- 31. Ministry of Lands and Mineral Resources
- 32. Ministry of Industry and Trade
- 33. Ministry of Sugar
- 34. Ministry of Public Enterprise and Tourism
- 35. Ministry of Works and Transport
- 36. Ministry of Public Utilities and Energy
- 37. Government Shipping Services
- 38. Fiji Roads Authority

Section 29

Ministry of Agriculture

Role and Responsibility

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

Table of Contents

PART A:	FINANCIAL STATEMENT	1
29.1	Audit Opinion	1
29.2	Statement of Receipts and Expenditure	2
29.3	Appropriation Statement	3
29.4	Trading and Manufacturing Account	4
29.5	Trust Fund Accounts	5
PART B:	AUDIT FINDINGS	5
29.6	Dredging of Rivers	5
29.7	Land Resettlement Estates	8
29.8	Dairy Farm Inspections	11
29.9	Unutilised Agro inputs at the Lakena Stations	12
29.10	Expired Drugs at the Veterinary Drugs Store	14
RECURRING	AUDIT FINDINGS	15
29.11	Trading and Manufacturing Accounts	15
29.11.1	Anomalies noted in the Trading and Manufacturing Account	16
29.11.2	Discrepancies in TMA Cash at Bank Reconciliation	18
29.12	LWRM Trust Fund Account	20
29.13	Management of Fixed Assets	21
29.14	Variance in Drawings Account Balance – Operating Account	23
29.15	TMA Warehouse – Commercial Undertaking Livestock	24
29.16	Motor Vehicle Accidents	28
29.17	Leave Management	29
29.18	Non-submission of Acquittal Reports and Audited Accounts	30
29.19	Missing Payment Vouchers	32
Appendix 29.1:	Details of Motor Vehicle Accident Cases	33

PART A: FINANCIAL STATEMENT

29.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Agriculture resulted in the issue of a qualified audit report. The qualifications were as follows:

- Included in the Trading and Manufacturing Account (TMA) Balance Sheet is TMA Surplus Capital Retained of \$2.26 million and TMA Surplus transferred to Consolidated Fund of \$220,629. The Ministry was not able to provide appropriate audit evidence to support the balances. As a result, the audit was not able to ascertain the accuracy and completeness of the Trading and Manufacturing Account as at 31 December 2014.

- There was an un-reconciled variance amounting to \$238,582 between the FMIS general ledger and TMA bank reconciliation statement. Accordingly, the audit was unable to ascertain the accuracy and completeness of the TMA Cash at bank of \$1.03 million as shown in the TMA Balance Sheet as at 31 December 2014.
- Included in the TMA Trading Account was Closing Stock of Finished Goods of \$1.01 million. The audit did not express an opinion on the accuracy and completeness of Closing Stock of Finished Goods as the Ministry did not carry out an independent stock take for the year ended 31 December 2014.
- The Ministry was not able to provide appropriate audit evidence to reconcile and ascertain the accuracy and completeness of the Trust Fund Cash at bank –Retention Fund (LWRM) balance of \$877,651 and Trust Fund –Retention Fund balance of \$269,813 as shown in the FMIS general ledger with the Trust Fund balance \$390,248 reflected in the Trust Account Statement as at 31 December 2014. As a result, audit was not able to ascertain the accuracy and completeness of the Trust Account Statement of Receipts and payment (LWRM) for the year ended 31 December 2014.
- The Ministry did not carry out a Board of Survey for 2014. In the absence of a Board of Survey Report, the losses of fixed assets, if any, that occurred during the year could not be substantiated. As a result, audit was not able to ascertain the accuracy and completeness of the Statement of Losses for the year ended 31 December 2014.

29.2 Statement of Receipts and Expenditure

The Ministry of Agriculture collected revenue totalling \$617,408 and incurred total expenditure of \$57.07 million in 2014. Details are shown in Table 29.1 below.

Table 29.1: Statement of Receipts and Expenditure

Description	2014 (\$)	2013 (\$)
Agricultural produce & inspection fees	2,345	1,695
Registration	4,845	3,260
License	60,427	60,558
Water Charges	4,380	9,789
Rental	80,495	62,494
Revenue from rest house	6,736	8,682
Commission	13,790	7,342
Meat Inspection	20,484	20,256
Veterinary & Animal Quarantine	32,470	20,525
Sale of produce	97,665	74,557
Miscellaneous revenue	293,771	279,096
TOTAL REVENUE	617,408	548,254
Established staff	13,143,921	10,352,996
Government wage earners	6,001,018	5,218,794
Travel & communication	813,229	984,850
Maintenance & operations	2,291,822	2,170,291
Purchase of goods & services	1,078,682	738,443
Operating grants & transfers	3,680,398	1,736,027

Description	2014 (\$)	2013 (\$)
Special expenditures	1,252,880	1,402,921
Total Operating Expenditures	28,261,950	22,604,322
Capital construction	17,707,996	15,748,599
Capital purchases	325,847	473,113
Capital grants & transfers	7,295,128	3,007,303
Total Capital Expenditures	25,328,971	19,229,015
Value added tax	3,480,184	3,150,275
TOTAL EXPENDITURES	57,071,105	44,983,612

The increase in total expenditure by \$12.08 million or 27% in 2014 compared to the previous year resulted mainly from the following:

- Increase in wages and salaries by \$3.57 million or 23% was attributed to pay rise approved for civil servants for 2014, payments of overtime for the implementation of the capital projects and promotions and new recruitments made during the year.
- Operating and capital grants significantly increase from \$4.74 million in 2013 to \$10.97 million in 2014. This was largely due to the increase in grants for the Biosecurity Authority of Fiji and new grants given to the Navuso Agricultural School and the Agricultural Marketing Authority.
- Capital construction increased by \$1.9 million or 12% in 2014 mainly due to increase in expenditures for the on-going capital programs. Capital programs undertaken during the year were mainly related to the Crop Extension Services, Livestock Extension Services, Research, Irrigation Improvement and Land, Drainage and Flood Protection.

29.3 Appropriation Statement

The Ministry incurred expenditures totalling \$57.07 million against the revised budget of \$62.36 million resulting in savings of over \$5.29 million. Details of expenditures against the budget estimates are provided in Table 29.2 below.

Table 29.2: Appropriation Statement

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	13,875,839	(527,860)	13,347,979	13,143,921	204,058
2	Government wage earner	6,294,078	5,000	6,299,078	6,001,018	298,060
3	Travel and communications	813,502	72,100	885,602	813,229	72,373
4	Maintenance & operations	2,128,141	200,100	2,328,241	2,291,822	36,419
5	Purchase of goods & services	1,199,300	250,660	1,449,960	1,078,682	371,278
6	Operating grants & transfers	3,906,000	---	3,906,000	3,680,398	225,602
7	Special expenditures	1,676,561	---	1,676,561	1,252,880	423,681
	Total Operating Expenditure	29,893,421	---	29,893,421	28,261,950	1,631,471
8	Capital construction	20,137,000	---	20,317,000	17,707,996	2,609,004
9	Capital purchases	400,000	---	400,000	325,847	74,153
10	Capital grants & transfers	7,814,500	---	7,814,500	7,295,128	519,372
	Total Capital Expenditure	28,531,500	---	28,531,500	25,328,971	3,202,529

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
13	Value added tax	3,943,405	---	3,943,405	3,480,184	463,221
	TOTAL EXPENDITURE	62,368,326	---	62,368,326	57,071,105	5,297,221

29.4 Trading and Manufacturing Account

Table 29.3: Manufacturing Account

Details	2014 (\$)	2013 (\$)
Opening raw material	---	---
Add: Purchases	1,122,045	843,816
	1,122,045	843,816
Less: Closing raw material	---	---
Raw material used	1,122,045	843,816
Add: Direct labour	15,071	15,120
Cost of manufacturing goods transferred to trading account	1,137,116	858,936

Table 29.4: Trading Account

Details	2014 (\$)	2013 (\$)
Sales	1,295,692	1,122,508
Opening stock of finished goods	1,058,578	1,128,750
Add: Cost of manufactured goods	1,137,116	858,936
	2,195,694	1,987,686
Less: Closing stock of finished goods	1,014,577	1,058,578
Cost of finished goods sold	1,181,117	929,108
Gross profit	114,575	193,400

Table 29.5: Profit & Loss Statement

Details	2014 (\$)	2013 (\$)
Income		
Gross Profit transferred from Trading Account	114,575	193,400
Total Income	114,575	193,400
Expenses		
Travelling & communication expenses	39,495	14,284
Maintenance & operation	339,284	179,911
Other expenses	153,846	865
Total Expense	532,625	195,060
Net Loss	(418,050)	(1,660)

Table 29.6: Balance Sheet

Details	2014 (\$)	2013 (\$)
Equity		
TMA Surplus Capital Retained	2,263,536	2,263,536

Details	2014 (\$)	2013 (\$)
Net Loss for the year	(418,985)	---
TMA Surplus transferred to Consolidated Fund	220,629	---
TMA Accumulated Surplus/ (Deficit)	---	(422,471)
Total Equity	2,065,180	1,841,065
Assets		
Cash	1,031,806	782,487
Accounts receivable	18,797	---
Finished goods	1,014,577	1,058,578
Total Assets	2,065,180	1,841,065
Liability		
Payable	---	---
Total Liabilities	---	---
Net Assets	2,065,180	1,841,065

29.5 Trust Fund Accounts

Table 29.7: Land Water Resource Management and Land Resource Planning & Development

Details	2014 (\$)	2013 (\$)
Retention money	656,559	---
Total Receipts	656,559	---
Retention money	589,809	6,445
Total Payments	589,809	6,445
Surplus/(Deficit)	66,750	(6,445)
Opening balance at 1 January	323,498	329,943
Closing balance as at 31 December	390,248	323,498

PART B: AUDIT FINDINGS

29.6 Dredging of Rivers

From 2010 to 2014, major dredging works, which cost over \$29.7 million, were carried out in four major rivers including Rewa, Navua, Nadi and Ba. The dredging of the rivers was to reduce damages caused through flooding.

Refer to Table 29.8 for cost details.

Table 29.8: Details of Costs

River	Contractor	Actual Cost (\$)	Unit Rate Per Cubic Meter (VIP) (\$)	Approved Amount (\$)
Rewa – Phase 1 (2010)	Company A	7,167,140.45	5.12	Initial approved amount \$8,952,788.89. Revised rate at \$7.34/cubic meter VEP with effect from 01/06/11.
Rewa – Phase 2 (2011)		3,014,987.71	8.26	
Navua – Phase 1 (2012)		4,599,987.95	9.37	4,963,647
Ba – Phase 1 (2012)		3,280,374.44	9.78	3,280,375
Ba – Phase 2 (2013)		3,637,746.72	9.78/12.86	The rate of \$8.50 VEP was charged for the first 218,259 cubic meters and rate of \$11.18 VEP was charged for 117,000 cubic meters.
Ba – Phase 3 (2014)		4,048,000	12.65	
Total		25,748,237.27		
Nadi – Phase 1 (2012)	Company B	3,999,704.04	9.34	3,999,700

Tender was called for the dredging of the Rewa river in 2010, however, later waived including tenders for the subsequent dredging works for the Navua, Ba and Nadi rivers based on the following factors: - directive from the Office of the Prime Minister on the urgency to reduce the impact of flooding; readily available of dredging company in the country/locality and the satisfactory performance from previous dredging works.

The dredging of the Rewa, Navua and Ba rivers were assigned to *Company A* in which the company was paid a total of \$25.7 million from 2010 to 2014. The audit noted that the unit cost of the dredging per cubic meter charged by *Company A* increased gradually for each dredging assignment. The initial rate charged was \$5.12 VIP for the Rewa River Phase 1 (2010) and increased by 147% to \$12.65 for the Ba River Phase 3 in 2014.

The audit noted that the Ministry was provided legal advice in 2011 which indicated that State is the rightful owner of dredged sand material and that the sale and use of sand material for commercial and development purposes can be determined by the Minister of Lands or the Director of Lands.

Sediments (sands) excavated from the dredging works have been stored at available land at the river banks as demonstrated below:



Figure 29.1: Sediments (sand) at the river banks

The audit could not confirm, as there was no evidence to indicate this, whether the Ministry together with other relevant government agencies have explored or developed any structured approach on the sale and/or utilisation of sand excavated from the dredging of the rivers.

From information gathered and sited during the audit and by using the special rate of \$4.00 per cubic meter approved by Cabinet in 1997, the audit determined that substantial revenue could be derived from the excavated sand if managed appropriately. The market rate may be substantially higher than \$4.00 per cubic meter used in the calculation below.

Refer to Table 29.9 for details.

Table 29.9: Details of sediments (sand) extracted and value

River	Phases	Volume(m ³)	Sand Rate (m ³) (Without Cartage) ¹ (\$)	Estimated Revenue (\$)
Ba	1	286,265	4.00	1,145,060
	2	335,259	4.00	1,341,036
	3	320,000	4.00	1,280,000
Navua	1	503,049	4.00	2,012,196
	2	424,040	4.00	1,696,160
Rewa	1	1,370,687	4.00	5,482,748
	2	344,360	4.00	1,377,440
Nadi	1	373,000	4.00	1,492,000
	2	360,000	4.00	1,440,000
	3	450,000	4.00	1,800,000
	4	428,500	4.00	1,714,000
Total		5,195,160	4.00	20,780,640

Potential government revenue may be lost in the absence of a clear and structured approach to the management and utilisation of sand excavated from the dredging of the rivers.

Recommendations

- **If the tender process has been waived according to the Procurement Regulations, it is strongly recommended that the Ministry closely monitor the cost of dredging works. Any increase in unit rate per cubic meter should be properly documented, justified and approved before the commencement of dredging works.**
- **There is a need for proper and structured approach to proper management and utilization of sediments excavated from the dredging of the rivers.**

Ministry's Comment

- *Dredging of the rivers is undertaken by cutter suction dredgers. The major factor that influences the unit cost per cubic meter is the soil characteristics which comprises mainly of silt, sand and gravel. The finer the material the lower its density, the greater the proportion of sand and gravel the more it will cost to move due to its density.*

Prior to the dredging work soil samples are taken and tested at soil laboratories. This is provided to the company to access the nature of the material to be dredged and formulate the unit cost per cubic meter.

An example is the Ba River Dredging works which documents the assessment for the unit cost increase by China Railway First Group due to increase in the gravel fraction of the material. The rate provided was \$11.18 VEP compared to the Divisions calculated price of \$11.23 VEP.

¹ Cabinet Decision dated 08/04/97 CP (97)32

The recommendation of the audit to closely monitor the cost of dredging works, and any increase in the unit rate to be properly documented and justified is noted.

- *The audit comment for a proper and structured approach for the management sediments is supported. The material comes under the responsibility of the Ministry of Lands once it is stored on land sites. The Ministry of Agriculture has no legal rights for its commercial sale. Better coordination is required with both ministries to maximize the potential revenue from the sand material.*

The storage of the sand material on the land is obtained through consent agreements with the land owner, tenants and leases. Where there are requests to use the sand material for community and rural development works, this is supported in line with the Rural Development Framework Policy.

29.7 Land Resettlement Estates

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.²

Cabinet on the 7th of April 1998 established the ALTA Land Development and Resettlement Unit as a special project within the Ministry to initiate the acquisition of properties, subdividing the same and issuing allotments to ex-ALTA tenants.

The Ministry identified the following lands for the resettlement of ex-ALTA leased farmers. Refer to Table 29.10 for details.

Table 29.10 Resettlement Land for Ex-ALTA Leased Farmers

Division	Land Re-settlement
Central	Raiwaqa I & II
Western	Navovo
Northern	Navudi I, II & III and Vunicibicibi

Land at the Raiwaqa Stages I & II in Navua have successfully been resettled. An audit follow-up was carried out on the resettlement progress in the Western and Northern Divisions as detailed below.

Navovo Resettlement

The Navovo Estate (Native Lease) was obtained for 55 years with effect from 01/01/99. The first development 5 year lease was issued in 1999 after the Ministry paid \$465,761 as premium. The Navovo Estate Property has 51 fully developed surveyed subdivision lots totalling 431 hectares.

Another development lease agreement was signed between Government and the then NLTB on 15/07/05 and it expired on 31/12/08. The Ministry re-negotiated a 10 year development lease with effect from 01/01/10.

During this period, the following improvements were made: - grade 4 government quarters, bore-hole catchment, 4 large installed water tank sites, water reticulation pipe lines and electricity power poles.

² Ministry of Agriculture - Finance Manual 2011 - Part 2: Expenditure

The audit noted the following:

- Detailed supporting documents for the development costs of \$2.3 million incurred by the Ministry were not available or maintained in the files provided for audit review. Refer to Table 29.11 for detail:

Table 29.11: Cost of Land Purchase and Infrastructure Development

Property	Land Purchase (\$)	Total Survey and Development Costs (\$)	Total Costs (\$)
Navovo	465,761	1,866,975	2,332,736

- The Ministry deposited a \$150,000 (\$10,000 per farmer) grant with the Fiji Development Bank (FDB) for the 15 farmers initially identified to be resettled at Navovo. The grant was to serve as a deposit to facilitate further loans to the farmers to build houses and develop the allocated farm land. According to confirmations received from the FDB on 19/03/15, a sum of \$70,000 was unutilised and still maintained in the FDB suspense account. Refer to Table 29.12 for details:

Table 29.12: Unutilized Funds Retained In FDB Suspense Account

Name	Grant Approved (\$)	Grant Utilised (\$)	Comment
Farmer 1	10,000	10,000	Sold to another individual under the FDB mortgage sale. Unutilised.
Farmer 2	10,000	10,000	Sold to another individual under the FDB mortgage sale. In process of developing the allocated lot.
Farmer 3	10,000	10,000	Sold to another individual under the FDB mortgage sale.
Farmer 4	10,000	10,000	-
Farmer 5	10,000	10,000	-
Farmer 6	10,000	10,000	Utilising the lot for cash crop farming (subsistence level).
Farmer 7	10,000	10,000	Utilising the lot for cash crop farming (subsistence level).
Farmer 8	10,000	10,000	Utilising the lot for cash crop farming (subsistence level).
Farmer 9	10,000	---	Grant kept in the FDB suspense account.
Farmer 10	10,000	---	Grant kept in the FDB suspense account.
Farmer 11	10,000	---	Grant kept in the FDB suspense account.
Farmer 12	10,000	---	Grant kept in the FDB suspense account.
Farmer 13	10,000	---	Grant kept in the FDB suspense account.
Farmer 14	10,000	---	Grant kept in the FDB suspense account.
Farmer 15	10,000	---	Grant kept in the FDB suspense account.
Total	150,000	80,000	

- Although Navovo has 51 fully developed lots, only 4 farmers have utilised their allocated lots. As at April 2014, the Ministry has incurred \$109,474 as administrative fees and lease rental to I Taukei Affairs Board. The audit could not confirm whether the Ministry has taken actions to identify other potential farmers to be resettled at the proposed site.

Navudi Estates

Navudi estate is located in the Seaqaqa area with a total land area of 435.4 hectares divided in 60 farm lots. Stage 1 has 18 lots fully surveyed and registered, while stages 2 and 3 have 42 lots on scheme plan.

Detailed supporting documents for the development costs of \$3.2 million incurred by the Ministry were not available or maintained in the files provided for audit review. Refer to Table 29.13 for details.

Table 29.13: Acquisition and Infrastructure Development Cost

Property	Land Purchase (\$)	Total Survey and Development Costs (\$)	Total Costs (\$)
Navudi I	550,000	549,981	1,099,981
Navudi II and III	1,145,801	993,580	2,139,381
Total	1,695,801	1,543,561	3,239,362

As at 31/12/14, only one farmer was occupying an allocated lot at the Navudi I estate.

Vunicibicibi Estate

Vunicibicibi estate located beside the main Labasa/ Nabouwalu highway, has a total land area of 233 hectares with 32 farm lots, fully surveyed and registered.

Detailed supporting documents for the development costs of \$1.9 million incurred by the Ministry were not available or maintained in the files provided for audit review. Refer to Table 29.14 for details.

Table 29.14: Acquisition and Infrastructure Development Cost

Property	Land Purchase (\$)	Total Survey and Development Costs (\$)	Total Costs (\$)
Vunicibicibi	761,996	1,174,803	1,936,799

The audit was informed that the Office of the Prime Minister has taken over the policy direction of the Vunicibicibi Estate. The land has not been resettled as at 31/12/14, however, a portion of land was used by a contractor as depot whilst constructing the Nabouwalu/Dreketi highway.

Discussions during the audit also indicated that the objectives to resettle ex-ALTA tenants whose leases were not renewed have not materialised because tenants opted to resettle in Viti Levu and the remoteness of the locations of the estates.

With more than \$7.6 million in cost incurred for infrastructure development, annual land lease payments and general operation costs to implement the project, it is a concern that the major portion of land identified to resettle farmers remained unutilised or unoccupied.

Recommendations

- **It is recommended that the Ministry undertake a proper review of the Land Resettlement Program and identify opportunities that will ensure the successful completion of the program or alternative for effective utilisation of the developed land resources available.**
- **The Ministry should implement controls to improve records management for the Land Resettlement Program.**

Ministry's Comments

The Ministry has over the years undertaken numerous reviews of the programs according to the policies of governments with its recent actions includes;

- *Drawing up a Report with recommendations for sustainability of the program cannot be attained as policy priority of the Ministry on resettlement of farmers diminishes. This follows the transfer of the Farming Assistance Scheme (FAS) in 2010 with Land Resettlement as part of the Ministry of Rural and Maritime Development and National Disaster Management (MRMDNDM).*

Cabinet paper submission to the Committee for the Better Utilization of Land (CBUL) recommended alternative options including amending the existing criteria provisions. Included in the Ministry's recommendations is the opening up of Resettlement Estate of Navovo in Sigatoka (Native I Taukei Land) into the market. This was done for Vunicibicibi and Navudi Estates in Macauta which were Crown Estate lands. This is for the purpose of effective use of the program for successful completion.

- *The Ministry has put in place measures to stream line its record keeping. The several relocations and transfers of the Units has resulted in its records not been managed properly over the years. The comment by the Auditor General's report is noted and systems have been reviewed for safekeeping of records. The Land Resettlement Program has been transferred to the Ministry of Rural and Maritime Development and National Disaster Management.*

29.8 Dairy Farm Inspections

The Minister may make regulations to provide for the proper management, control and sanitary conditions of dairies and premises used for the storage and sale of milk and the inspection of dairies.³ Any inspector may at any time enter upon premises to which this Act applies for the purpose of carrying out the provisions thereof or of any regulations made thereunder.⁴

A total of 529 dairy farms are registered in Fiji. Our review of dairy inspection records in July 2015 disclosed that the Ministry did not always conduct routine inspection of dairy farms/facilities to check for proper dairy farm management, control and sanitary conditions and ensure compliance with the requirements of the law. Refer to Table 29.15 for examples:

Table 29.15: Irregular Dairy Inspection

Farm No.	Farm Locality	Inspection details from records provided
5339	Deepwater, Tailevu	One inspection done since 29/04/13.
4057	Muaniweni, Naitasiri	No inspection report filed
5068	Waimaro, Tailevu	No inspection report filed
5689	Deepwater, Tailevu	One inspection done since 29/04/13.
5771	Wainivesi, Tailevu	One inspection done since 30/04/13.
5037	Waimaro, Tailevu	No inspection report filed.
2026	Vunidawa	No inspection report filed.
5130	Wainivesi, Tailevu	One inspection done since 30/04/13.
4020	Muaniweni, Naitasiri	No inspection report filed.
5085	Waimaro, Tailevu	No inspection report filed.
5613	Navuso Naitasiri	No inspection report filed.

³ Laws of Fiji, Chapter 118, Diaries, Section 3:1:a

⁴ Laws of Fiji, Chapter 118, Diaries, Section 5.

Farm No.	Farm Locality	Inspection details from records provided
5182	Waimaro, Tailevu	No inspection report filed.
5707	Waimaro, Tailevu	No inspection report filed.
3391	Serea, Naitasiri	One inspection done since 06/08/13.
5535	Burebasaga, Rewa	One inspection done since 19/06/13.
4100	Waidina, Naitasiri	No inspection report filed.
3397	Serea, Naitasiri	One inspection done since 06/08/13.
3074	Serea, Naitasiri	One inspection done since 06/08/13.
6156	Serua, Namosi	No inspection report filed.
5350	Namalata, Tailevu	One inspection done since 29/04/13.
5881	Naitutu, Tailevu	No inspection report filed.
5768	Namalata, Tailevu	One inspection done since 20/04/13.
5740	Koroqaga, Naitasiri	No inspection report filed.

The audit also noted that the inadequate resources allocated could be a factor contributing to the current frequency of dairy inspections. At the time of audit, there was only one Dairy Inspector responsible for monitoring/inspecting of the 529 registered dairy farms in Fiji.

There is potential risk of dairy safety violations if dairy inspections are not routinely carried out.

Recommendations

- **Efforts to enable routine inspections of dairy farms should be explored.**
- **Guidelines should be established to guide dairy inspectors and also to prevent dairy safety violations.**
- **It is also recommended that the Ministry develop a system of maintaining complete dairy inspection records to enable proper tracking of inspections.**
- **Appropriate resources should be allocated to allow dairy inspections to be conducted and tracked effectively.**

Ministry's Comments

- *The draft Standard Operating Procedure has been developed to maintain complete dairy inspection records for tracking off inspections.*
- *Request has been submitted to share resources to allow dairy inspections to be conducted and tracked effectively.*

29.9 Unutilised Agro inputs at the Lakena Stations

Storage of inventories shall be the responsibility of the storekeepers. The storekeeper must ensure that adequate storage space is available for incoming stock as and when required; storage facilities are properly secured; stocks are kept in an orderly manner allowing for safe access; stocks are handled with care and well stored so as to reduce the risk of damage; and quantity of stock is closely monitored to avoid excess holdings or shortages.⁵

⁵ Ministry of Agriculture – Finance Manual 2011 – Section 8.2.1

A physical verification carried out by the audit on 30/06/15 at the Lakena Station revealed that 313 bags(20kg) of NPK fertiliser and 1,222 bottles of Glyphosate 450 (1 litre), provided by the Food and Agriculture Organisation (FAO) for the disaster rehabilitation have not been distributed.

In addition, the audit noted that items purchased for the Vanilla, Cocoa and Rice Programs and the Agriculture Show prize were not distributed/slow moving and kept at the Lakena Station. Refer to Table 29.16 for details:

Table 29.16: Stock of Inventory at the Lakena Station

Date	Item	Quantity
Vanilla Program		
28/04/14	Green Shade Cloth	2
05/05/14	Pine Post (150mm x 3mtrs)	10
14/05/14	Brush cutter (Champion)	2
05/05/14	Galvanised Binding wire (No:10)	8
Rice Program		
16/02/14	Fertiliser (40kg)	5
16/06/14	Fertiliser (25kg)	7
Cocoa Program		
08/11/13	Triple Super (50kg)	48
13/09/13	Glyphosate – (1litre)	202
05/05/14	Urea (40kg)	6
19/06/14	NPK (40kg)	84
21/05/14	Single Super (25kg)	40
21/05/14	Kocide (1 liter)	63
02/05/15	Teitei Blend	32
21/05/15	Black Urea (25kg)	30
Agriculture Show Prize		
17/02/13	Blend C 50kg (Agriculture Show Prize 2011)	18
12/09/14	Blend C 50kg (Agriculture Show Prize 2014)	14
Others		
25/02/09	Goat Fence	20 rolls
05/03/13	Benomyl (100g)	36
27/02/13	Sundothin (500ml)	3

Failure to utilise the agro inputs for its intended purpose and in a timely manner increases the risk of mismanagement and misappropriation of the items.

Recommendation

It is recommended that the Ministry carry out a routine assessment of inventories maintained at the Lakena Station and ensure that the agro inputs procured for projects or received as assistance are utilized on a timely manner for its intended purpose.

Ministry's Comments

- The delay in the dispatch of stock from Lakena stores was due to the chemical spillage from the FAO consignment for disaster rehabilitation program. No Ministry staff was covered or has experience to handle chemical spillage and therefore, the movement of staff to the stores was restricted for OHS reasons.*
- Movement into and out of area resumes after long negotiation between the supplier [a New Zealand Company], the financier FAO Samoa and the Ministry is getting the two parties be responsible for the*

cleaning of the stores and the repacking of the chemical with proper labeling. This has taken sometime and contributed to the delay in the supply of other projects agro inputs

- *Currently, the stocks at Lakena are moving with procedural process closely monitored to the relevant receiver. The remaining items pending for delivery is the vanilla material for Beqa. Since no storage facility is available in Beqa, we would prefer the items be stored safely in Lakena until the farmer has solved his personal issues and ready for the construction. This is some of the risk that is beyond our control and unavoidable at times after all procedures followed in project identification.*
- *A Board of Survey and updating of inventory will be done by 07/10/15.*

29.10 Expired Drugs at the Veterinary Drugs Store

It is vital that all expired drugs is boarded and removed in a timely manner to avoid negligence and vicarious liability. The Board of Survey Officers shall physically identify each item, note its working condition and verify its existence to the fixed assets register and expendable items register.⁶

The Animal Health & Production (AH&P) Veterinary Store located in Vatuwaqa purchases and distributes veterinary drugs to animal health clinics in Fiji.

A physical stocktake carried out on 03/03/15 at the Vatuwaqa Drugs Store revealed that the expired drugs valued at \$13,627 were kept in the store room awaiting disposal. Refer to Table 29.17 for details:



Figure 29.2: Sample of expired drugs kept at the store room

Table 29.17: Examples of Expired Drugs as at 03/03/15.

Veterinary Drugs	Expiry Date	QTY	Rate (\$)	Total Value (\$)
Trisoprim 480 Injection	September-2013	10	36.00	360.00
Tylan Soluble CCD	June-2009	3	40.00	120.00
Panallog Ointment	June-2013	4	40.00	160.00
Utozyme Pessaries 10's	November-2012	331	11.00	3,641.00
Liquid Paraffin	February 2013	1	18.00	18.00
Pentobarbitone Injection	January 2011	5	46.00	230.00
Atropine [Atrosite]	March-2006	8	9.40	75.20
ACP Injection 2mg [Promex 2]	February-2006	5	5.60	28.00
Estrumate	November-2001	44	41.90	1,843.60
Beautamav Tabs 100mg [butalone tabs]	January 2010	5	22.65	113.25
Lectade	December 2014	10	96.00	960.00
Dextrose Parnell	April-2008	7	15.15	106.05
Hartmans Solution	February 2014	38	8.00	304.00

⁶ Ministry of Agriculture - Finance Manual - Section11.4.2

Veterinary Drugs	Expiry Date	QTY	Rate (\$)	Total Value (\$)
Multibex Injection	February 2014	2	60.00	120.00
Drontal Cat 4kg Tabs	October-2013	130	10.20	1,326.00
Drontal Cat 6kg Tabs	March-2013	40	11.80	472.00
Dimmitrol 200mg tabs	November-2012	11	14.00	154.00
Frontline Spray	April-2013	14	72.00	1,008.00
Frontline Spray	April-2012	1	125.00	125.00
Clinikill	February 2013	1	37.00	37.00
Chromic Catgut Met 5[1] [Cassette]	March 2014	7	125.55	878.85
Paranet Dressing	February-1999	14	10.80	151.20
Flystrike Powder	February 2015	10	60.00	600.00
Otomax Ointment	October-2011	10	46.00	460.00
Admin Solution	April 2007	48	7.00	336.00
Total				13,627.15

In addition, the audit also noted that the Ministry does not have in place standard operating guidelines for effective management of its veterinary drugs and disposal of expired drugs.

Recommendations

- **It is recommended that the Ministry take appropriate steps to develop/review guidelines for effective management of its drug store and disposal of expired drugs.**
- **Expired drugs should be safely disposed-off.**

Ministry's Comments

- *Request for the immediate BOS to be undertaken all throughout the Divisional Drug stores. The recommended schedule indicates that the BOS exercise in respect of expired drugs at Vatuwaqa shall be completed by 23/11/15 which shall consequently lead to its disposal.*
- *The exercise identified above reflects and include expired drugs from each Divisional stations. These drugs are transferred to Vatuwaqa as the Headquarters for the Animal Health and Production Division following which disposal shall be at the discretion of the Ministry of Agriculture Veterinary Officer. The request for BOS further recommends the engagement of Veterinary Officer in Vatuwaqa to decide on the immediate disposal of the expired drugs at hand.*
- *For increased public awareness of veterinary services fees and charges are displayed on the Notice Board for the members of the public's information.*

RECURRING AUDIT FINDINGS

29.11 Trading and Manufacturing Accounts

The Ministry under its Trading and Manufacturing Accounts provides the following services:

- 1) **Commercial Undertaking Livestock (CUT)** operates under the Animal Health & Production Division and is located at the AH&P Divisional Head office in Vatuwaqa. The unit has established market outlets throughout the country to promote services to the rural public with the assistance of

extension officers. This includes drugs dispensing, livestock marketing and agro materials distribution to farmers.

- 2) **Crop Extension Machinery Operation Hire (CEMOH)** operates under the Crop Extension Division which is solely responsible for providing quality service to farmers by the hiring of the Agriculture Extension Machinery for land development to the farmers at affordable rate that would contribute to sustainable farming. These machine hire services consist of tractor, digger, mini rice machines, swamp dozer and wheel loader hire.
- 3) **Fuel & Oil** operates under the Crop Extension Divisions which supplies fuel & oil to other sections within the Ministry.

29.11.1 *Anomalies noted in the Trading and Manufacturing Account*

Each agency operating a trading and manufacturing activity must prepare:

- (a) Quarterly profit and loss statement; and
- (b) A balance sheet on an annual basis.

The profit and loss statement and the balance sheet must be prepared on an accrual basis.⁷

The annual profit and loss statements and balance sheet for each current financial year just ended must be prepared and submitted to the Auditor-General in a form suitable for audit and inclusion in the agency's annual report.⁸ Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.⁹

Divisional Accountants, Assistant Accounts, Clerks and Recorders shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.¹⁰ Any errors or misallocations must be immediately adjusted by way of journal vouchers.¹¹ The ledger reconciliation statement shall be forwarded to the Senior Accountant (Operations) weekly. The Divisional Accountants, Assistant Accounts, Clerks and Recorders must ensure that:

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

Our review of the Trading and Manufacturing account of the Ministry revealed the following anomalies, most of which are recurring issues that have not been resolved by the Ministry from previous years:

- Included in the TMA Balance Sheet for Commercial Undertaking are TMA Accumulated Surplus of \$2,263,536 and TMA Surplus transferred to Consolidated Fund of \$220,629. The audit noted that the Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the balances reflected in the TMA Balance Sheet. As a result, audit was not able to ascertain the correctness of these amounts.

⁷ Finance Instructions 2010 – Section 30 (1 & 2)

⁸ Finance Instructions 2010 – Section 30(3)

⁹ Finance Instructions 2010 – Section 49 (2)

¹⁰ Ministry of Agriculture – Finance Manual 2011 – Section 16.3.3

¹¹ Ministry of Agriculture – Finance Manual 2011 – Section 16.3.4

- A variance of \$22,227 was noted between the Ministry's inventory stock certificate report and the balance reflected in the FMIS general ledger as at 31 December 2014. Refer to Table 29.18 for details:

Table 29.18: Variance in Stock Certificate and FMIS Balance

Particulars	Amount (\$)
FMIS GL - Inventory balance	1,014,577
Stock Certificate	992,350
Variance	22,227

In addition, reliance on the balance determined from the Ministry's stock take was limited as the stock takes were carried out by officers directly involved in maintaining and accounting for the stock without independent supervision. As a result, audit was not able to ascertain the correctness of the closing stock balance reflected in the financial statements. Refer to Table 29.19 for closing stock take details.

Table 29.19: TMA Inventory Stock Take Balance As At 31 December 2014

Items	Ministry's Stock Certificate balance (\$)
Pine Post	43,932
Fencing Wires	55,308
Dairy Stock	163,250
Beef Stock	60,268
Pigs Stock	35,411
SA Drugs	634,181
Total	992,350

The above anomalies imply ineffective controls and lack of supervisory checks in the TMA operations hence the accuracy and completeness of the Trading and Manufacturing accounts could not be substantiated.

Recommendations

- The Ministry should maintain proper records and be able to provide evidence to substantiate accounts and balances reported in its Trading and Manufacturing Accounts.
- The Ministry should ensure that proper reconciliations are carried out and errors identified are investigated and adjusted accordingly.
- Annual boards of survey must be conducted by Officers who are independent from the custody of the TMA stock.
- The internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies.

Ministry's Comments

No comments provided by the Ministry.

29.11.2 Discrepancies in TMA Cash at Bank Reconciliation

The Assistant Accounts Officer (AAO – Ledgers) and the Bank Reconciliation Clerk shall prepare a bank reconciliation within 5 days of the end of the month. Details of un-presented cheques and other reconciling items should be attached to the reconciliation statement. Once the bank reconciliation is prepared, it should be signed and dated by the Bank Reconciliation Clerk and AAO (Ledgers) and submit to Ministry of Finance through Senior Accounts Officer (Operations). The AAO (Ledgers) must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.¹²

All bank accounts must be reconciled monthly. The bank reconciliation shall list all outstanding cheques and other reconciling items and be signed and dated by the responsible officer.¹³ The Principal Accountant shall appoint three officers to be part of a Board of Survey to conduct a physical stock-take of all money on hand and other stock held in safes.¹⁴

When the operation of Trading and Manufacturing Accounts are approved by the Minister of Finance, a financial ceiling is set for the purposes of operating this account and at no point in time the Chief Accounting Officers who are controlling officers responsible for the operation of this account in the department/ministry can exceed the financial ceiling, as this may be unauthorized and officers responsible may be liable for a surcharge.¹⁵

From the review of monthly TMA bank reconciliation statements and related cash at bank records, the audit was not able to substantiate the accuracy of cash at bank balance as at 31 December 2014 as supported by the following:

- A Board of Survey was not conducted at year end for the TMA cash on hand balance.
- A variance of \$140,057 was noted between the cash at bank balance according to the TMA bank statement and the balance recorded in the FMIS general ledger at 31 December 2014. Refer to Table 29.20 for details.

Table 29.20: Variance in Cash at Bank and FMIS Balance

Particulars	Amount (\$)
FMIS general ledger	1,031,806
Bank statement	891,749
Variance	140,057

- Furthermore, a variance of \$238,582 was noted between the TMA cash at bank balance and the cash balance reported in the FMIS general ledger as at 31 December 2014. Refer to Table 29.21 for details.

Table 29.21: Variance in TMA Cash Account

Account	Account Description	FMIS (\$)	Reconciliation Statement (\$)	Variance (\$)
4-30000-00000-540000	TMA Bank Balance	1,031,806	793,224	238,582

¹² Ministry of Agriculture – Finance Manual 2011 – Section 7.4.7 to 7.4.10

¹³ Finance Instructions 2010 – Section 32(6)

¹⁴ Ministry of Agriculture – Finance Manual 2011 – Section 7.2.1

¹⁵ Finance Circular No. 37 dated 26/11/1984

The bank reconciliation statement for December reflected lodgement not yet credited of \$25,625 and receipts not in cash book of \$610,395. The details of these two balances were not made available for audit. As a result, audit was not able to ascertain the accuracy and correctness of the TMA bank reconciliation.

The TMA bank reconciliation for May, June and August were not provided for audit verification.

- Variances were noted in the opening and closing cash book balances. Refer to Table 29.22 for details.

Table 29.22: Variance in Opening and Closing Monthly Cash Book Balances

Month	Opening Balance (\$)	Closing Balance (\$)
December (2013)		369,527.79
January	318,758.66	403,843.69
February	337,686.28	463,012.44
March	400,462.50	524,627.80
April	454,038.32	579,143.52
May	Not Available	
June	Not Available	
July	569,724.00	609,698.22
August	Not Available	
September	617,686.33	782,276.80
October	613,232.73	658,293.75
November	359,867.13	723,497.61
December	300,496.96	793,223.51

- A TMA bank balance of \$7,877 (allocation 4-30351-30999-540301) has been included in the FMIS general ledger under the overall balance of \$1,031,806. The details of this bank account and related records were not made available to audit and as a result, audit was not able to ascertain the accuracy and correctness of the balance reflected.

Failure to carry out proper bank reconciliations increases the risk of misappropriation and mismanagement of cash. The issues highlighted above also indicated that the reconciliation statements were not properly checked to ensure their correctness prior to certification.

Recommendations

- **The responsibility of carrying out bank reconciliations should be given to Senior Accounts Officers having adequate knowledge of the bank reconciliation process.**
- **The Ministry should provide appropriate training to Accounts Officers involved in carrying out accounts reconciliations.**
- **TMA cash management controls including accounts reconciliation process should be reviewed and strengthened to minimise risk of mismanagement of cash.**

Ministry's Comments

No comments provided by the Ministry.

29.12 LWRM Trust Fund Account

All bank accounts must be reconciled monthly. The bank reconciliation shall list all outstanding cheques and other reconciling items and be signed and dated by the responsible officer.¹⁶

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.¹⁷

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

- Significant variance of \$607,838 was noted between Trust Fund Account balance and the Cash at bank balance as at 31 December 2014, in the FMIS general ledger. Refer to Table 29.23 for details.

Table 29.23: Variance in FMIS GL - Trust Fund Account balance and Cash At Bank Balance

Particulars	Amount (\$)
FMIS Cash at bank balance	877,651
FMIS Trust Fund Account	269,813
Variance	607,838

- The audit was only able to substantiate the details of retention fund balance amounting to \$241,903. The remaining balance could not be substantiated.
- Retention Fund ALTA Lease (Account - 9-30101-30075 895013) had a balance of \$2,529.71. There was no documentary evidence to support this balance. In addition, the account was not reflected in the Ministry's Financial Statements.
- Three accounts related to the Ministry of Fisheries and Forestry was still shown under Head 30 - Ministry of Agriculture and have not been regularised since 2010. Refer to Table 29.24 for details.

Table 29.24: Ministry of Fisheries and Forestry Trust Fund reflected under Head 30

Allocation	Description	Amount (\$)
9-30B01-78068-520301	WBC- Fisheries Bank Account	(25,965.57)
9-30B01-76068-895005	Fisheries	(13,181.00)
9-30B01-78068-895005	Fisheries Trust Account	(94,005.04)

- Recording of retention monies for contractual payments were not transferred to the Trust Fund Account. Instead, the funds were recorded in the respective operating capital allocations until the final retention funds were paid out to the contractors. When appropriation authority lapses, this practice could affect the subsequent year's budget appropriation. Refer to Table 29.25 for examples of two project payments during the year for which the retention funds were not transferred to the Trust Fund Account.

¹⁶ Finance Instructions 2010 – Section 32(6)

¹⁷ Finance Instructions 2010 – Section 58 (2& 3)

Table 29.25: Details of retention money not transferred to Trust Fund account

	Contract No.	Total Claim (\$)	Retention (\$)
Project 1 Allocation : 130501 91821 080804			
Claim No. 1	WSC 159/2013	15,811.55	1,527.69
Claim No. 2		28,236.01	2,728.11
Claim No. 3		28,883.06	2,790.64
Claim No. 4		27,382.06	2,645.61
Claim No. 5		73,873.29	7,137.51
Claim No. 6		31,707.11	3,063.49
Claim No. 7		32,211.03	3,112.18
Claim No. 8		37,467.10	3,620.01
TOTAL		275,571.21	26,625.24
Project 2 Allocation : 1-30501-91821-080805			
Claim No. 1	WSC 37/2014	99,360.00	9,600.00
Claim No. 2		225,026.52	21,741.69
Claim No. 3		254,597.42	24,598.80
Claim No. 4		181,803.39	17,565.53
Claim No. 5		148,011.85	14,300.67
Claim No. 6		69,882.48	6,751.93
Claim No. 7		156,448.17	18,105.76
TOTAL		1,135,129.83	112,664.38

As a result of the above anomalies, audit was not able to substantiate the accuracy of the Trust Fund Account Statement of Receipts and Payments for the year ended 31 December 2014.

Recommendations

- **Monthly reconciliation process should be strengthened to mitigate the various issues highlighted above.**
- **The Ministry should ensure that errors and discrepancies identified during the reconciliation process are corrected promptly. The Ministry should seek the Ministry of Finance assistance where necessary.**
- **Proper books of account should be maintained and provided for audit when requested.**
- **The recording of retention funds must be transferred to the Trust Fund Account following the completion of the job and the partial payment in order meet the contractor's payment on a time without affecting the current or subsequent year's budget appropriation.**

Ministry's Comments

No comments provided by the Ministry.

29.13 Management of Fixed Assets

An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register provided that, for agencies that have, in the opinion of the Permanent Secretary a large asset base, the board of survey to be conducted on a cyclical basis so that all assets

are checked every three years.¹⁸ Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.¹⁹ All assets which are not accounted for in the board of survey must be investigated to determine the appropriate recovery or write-off action.²⁰

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

- (a) description;
- (b) cost or fair value;
- (c) date of acquisition, where known;
- (d) make, model and identification number, where applicable; and
- (e) location.²¹

Assets whose value is between \$200 and \$2,000 must also be recorded in an Expendable Items Register.²²

Each agency must include in its annual financial statement a statement of losses.²³

The following anomalies, which have been highlighted in previous years, were noted regarding the maintenance of fixed assets record:

- The audit could not determine whether the Ministry has proper records for fixed assets. Various requests were made to review the Fixed Assets Register (FAR), however was not provided. In 2014, the Ministry acquired fixed assets valued at \$100,613²⁴ for which the audit could not substantiate whether they have been properly accounted for in the FAR.
- The Ministry did not conduct a Board of Survey for 2014. In the absence of a Board of Survey Report, the losses of fixed assets, if any, that occurred during the year could not be substantiated.
- The Statement of Losses only reflected the losses to livestock, recorded at government rate. As a result, the accuracy and completeness of the Statement of Losses for the year ended 31 December 2014 could not be ascertained. Refer to Table 29.26 for recorded livestock losses in 2014:

Table 29.26: Summary of Livestock Losses - 2014

Livestock	Amount (\$)
Sheep	10,661
Pig	3,086
Cattle	2,370
Goat	1,063
Chicken	1,581
Total	18,761

Ineffective controls on the management of fixed assets increases the risks of misappropriation.

¹⁸ Finance Instructions 2010 – Section 49 (1)

¹⁹ Finance Instructions 2010 – Section 49 (2)

²⁰ Finance Instructions 2010 – Section 49 (3)

²¹ Finance Instructions 2010 – Section 46 (2)

²² Finance Instructions 2010 – Section 46 (3)

²³ Finance Instructions 2010 – Section 71 (1) (f)

²⁴ The amount is based on sample testing.

Recommendations

- All property, plant and equipment purchased by the Ministry must be properly recorded in the FAR and/or the Fixed Asset module in the FMIS and ensure that assets can be easily tracked to individual officers or sections.
- The Ministry should periodically conduct Board of Surveys to take stock of all its fixed assets, update the fixed assets records and to ensure the accuracy and completeness of Statement of Losses.
- All the fixed assets must be coded for easy reference or identification.

Ministry's Comments

The comment is noted. The Ministry has created its own database to record assets under its custody. Fixed Assets Register has not been fully established since plans to conjointly fund the exercise with the Ministry of Finance has to be finalized for it to be carried out and implemented. Coding of assets will be carried out once the FAR is completed.

29.14 Variance in Drawings Account Balance – Operating Account

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.²⁵ The Assistant Accounts Officer (Ledgers) must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.²⁶

The Principal Accountant shall appoint three officers to be part of a Board of Survey to conduct a physical stock-take of all money on hand and other stock held in safes.²⁷

The following anomalies were noted from our review of the Operating Drawings account:

- A variance of \$15,483 between the Board of Survey carried out for the un-presented cheque listing and the Ministry's reconciliation statement. Refer to Table 29.27 for details.

Table 29.27: Variance in Un-presented Cheque Listing

Description	Board of Survey Un-presented Cheques (\$)	Reconciliation Statement (\$)	Variance (\$)
Un-presented Cheques Listing	438,291.64	422,808.67	15,482.97

- In addition, there were unidentified balances namely foreign cheque, foreign EFT payments and direct debits in the Bank Statement which could not be substantiated. Refer to Table 29.28 for details.

²⁵ Finance Instructions 2010 – Section 32(6)

²⁶ Ministry of Agriculture – Finance Manual 2011 – Section.7.4.10

²⁷ Ministry of Agriculture – Finance Manual 2011 – Section 7.2.1

Table 29.28: Unidentified Balances

Description	Balance (\$)
Foreign Cheques	186,864.61
Foreign EFT Payments	57,707.24
Direct Debits	81,669.18
Total	326,241.03

The above anomalies imply ineffective controls and lack of supervisory checks in the Accounts Section.

Recommendations

- **The Ministry should ensure that proper and accurate drawings account reconciliations are performed on a monthly basis. Any postings identified not to be related to the activities of the Ministry should be investigated and rectified.**
- **The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

Ministry's Comments

No comments provided by the Ministry.

29.15 TMA Warehouse – Commercial Undertaking Livestock

The authorised officers must not certify a payment as correct unless they are satisfied that there is documentation that these goods, services or works have been received.²⁸ When inventory items are purchased, the divisional/sectional inventory bookkeepers shall record them in the inventory register.²⁹ Storage of inventories shall be the responsibility of the storekeepers. The storekeeper must ensure that adequate storage space is available for incoming stock as and when required and stocks are kept in an orderly manner allowing for safe access.³⁰

The Ministry's Animal Health & Production Division through its subsidiary venture titled Commercial Undertaking Livestock (CUT) engages in commercial trade of pine posts and fencing materials to farmers.

Our review of stores records for Trading and Manufacturing Accounts at the Animal Health & Production Division (AH&P) in Vatuwaqa revealed internal control weaknesses in inventory management as follows:

- During the site visit for stocktake on 03/02/15, audit noted that the inventories (pine posts) were not properly stored and safeguarded.

²⁸ Ministry of Agriculture – Finance Manual 2011 – Section 2.8.4 (ii)

²⁹ Ministry of Agriculture – Finance Manual 2011 – Section 8.1.2

³⁰ Ministry of Agriculture – Finance Manual 2011 – Section 8.2.1 (i) & (iii)



Figure 29.3: Pine posts not properly stored

- The inflow and outflow of inventories have not been accurately reported and accounted as the balances recorded in the stock-cards did not match the physical counts. Refer to Tables 29.29 and 29.30 below for details.

Table 29.29: Variances Noted In the Physical Stocktake of Pine Posts

Pine Post	Stock-card Balance 03/02/15	Physical Count: 03/02/15	Variance		Price/ Post (\$)	Excess Value (\$)	Shortage Value (\$)
			Excess	Shortage			
Pine Post - 1.8M X 50MM	29	54	25	---	7.00	175.00	---
Pine Post - 1.8M X 100MM	400	220	---	180	12.00	---	2,160.00
Pine Post - 1.8M X 75MM	869	920	51	---	10.00	510.00	---
Pine Post - 1.8M X 150MM	15	6	---	9	26.00	---	234.00
Pine Post - 2.4M X 100MM	244	199	---	45	23.00	---	1,035.00
Pine Post - 2.4M X 125MM	26	14	---	12	26.00	---	312.00
Pine Post - 2.4M X 150MM	49	40	---	9	38.00	---	342.00
Pine Post - 3M X 125MM	35	24	---	11	36.00	---	396.00
Pine Post - 4M X 125MM	5	4	---	1	69.00	---	69.00
Pine Post - 3M X 100MM	17	1	---	16	34.00	---	544.00
Pine Post - 3M X 150MM	5	4	---	1	51.00	---	51.00
Pine Post - 1.8M X 125MM	504	418	---	86	24.00	---	2,064.00
Total			76	370		685.00	7,207.00

Table 29.30: Variances Noted During the Stocktake of Fencing Materials

Fencing Material	Stock-card Balance As At 23/06/15	Audit Physical Stock Count: 23/06/15	Variance		Price/Unit (\$)	Excess Value (\$)	Shortage Value (\$)
			Excess	Shortage			
Staples	129	163	34	---	5.00	170.00	---
4 Feet Goat Fence	39	31	---	8	150.00	---	1,200.00
3 Feet Goat Fence	3	---	---	3	120.00	---	360.00
No 8 Plain Wire	16	14	---	2	10.00	---	20.00
Total			34	13		170.00	1,580.00

- Inventories valued at \$35,419 have not been delivered as at the date of audit³¹, although full payments have been made to suppliers in 2014. Refer to Table 29.31 for examples.

³¹ Date of audit - 30/06/15

Table 29.31: Advance Payment Made and the Items were Not Delivered

Date	Item Description	Cheque No.	LPO No.	Unit Cost Price (\$)	Cost of undelivered material (\$)	Remark
13/08/14	Pine Post - 1.8M X 50MM:	842871	PO40110-001146	6.00	600.00	Full payment for 200 pine post was made but actual stock delivered as at the date of audit was 100 post hence balance of 100 post remain undelivered.
04/04/14	Pine Post - 1.8M X 100MM:	842768	PO40110-001096	10.50	1,501.50	Full payment for 1,000 pine post was made but actual stock delivered as at the date of audit was 857 post hence balance of 143 post remain undelivered.
27/11/14	Pine Post - 1.8M X 100MM:	843010	PO40110-001212	10.50	283.50	Full payment for 500 pine post was made but actual stock delivered as at the date of audit was 473 post hence balance of 27 post remain undelivered.
09/05/14	Pine Post - 1.8M X 75MM	842779	PO40110-001107	9.50	218.50	Full payment for 1,000 pine post was made but actual stock delivered as at the date of audit was 977 post hence balance of 23 post remain undelivered.
11/07/14	Pine Post - 1.8M X 75MM	842827	PO40110-001135	9.50	1,520.00	Full payment for 1,000 pine post was made but actual stock delivered as at the date of audit was 840 post hence balance of 160 post remain undelivered.
13/08/14	Pine Post - 1.8M X 75MM	842871	PO40110-001146	9.50	6,650.00	Full payment for 1,000 pine post was made but actual stock delivered as at the date of audit was 300 post hence balance of 700 post remain undelivered.
03/10/14	Pine Post - 1.8M X 75MM	842941	PO40110-001189	9.50	95.00	Full payment for 1,000 pine post was made but actual stock delivered as at the date of audit was 990 post hence balance of 10 post remain undelivered.
16/10/14	Pine Post - 1.8M X 150MM:	842941	PO40110-001189	25.00	2,500.00	Full payment for 150 pine post was made but actual stock delivered as at the date of audit was 50 post hence balance of 100 post remain undelivered.
04/04/14	Pine Post - 2.4M X 125MM:	842768	PO40110-001096	25.00	750.00	Full payment for 100 pine post was made but actual stock delivered as at the date of audit was 70 posts hence 30 post remained undelivered.
22/12/14	Pine Post - 3M X 125MM:	843066	PO40110-001233	33.00	330.00	Full payment for 50 pine post was made but actual stock delivered as at the date of audit was 40 posts hence balance of 10 post remained undelivered.
22/12/14	Pine Post - 4M X 150MM:	843066	PO40110-001233	75.00	1,350.00	Full payment for 30 pine post was made but actual stock delivered as

Date	Item Description	Cheque No.	LPO No.	Unit Cost Price (\$)	Cost of undelivered material (\$)	Remark
						at the date of audit was 12 posts hence 18 post remained undelivered.
24/10/14	25Kg Barbed Wired [240m]	842958	PO40110-001152	97.80	9,780.00	Full payment for 600 rolls barbed wire was made but actual stock recorded in the stock card is 500 rolls barbed wires hence 100 rolls barbed wire were not recorded.
16/10/14	3 Feet Goat Fence	842939	PO40110-001150	74.50	2,235.00	Full payment for 550 rolls goat fence was made but actual stock recorded in the stock card is 520 rolls hence 30 rolls goat fence were not recorded.
16/10/14	4 Feet Goat Fence	842939	PO40110-001150	96.00	4,800.00	Full payment for 550 rolls goat fences was made but actual stock recorded in the stock card is 500 rolls hence 50 rolls goat fence were not recorded.
21/11/14	Staple Nails	842994	PO40110-001199	88.00	2,640.00	Full payment for 30 boxes of staple nails was made but stock card does not have record of delivery being made.
10/09/14	Staple Nails	842893	PO40110-001151	83.00	83.00	Full payment for 20 boxes staple nails was made but actual stock recorded in the stock card is 19 boxes of staple nails thus 1 box of staple nails was not recorded.
22/04/14	Staple Nails	842773	PO40110-001097	83.00	83.00	Full payment for 20 boxes staple nails was made but actual stock recorded in the stock card is 19 boxes of staple nails thus 1 box of staple nails was not recorded.

There is potential risk of loss of public funds/resources through misappropriation and mismanagement when inventory movements are not properly accounted for and when items purchased and paid for are not delivered.

Similar concerns were raised in previous years' audit reports but the Ministry has yet to take constructive actions to implement audit recommendations.

Recommendations

- **Physical controls should be established to secure and safeguard all inventories.**
- **Stock purchased should be fully delivered upon full settlement of the account. Purchase order number should also be recorded in the stock card for easy audit trail.**
- **Inventories should be periodically counted and compared to control records.**

- **The Ministry should develop and issue policies and procedures that will improve inventory management.**

Ministry's Comments

As immediate internal investigation has been recommended to the Acting Permanent Secretary for Agriculture to determine malpractices and the possibility of fraudulent activities. The investigation is also recommended to draw conclusion of the scope of malpractice that has occurred in the TMA warehouse.

Result of the Investigation will be the basis of improving inventory management.

29.16 Motor Vehicle Accidents

The maintenance and replacement of government vehicles is a significant cost to Government. The behaviour of drivers, usage of vehicles for private purposes and lack of proper care all contributes to the cost to maintain vehicles.³²

Within 24 hours after the accident, the driver shall prepare an accident report.³³ A copy of the accident report shall be submitted to the Deputy PS who shall forward copies to the PS, Ministry of Finance and the Solicitor General.³⁴ The accident report, Police report (if available), Solicitor General's advice and the Supervisor's recommendations will all be taken into consideration by the surcharging authority before any surcharge is imposed.³⁵

Our review of records of eleven motor vehicle accidents (sample) in 2013 and 2014, maintained by the Assets Management Unit, revealed the following:

- Police reports and assessment of estimated cost of repair were not attached to the Accident Reports and in some instances the Accident Reports were not provided for audit.
- Accidents Reports were at times submitted late to the Office of the Solicitor General or not submitted at all.
- In one incident, the Office of the Solicitor General had already resolved to surcharge the driver the cost of repairing the vehicle; however, the Ministry has not taken any action.
- Vehicle GN 520 was involved in an accident in 2013 whilst driven by an Agricultural Officer, who has now retired from the service. The actual cost of repairing the vehicle was \$16,145 and funded from the TMA. There was no evidence to indicate that an Accident Report was submitted to the Office of the Solicitor General. In addition, the audit was not provided with the Accident Report despite numerous requests and follow-up with the Transport Assistance Unit.

Refer to **Appendix 29.1** for details.

In addition, the Asset Management Unit was slow in providing motor vehicle accident records for audit; was not assessing independently the cost of the damage; not maintaining photographic evidence of the vehicles involved in accident showing the extent of the damages; not filing the details of actual

³² Ministry of Agriculture - Finance Manual - Part 12: Vehicles

³³ Ministry of Agriculture - Finance Manual - Section 12.6.4

³⁴ Ministry of Agriculture - Finance Manual - Section 12.6.6

³⁵ Ministry of Agriculture - Finance Manual - Section 12.6.8

costs involved in repairing the vehicles and not following up effectively on the progress of the cases with the Ministry of Finance and the Office of the Solicitor General.

Similar concerns were raised in previous years' audits.

Recommendations

- **It is recommended that the Ministry maintains a Motor Vehicle Accident Register to record all vehicle accident reported cases and related details.**
- **The Ministry should maintain proper motor vehicle accident records; consider maintaining the photographic evidence of the damages to the vehicles; carry out its independent assessment on government owned vehicles to ascertain estimated cost of the repair; maintain details of actual costs incurred to repair the vehicle and routinely follow up with Ministry of Finance and Office of the Solicitor General on pending cases.**

Ministry's Comments

The comment is noted, the Ministry has kept records of vehicle accidents in the Motor Vehicle Accident Register however recommended inclusion of critical to be undertaken will be strictly followed.

29.17 Leave Management

General orders 705 (c) clearly stipulates that an officer can only carry forward a maximum of ten [10] working days of his/her annual leave entitlement from one leave year to another.

There should be no reason or justification for the accumulation of annual leave beyond what is permissible, nor payment of compensation in lieu, if leave were properly administered. Under no circumstances should they be required to carryover more than ten [10] working days of leave entitlement from one leave year to the next. Permanent Secretaries and Heads of Department are urgently requested to ensure that all officers utilize their annual leave when due and that proper planning of utilization of annual leave is undertaken and maintained.³⁶

Overall, significant improvements are needed to improve the overall effectiveness and efficiency of the management of leave, an issue that has been previously highlighted to the Ministry. The Ministry incurred significant costs for compensating leave due and not taken during promotion, retirement and resignation from the service as raised in the audit reports over the years.

Our review of a sample of leave records revealed that some officers have excessive leave balances which if not managed properly could result in further accumulation of leave due. Refer to Table 29.32 for examples:

Table 29.32: Samples of Significant Annual Leave Balance as at 30/06/15

EDP No.	Leave Year	Leave Balance as at 30/06/15
47432	03/12/14 – 02/12/15	62 ³ / ₄ days
92026	17/09/14- 16/09/15	43
63381	28/06/14 – 27/06/15	66.5
62710	24/06/14 – 23/06/14	77

³⁶ Public Service Circular No 48/2008 – Effective Leave Administration

EDP No.	Leave Year	Leave Balance as at 30/06/15
64281	20/10/14 – 19/10/15	46
64575	21/01/15 – 20/01/16	43.5
94536	11/11/14 – 10/11/15	41
92441	02/01/15 – 01/01/16	44
60665	10/12/14 – 09/12/15	46.5
63217	04/12/15 – 03/12/15	63
48847	10/04/15 – 09/04/16	46
58549	18/01/15 – 17/01/16	62.5
63434	01/06/15 – 31/05/16	69
92280	15/11/14 – 14/11/15	48
62227	11/04/15 – 10/04/16	54
92433	22/12/14 – 21/12/15	51.5

Effective management of leave is central to the management of the workforce of the Ministry. As annual leave accrues from year to year, officers should be encouraged to take regular leave for Occupational Health and Safety reasons among others.

It is important that scheduling of leave is carried out on a regular basis as an internal control mechanism to minimise incurring unbudgeted expenditures such as leave compensations.

Recommendation

Administration of leave should be improved and officers should be encouraged to take leave when due or on a piece meal basis. Officers that are about to retire or whose contracts are about to expire should be encouraged to proceed on pre-retirement leave.

Ministry's Comment

Ministry of Agriculture Circular Memorandum No. 4/2015 has emphasized the maximum number of leave days that can be carried over to the next leave year as per General Orders 705. Officers are aware of this and have taken action in utilization their annual leave entitlements that are due. Offices of retirements are released to take their pre-retirement leave except for scarce skilled officers where leave is compensated and be re-engaged.

29.18 Non-submission of Acquittal Reports and Audited Accounts

Where required under the Finance Instruction 1-(8), 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 more³⁷.

Fiji Cooperatives Dairy Company Limited (FCDCL) at the end of every quarter must submit the following reports detailing the utilization of the grant to the Permanent Secretary for Agriculture:

- Acquittal Reports;
- Quarterly Project Progress Reports;
- A comprehensive report on the services delivered from the period specified; and

³⁷ Ministry of Agriculture - Finance Manual 2013 - Section 3.3.1

- Annual Reports for 2013.³⁸

Navuso Agriculture & Vocational School is required to provide a comprehensive report to the Ministry on the services delivered in accordance with the following, Quarterly Targets together with the Annual Reports and Audit Reports.³⁹

Grant acquittals are an integral part of good risk management and provide a measure of assurance that public funds allocated to grant recipients have been spent for their intended purposes. Adequate and well-documented arrangements to ensure financial accountability are the basis of effective grant acquittal.

The Ministry provides assistance in the form of operating and capital grant to the Fiji Cooperative Dairy Company Ltd and the Navuso Agriculture Training School. The audit noted that these agencies have not submitted the proper acquittals and audited financial statements to the Ministry of Agriculture for the year ended 2014. Refer to Table 29.33 for details of grant paid as at 31 December 2014.

Table 29.33: Details of Grants disbursed

Agency	Grants Provided		
	Operating Grant	Capital Grant	Total (\$)
Fiji Cooperative Dairy Company Limited	---	1,000,000	1,000,000
Navuso Agriculture Training School	314,555	---	315,555

As at 30/06/15, the Ministry disbursed grant amounting to \$198,000 to the Navuso Agriculture Training School although the school have not properly acquit and provided audited financial statements for grants disbursed in 2014.

The grant agreement provides the foundation for the Ministry to manage effectively and efficiently the government grant that it disburses. It is therefore crucial that the Ministry ensure compliance with the provisions of the grant agreements.

There is potential risk of misusing government grants if the Ministry does not effectively monitor how the grants have been spent.

Recommendations

- **It is recommended that the Ministry appropriately enforce the requirements of the Grant Agreements with recipients' of government grants.**
- **For ease of monitoring, the Ministry should develop standardized acquittal templates to be used by recipients to acquit grants.**

Ministry's Comments

No comments provided by the Ministry.

³⁸ Grant Agreement - Ministry of Agriculture & FCDCL for Dairy Development Program 2014: Part 7 Audits and Records

³⁹ Capital Grant Agreement Dated 30/05/14 Between Ministry of Agriculture & The Methodist Church of Fiji – Navuso School

29.19 Missing Payment Vouchers

The need to improve record management in all agencies is vital for promoting Good Governance, Transparency and Accountability in the public sector. It is the responsibility of all staff hierarchy levels in each agency to integrate proper record management upkeep.^[2]

Payment vouchers have been misplaced as they were not made available for audit. In addition, payment vouchers and supporting documents were not securely stored and easily accessible to unauthorised personnel. Refer to Table 29.34 for details.

Table 29.34: Missing Payment Vouchers

Date	Cheque No.
January 2014	215042-215133
	215155-215242
February 2014	212384-212444
	212557-212568
March 2014	212813-212832
April 2014	212305-213316
June 2014	213989-214006 (Batch 09 June A/B)
July 2014	214634-214646
	215629
	12139
December 2014	216894-216905 (Batch 03 December A/B)
	216887
	217006-217009 (Batch 17 December A/B)

Inaccessible accounting records provided a limitation to the scope of our audit.

Similar concerns were raised in previous years.


Recommendations

- **System of record keeping should be reviewed and strengthened by implementing proactive approach to improving financial records management practices.**
- **Accounting records and supporting documents to substantiate the balances reflected in the financial statements should be maintained in safe custody for audit purposes.**

Ministry's Comment

Audit comment is noted. The Ministry has now put in place a system whereby the Principal Accounts Officer has the authority to allow officers to enter the strong room and access to the required information.

Appendix 29.1: Details of Motor Vehicle Accident Cases

Date of Accident	Vehicle No	Division	Cause of Accident	Estimated Cost of Repair (\$)	Remarks
03/03/14	GP 362 - Lease	AH&P Nausori	Due to tyre puncture, the vehicle lost control and collided with GN 860 at Nawaidina.	Quotations not provided with the accident report.	No evidence to indicate that a police report was obtained. Accident Report submission details to SG's Office were not provided.
12/12/14	GP 225	AH&P-Sigatoka	Motor vehicle slid due to slippery surface caused by heavy rain as a result bumping into another motor vehicle at Pacific Harbour.	2,700.00	Late submissions made to SG's Office on the 24/02/15. Awaiting response from SG's Office.
09/08/14	GN 842 - Lease	Extension	Accident caused due to driver hitting a sheep at Yalalevu Ba.	Quotations not attached with the accident report.	No submission made to SG's office.
22/06/14	GP 282 - Lease	HRF&I	Accident occurred due to a cow suddenly coming into the road at 8.18pm in the night time in Namosi.	14,275.72	Accident Report submitted to SG's Office on 03/07/14. Awaiting response from SG's Office.
11/06/14	GP 356 - Lease	HRF&I	Accident occurred in Matanipusi Hill, Serua due to the driver falling off to sleep.	17,745.86	Accident Report submitted to SG's Office on 14/07/14 and awaiting response. The vehicle was been parked with the lessor's garage since July 2014 to be repaired. 
09/06/14	GM 794	LRPD	The driver drove over a hump, hit his eyes on the steering wheel causing him to lose control of the vehicle landing it in the drain. Accident occurred at	5,550.00	SG's Office on 07/01/15 resolved to surcharge the driver an amount of \$5,550.00

Date of Accident	Vehicle No	Division	Cause of Accident	Estimated Cost of Repair (\$)	Remarks
			Vesisivula Lekutu.		As at the date of audit, the Ministry has yet to surcharge the driver.
05/11/14	GP 576 - Lease	HRF&I	Accident occurred at Nadi Back road due to a 7 tonne truck coming from the opposite side of the road accidentally droving over a vehicle leaf spring which flew and hit GP 576 Tyre, side step and centre of the two doors at the driver's side.	8,880.00	Accident Report submitted to SG's Office on 03/02/15 and awaiting response..
29/10/14	GP 636 - Lease	Research	Accident occurred at Wailevu Coast Cakaudrove. The vehicle hit an oncoming bus as a result of careless driving. The vehicle was a newly leased /a week old.	15,837.00	Accident Report submitted to SG's Office on 09/03/15 and awaiting.
13/09/14	GN 526	Research	Accident Reports were not provided to audit for verification despite various requests and follow-ups.		
27/11/14	GP 283 - Lease	AH&P			
2013	GN 520	AH&P	Not Provided	16,145.00 (actual cost or repair)	<p>Audit was not provided with the accident report from the Transport Assistance Unit despite various requests and follow-ups.</p> <p>No submission made to the SG's Office.</p> <p>The driver had retired on 04/05/14.</p> <p>The vehicle was repaired using the TMA funds as authorised by the Director Animal Health and Production.</p>

Section 30

Ministry of Fisheries and Forest

Role and Responsibility

The Ministry of Fisheries and Forests is responsible for the formulation of policies that promote best practices (equating conservation and utilizations) that will ensure a sustainable fisheries and forestry sectors.

The Ministry drives this through coordination, consultation and in partnership with resource owners, communities, private sector, government agencies, and non-government organisations, regional and international agencies.

Table of Contents

PART A:	FINANCIAL STATEMENTS	1
30.1.	Audit Opinion	1
30.2.	Statement of Receipts and Expenditure	2
30.3.	Appropriation Statement	3
30.4.	Trading and Manufacturing Account	3
30.5.	Trust Fund Account	4
30.6.	Statement of Losses	4
PART B:	AUDIT FINDINGS.....	5
30.7.	Upgrading and Refurbishing of Quarters	5
30.7.1	<i>Anomalies in Refurbishment Contracts.....</i>	<i>5</i>
30.7.2	<i>Physical Inspection – Upgrade of the Colo-i-Suva Quarters.....</i>	<i>8</i>
30.8.	Drawings Account Reconciliation.....	9
30.9.	Anomalies in the Main Trust Fund Account – 1/3 Subsidy Scheme	10
30.10.	Prior Year Issues	12
Appendix 30.1:	Physical Inspection on Colo-i-Suva Quarters	16
Appendix 30.2:	Anomalies in the Trading and Manufacturing Account – 2014.....	17
Appendix 30.3:	Examples – VAT not accounted on supplies of goods and services.....	19

PART A: FINANCIAL STATEMENTS

30.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Fisheries and Forests resulted in the issuing of a qualified audit report. The qualifications are as follows.

- Included in the Trading and Manufacturing Account (TMA) Balance Sheet are TMA Surplus Capital Retained of \$202,067, TMA Accumulated Surplus with debit balance of \$51,529, Accounts Receivable of \$5,745 and Deposits and Deductions of \$5,196. The audit was not able to verify the amounts as the Ministry did not provide appropriate audit evidences to support the balances and to ascertain the accuracy and completeness of the Trading and Manufacturing Accounts as at 31 December 2014.
- There was an un-reconciled variance amounting to \$19,079 between the FMIS general ledger cash balance and the TMA bank reconciliation statement. Accordingly, the audit was not able to ascertain the accuracy and completeness of the TMA Cash at bank balance of \$65,947 as at 31 December 2014.

- The closing balance of the Trust Account Statement of Receipts and Payments of \$135,726 did not correspond to the FMIS general ledger resulting in an un-reconciled difference amounting to \$1,154,989. Accordingly, the audit was not able to ascertain the accuracy and completeness of the Main Trust Fund balance as at 31 December 2014.

30.2 Statement of Receipts and Expenditure

The Ministry of Fisheries and Forests collected revenue totalling \$1.8 million and incurred a total expenditure of \$19.3 million in 2014. Details are shown in Table 30.1 below.

Table 30.1: Statement of Receipts and Expenditure for 2014

Description	2014 (\$)	2013 (\$)
Native timber measurement	1,002,754	675,552
Vessel registration	41,263	9,367
Management fees	7,416	58,562
License fishing	70,418	98,782
Sale of fish and ice	294,088	256,914
Miscellaneous revenue	413,672	143,604
TOTAL REVENUE	1,829,611	1,242,781
Established staff	7,179,068	5,416,813
Government wage earners	1,825,734	1,544,468
Travel & communication	543,104	535,073
Maintenance & operations	2,268,432	2,092,295
Purchase of goods & services	821,026	909,281
Operating grants & transfers	370,283	398,363
Special expenditures	152,241	336,135
Total Operating Expenditure	13,159,888	11,232,428
Capital Construction	4,026,408	4,011,113
Capital Purchases	791,075	---
Total Capital Expenditure	4,817,483	4,011,113
Value added tax	1,295,461	1,168,773
TOTAL EXPENDITURE	19,272,832	16,412,314

Total revenue increased by \$586,830 or 47% in 2014 compared to 2013 mainly due to the increase in revenue generated from native timber measurement, vessel registration and miscellaneous revenue.

Total expenditure increased by \$2.9 million or 17% in 2014. The increase is explained by the following:

- Established Staff increased by \$1.8 million or 33% in 2014 mainly due to the filling of vacant positions, the creation of 25 new positions for the Fisheries Offshore Division and the regularization of the project posts for Technical Services Fleet Bai-ni-Takali Vessel crew.
- Government Wage Earners increased by \$281,266 or 18% in 2014 mainly due to the filling of vacant positions.
- Maintenance and Operations increased by \$176,137 or 8% in 2014 mainly due to increase in activities carried out in maintenance of equipment and operation costs for both Departments. There were increased costs for maintenance of motor vehicles and for power supply.

- Pine woodlot logging packages were purchased for the Narocake – Gau and the Cicia Pine Schemes, thus the Capital Purchases of \$791,075 recorded in 2014.

30.3 Appropriation Statement

The Ministry incurred a total expenditure of \$19.3 million against the revised budget of \$21.2 million resulting in savings of \$1.9 million or 9%. Details of expenditure against the budget estimates are provided in Table 30.2 below.

Table 30.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	7,571,241	(353,463)	7,217,778	7,179,068	38,710
2	Government wage earner	1,543,405	346,966	1,890,371	1,825,734	64,637
3	Travel and communications	475,077	76,832	551,909	543,104	8,805
4	Maintenance & operations	2,243,920	72,042	2,315,962	2,268,432	47,530
5	Purchase of goods & services	891,293	(41,983)	849,310	821,026	28,284
6	Operating grants & transfers	469,400	(99,114)	370,286	370,283	3
7	Special expenditures	182,500	(1,280)	181,220	152,241	28,979
	Total Operating Expenditure	13,376,836	---	13,376,836	13,159,888	216,948
8	Capital Construction	5,204,000	---	5,204,000	4,026,408	1,177,592
9	Capital Purchases	1,090,000	---	1,090,000	791,075	298,925
	Total Capital Expenditure	6,294,000	---	6,294,000	4,817,483	1,476,517
13	Value added tax	1,513,000	---	1,513,000	1,295,461	217,539
	Total Expenditure	21,183,836	---	21,183,836	19,272,832	1,911,004

30.4 Trading and Manufacturing Account

Table 30.3: Manufacturing Account

Description	2014 (\$)	2013 (\$)
Opening raw material	19,069	16,900
Add: Purchases	---	---
Less: Closing raw material	10,728	19,069
Raw material used	8,341	(2,169)
Direct Cost	---	(3,536)
Add: Direct labour	100,104	123,345
Cost of manufacturing goods transferred to trading account	108,445	117,640

Table 30.4: Trading Account

Description	2014 (\$)	2013 (\$)
Sales	152,495	144,326
Opening stock of finished goods	10,125	5,294
Add: Cost of manufactured goods	108,445	117,640
	118,570	122,934
Less: Closing stock of finished goods	7,002	10,125
Cost of finished goods sold	111,568	112,809
Gross Profit/(Loss)	40,927	31,517

Table 30.5: Profit and Loss Statement

Description	2014 (\$)	2013 (\$)
Gross Profit/(Loss) transferred from Trading Account	40,927	31,517
Total Income	40,927	31,517
Maintenance & operation	107,215	40,069
Special fees and charges	25	56
VAT	---	---
Total Expenses	107,240	40,125
Net Loss	(66,313)	(8,608)

Table 30.6: Balance Sheet

Description	2014 (\$)	2013 (\$)
TMA surplus capital retained to CFA	202,067	208,434
TMA accumulated surplus	(51,529)	(51,529)
Net Loss	(66,313)	
Total Equity	84,225	156,905
Cash	65,947	109,356
Raw materials	10,728	19,069
Accounts receivable	5,745	5,745
Finished goods	7,002	10,125
Total Assets	89,422	144,295
Deposits and deduction	5,197	(12,610)
Total Liabilities	5197	(12,610)
Net Assets	84,225	156,905

30.5 Trust Fund Account

Table 30.7: Department of Fisheries – 1/3 Subsidy Scheme

Description	2014 (\$)	2013 (\$)
1/3 Subsidy contribution	105,944	69,644
Total Receipts	105,944	69,644
Retention money	25,858	70,444
Total Payments	25,858	70,444
Surplus / (Deficit)	80,086	(800)
Opening balance at 1 January	55,639	56,439
Closing balance as at 31 December	135,725	55,639

30.6 Statement of Losses

Alleged misappropriations of revenue totalling \$3,644 are being investigated by the Ministry.

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

Table 30.8: Fixed assets disposed off

Description	2014 (\$)	2013 (\$)
Computer Equipment	91,488	---
Motor Vehicle	41,310	2,400
Office Equipment	---	9,000
Computer Equipment	43,699	---
Motor Vehicle	33,750	3,950
Office Equipment	---	9,500
Computer Equipment	56,915	---
Total	267,162	24,850

PART B: AUDIT FINDINGS

30.7 Upgrading and Refurbishing of Quarters

In 2014, \$500,000 was allocated for the upgrading and refurbishment of Offices and Quarters of which \$403,527 (VIP) was actually utilised.

The upgrading and refurbishment of quarters were carried out in Colo-i-Suva and the Dreketi Forestry Station. As the major component of the costs was incurred for the upgrading and the refurbishment of the Colo-i-Suva quarters, which totalled \$387,304 (VEP), the audit solely focused on the work carried out in Colo-i-Suva.

The upgrading and refurbishment did not go through the tender process as the costs were below the Government Tender Board threshold of \$50,000.

The following were noted from the audit:

30.7.1 *Anomalies in Refurbishment Contracts*

In view of the substantial amount of the government funds involved in the procurement process, Ministries and Departments must ensure that a draft contract is submitted to the Office of the Solicitor General for vetting.¹

10% of the contractual sum shall be retained as a contingency against defects liability period upon written notification by the client of satisfactory completion of works.²

The work contracts were drawn up by the Planning and Monitoring Unit of the Ministry. The allocation of contractors for the upgrade/refurbishment works for the quarters in Colo-i-Suva were done in blocks, with a block containing a number of quarters in the same vicinity. Our review of contract documents revealed the following anomalies:

- There was no evidence that the contract template used was vetted by the Office of the Solicitor General. In addition, the contracts did not contain specific scope of works or terms of reference.

The scope of works for the contracts were not specific to the upgrade/refurbishment requirements of each quarter, which indicated that the Ministry did not identify the maintenance needs for each quarters or offices before engaging contractors. Refer to Table 30.9 for examples.

¹ Finance Circular No. 3/2013- Paragraph 4.1

² Upgrading and Repairing Contracts for Block 2 – Section 3.2

Table 30.9: Contractors Refurbishment Details

Contractor	Agreed Contract Sum (\$)	Contract
Contractor 1	Block 2 = \$50,000 Block 6 = \$46,900	Refurbishment of the Colo i Suva Forestry Quarters – Block 2 & Block 6
Contractor 2	Block 7 = \$49,500	Refurbishment of the Colo i Suva Forestry Quarters – Block 7
Contractor 2	Block 3 = \$50,000	Refurbishment of the Colo i Suva Forestry Quarters – Block 3
Contractor 3	Block 1 = \$50,000 Block 8 = \$50,000	Refurbishment of the Colo i Suva Forestry Quarters – Block 8 & Block 1
Contractor 4	Block 4 = \$50,000	Refurbishment of the Colo i Suva Forestry Quarters – Block 4
Contractor 5	Block 5 = \$50,000	Refurbishment of the Colo i Suva Forestry Quarters – Block 5
Contractor 5	Garage = \$49,000	Refurbishment of the Forestry Department garage in Colo i Suva

- The Ministry did not maintain any record of upgrade/refurbishment works done on the quarters in each block as these records were not provided for audit.
- Important contract conditions such as the date of signing, date of commencement and completion of work were not stated in some contracts. Furthermore, the signing of some contracts were not witnessed. Refer to Table 30.10 for details.

Table 30.10: Contractors Refurbishment Details

Contractor	Contract	Comments
Contractor 1	Refurbishment of the Colo i Suva Forestry Quarters – Block 2 & Block 6	<ul style="list-style-type: none"> • Dates of signing, commencement and completion of work were not stated in the contract. • Defects liability period commencement and completion dates were not stated in the contract. • No witness to the contractor's signature
Contractor 2	Refurbishment of the Colo i Suva Forestry Quarters – Block 3 & 7	<ul style="list-style-type: none"> • Dates of signing, commencement and completion of work were not stated in the contract. • Defects liability period commencement and completion dates were not stated in the contract. • No witness to the contractor's signature
Contractor 3	Refurbishment of the Colo i Suva Forestry Quarters – Block 1 & Block 8	<ul style="list-style-type: none"> • Dates of signing, commencement and completion of work were not stated in the contract. • Defects liability period commencement and completion dates were not stated in the contract. • No witness to the contractor's signature
Contractor 4	Refurbishment of the Colo i Suva Forestry Quarters – Block 4	<ul style="list-style-type: none"> • Dates of signing, commencement and completion of work were not stated in the contract. • Defects liability period commencement and completion dates were not stated in the contract. • No witness to the contractor's signature
Contractor 5	Refurbishment of the Colo i Suva Forestry Quarters – Block 5	<ul style="list-style-type: none"> • Dates of signing, commencement and completion of work were not stated in the contract. • Defects liability period commencement and completion dates were not stated in the contract. • No witness to the contractor's signature

Contractor	Contract	Comments
Contractor 5	Refurbishment of the Forestry Department garage in Colo i Suva	<ul style="list-style-type: none"> Dates of signing, commencement and completion of work were not stated in the contract. Defects liability period commencement and completion dates were not stated in the contract. No witness to the contractor's signature

- For the refurbishment works done by Contractor 1 for Block 2, the contract sum was fully paid at each phase without deducting the agreed contingency sum of 10% as stipulated in the agreement, to cover defect liability period. Refer to Table 30.11 for details.

Table 30.11: Contractor Payment Details

Contracts	Details	Chq No.	Amount (\$)
Block 2 refurbishment	1 st payment	68918	25,000
	2 nd payment	70218	12,500
	3 rd payment	71446	12,500
	Total Payment		50,000

There is potential risk for excessive cost and unnecessary or substandard work done by contractors if the scope of works are not clearly defined or specified in the contracts.

Recommendations

- The Ministry should consider having the contract template currently in use reviewed by the Solicitor General's Office.**
- It is recommended that work specification become part of the contracts in terms of clear output or performance requirements by contractors.**
- The assistance of the Ministry of Infrastructure and Transport can be sought in the inspection of the quarters/offices and establishing work specification to be carried out.**
- Percentage of contract sum to cover defect liability period should be retained (retention fund) if it is a requirement of the contract.**
- It is also recommended that the Ministry develop contracting policy/rules to govern the development of contracts, endorsement and execution of contracts.**

Ministry's Comments

The Ministry notes with concern the contractual issues highlighted herein.

- Tender Processes would only mean that some houses would be left out due to funding constraints. Each block consisted of 4 houses to which contractors offered less than \$50,000 to have General Maintenance done to these 44 year old houses. The idea was to give a new image to our Colo i Suva Quarters.*
- In past experiences 10% retention period usually lapsed into the following year in which funds were no longer available as each financial year had its own budget provision. The Department would be facing difficulties in funding defect retentions for the previous year.*
- There was a contract template vetted by the Solicitor General's Office to which works were then carried out. (email correspondences attached)*

- *Scope of work contained specific work requirement suited for the Colo-i-Suva houses as they have not gone through any major repair work for the past 44 years. The intention was to at least improve these 30 Forestry Quarters within the Budget provided as it would be extensively expensive to fully upgrade each quarters.*

Given the age and condition of houses each Colo-i-Suva house would cost \$20,000-\$25,000 to repair. We worked on a \$12,000 average to complete the 30 houses.

- *Work was scoped to a generic and general approach in which relevant and maintenances were identified.*
- *There was a report provided by the Clerk of Works and the Station Officer to verify work carried out prior to any payment.*

With reference to the OAG recommendations, the Ministry now undertakes to implement the following in 2015:

- *have all contracts templates reviewed by the Solicitor General's Office*
- *we have now liaised with PSC Accommodation who are assisting us on the Scope of Works/ Specifications for all quarters*
- *we have solicited the assistance of MoIT to inspect all refurbishments works*
- *the Ministry will include in our contracts the retention funds*
- *the Ministry will develop its contracting policy/rules to govern the development of contracts, endorsement and execution of contracts*

30.7.2 Physical Inspection – Upgrade of the Colo-i-Suva Quarters

A site visit to physically inspect the upgrade and refurbishment works carried out in 2014 on the Forestry Quarters in Colo-i-Suva was made in 18/03/15. The total cost of the upgrade was \$387,304.

Physical inspection of the quarters revealed numerous defects, which included:

- leaking roofs;
- screen doors and windows not repaired;
- screen window frame not fitted properly;
- missing louver blades;
- louver frames not replaced;
- rotted double wall not replaced;
- roof gaps causing rain to leak inside;
- screen door removed but not replaced; and
- rusted iron roof were not replaced.

Refer to **Appendix 30.1** for details.

The defects identified during the site inspection could have resulted from the absence of work specifications identified in the work contracts. In addition, the refurbishment works undertaken may not have been properly monitored and assessed before payments were made to contractors.

Recommendations

- **It is recommended that the Ministry properly monitor and assess works done by contractors before the contract sum is paid.**
- **The Clerk of Works engaged should be qualified to assess and verify the works done by contractors. In addition, the Ministry should seek assistance from the Ministry of**

Infrastructure and Transports in assessing upgrade and refurbishment works on buildings completed by the contractors.

- Defect terms and conditions to be fully exercised during the defects liability period prior to the issuance of the certificate of completion and the cost of defects to be deducted accordingly from the contractor's retention fund if works carried out were not done up to standards.

Ministry's Comments

The Ministry notes with grave concern the issues highlighted on the inspections and hereby realize that the scope of works was not properly detailed. Further the absence of a qualified Clerk of Works has aggravated the situation in which a major portion of these refurbishment works had not addressed the defects in each block.

From 2015, we have sought the assistance of PSC Office Accommodation expertise and MoIT personnel in satisfying technical requirements of all construction and refurbishment works.

30.8 Drawings Account Reconciliation

Drawings Reconciliations shall be in accordance with the format provided in schedule 3, and must be submitted within 5 days after the end of the month.³ The closing balance as per general ledger should agree to the cashbook balance.⁴

The audit noted significant variance between the drawings account reconciliation statement and the FMIS general ledger balance as at 31 December 2014. Refer to Table 30.12 for details.

Table 30.12: Variance in the Drawings Reconciliation

Department	General Ledger (\$)	Reconciliation Statement (\$)	Variance (\$)
Ministry of Fisheries and Forests	241,173.12	512,100.48	270,927.36

The reasons for the variance had been identified in the drawings reconciliation statement; however these have not been adjusted in the general ledger. These included bank fees, errors in bank statement and cheque register, foreign cheques, EFT not presented and other differences that were yet to be adjusted.

The drawings account reconciliation statements were not prepared on a monthly basis.

Performing reconciliation of accounts is ineffective if variances noted are not promptly rectified.

Recommendations

- The Ministry should investigate and rectify the variances noted between the reconciliation statements and the FMIS general ledger.
- Reconciliation of accounts should be performed timely and accurately.
- It is also recommended that the Ministry take a proactive approach by also performing monthly drawings account reconciliation rather than relying on the Ministry of Finance.

³ Ministry of Fisheries & Forests Finance Manual 2013 – Section 15.3.9

⁴ Ministry of Fisheries & Forests Finance Manual 2013 – Schedule 3 – Drawings Reconciliation

Ministry's Comments

The concerns raised in this audit item is noted, however the Ministry seeks further clarification as our records depict a different set of figures altogether, in contrast with the figures picked up by the auditors.

Our GL balance as at 31/12/2014 stands at \$240,838.62 in contrast with \$241,173.12 whilst our Un-presented Cheques records \$339,871.15 in contrast with \$512,100.48 hence the actual variance stands at \$99,032.53.

In view of the recommendations, the Ministry welcomes the issues highlighted and are taking necessary measures in complying and identifying discrepancies on this account to reduce/eliminate the variances highlighted.

30.9 Anomalies in the Main Trust Fund Account – 1/3 Subsidy Scheme

Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.⁵

All procurement of goods and services shall be prepared in accordance with the appropriate provisions in the Procurement Regulations 2010.⁶

The audit of the 1/3 Subsidy Scheme Main Trust Fund Account for the Department of Fisheries and related records revealed anomalies as discussed below:

- There was a variance of \$1.07 million between receipts and payment balance reflected on SLG 86 and SLG 89 accounts and the cash balance reflected under SAG 52. Refer to Table 30.13 for details.

Table 30.13: Variance between the Main Trust General Ledgers

Account	Description	Amount (\$)
Main Trust Balance		
9-32301-78068-860101	Project Development Fund	15,310.00
9-32301-78068-895005	Fisheries	(1,034,573.51)
Total		(1,019,263.51)
Main Trust Cash Balance		
9-32301-76068-520301	Generated Account	53,447.41
Variance		(1,072,710.92)

- The accuracy and completeness of cash at bank as at 31 December 2014 could not be ascertained as there was a variance of \$82,278.26 between the cash at bank balance in the FMIS general ledger and the bank reconciliation statement balance. Refer to Table 30.14 for details.

Table 30.14: Variance between the GL and Bank Reconciliation

Particulars	Amount (\$)
Cash at Bank Reconciliation Statement	135,725.67
FMIS General Ledger	53,447.41
Variance	82,278.26

⁵ Finance Instructions 2010 – Section 58 (3)

⁶ Finance Instructions 2010 – Section 12

- The accuracy and completeness of Main Trust Fund ending balance at 31 December 2014 could not be ascertained as there was a variance of \$1.1 million between the FMIS general ledger balance and the reconciliation statement. Refer to Table 30.15 for details.

Table 30.15: Variance between the GL and Bank Reconciliation

Particulars	Amount (\$)
Main Trust Reconciliation Statement	135,725.67
General Ledger (FMIS)	(1,019,263.51)
Variance	1,154,989.58

- The main trust fund balance for *Allocation: 9-32301-78068-895005* (Fisheries) at 31 December 2014 was overdrawn by \$1.03 million.
- Monthly trust fund reconciliation statements for July, August and September 2014 were not provided for audit.
- Transactions from January to November were only posted to the FMIS general ledger at year end. Our review of the cash book indicated that there were receipting and payment activities throughout the year, however the posting to the main trust account and the cash account in the FMIS general ledger was done in December 2014.
- The Ministry maintains a bank account (cheque) with a commercial bank in which transactions have not been reflected in the AP470 cash book and/or under Fund 1, 4 or 9 of the FMIS general ledger. The existing balance at the time of the audit was \$14,085.

The accounting and administrative practices of the Main Trust Fund account, including the monitoring of the transactions, are ineffective as evidenced by the issues discussed above.

Recommendations

- **The effectiveness of the account reconciliation process should be strengthened to ensure that variances identified are resolved and books of account corrected/adjusted accordingly.**
- **Transactions should be posted to the FMIS general ledger daily.**
- **Supervisory function in the Accounts Section should be improved.**

Ministry's Comments

The issues highlighted is taken is noted with concern due to the variances in this particular account. Since the inception of the trust account in 2007, there were some changes made by Ministry of Finance on the allocation numbers and the cost-centers. There were also some trust account FMIS set-up issues in that the default account in the system did not match with the GL allocation, hence the debits and the credits were not off-setting each other leading to the increasing credits of \$1,019,263.51. This discrepancy has been rectified through a write-off exercise undertaken by FMIS and the Ministry in early 2015.

30.10 Prior Year Issues

A number of significant issues were raised with recommendations for improvements previous year's audit. While some issues have been rectified, a number of issues identified from the financial statement audit have yet to be resolved or are in the process of being resolved. These recurring issues make up the major component of this report.

Refer to the Table 30.16 below for details

Table 30.16: Prior Year Issues

Issues	Recommendations	Current Status	Ministry's Proposed Action
Anomalies in the Trading and Manufacturing Account (TMA)			
The Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the balance in the TMA Balance Sheet. In addition, the Ministry's records did not reconcile with the balances in the FMIS general ledger.	<ul style="list-style-type: none"> Monthly reconciliation process should be strengthened to mitigate the various issues highlighted above. Errors and discrepancies identified during the reconciliation process should be corrected promptly, and in consultation with the Ministry of Finance where necessary. Proper books of account should be maintained and provided for audit when requested to substantiate accounts and balances reported in the Trading and Manufacturing Accounts. 	Open – No progress since reported in 2013. Similar issues have been highlighted in the 2014 audit as specified on <u>Appendix 30.2.</u>	<i>No comments provided by the Ministry.</i>
Irregularities in TMA Bank Reconciliation			
<p>Anomalies noted include un-reconciled variances, for which the Ministry could not explain, were as follows:</p> <ul style="list-style-type: none"> Cash at bank balance variance of \$19,988 between the FMIS general ledger and the bank reconciliation statements at 31 December 2013. Variance of \$2,714 between the total receipts recorded in the cash book and the total bank deposit for 2013. Bank reconciliation for December 2013 had lodgments not yet credited of \$25,199. These balances have been carried forward from as far back as 2009. For the months of March – May, August, October and December, the receipts reflected in the reconciliation 	<ul style="list-style-type: none"> As cash management is a high risk area, it is crucial that the Accounts Section strengthens its monthly bank reconciliation process to mitigate the various anomalies noted. The Permanent Secretary and the Principal Accounts Officer should ensure that all errors noted in the bank reconciliation statements are investigated and adjusted accordingly, where necessary. The internal control procedures in the Accounts and TMA 	Open – No progress since reported in 2013. Similar issues have been highlighted in the 2014 audit as specified on <u>Appendix 30.2.</u>	<i>No comments provided by the Ministry.</i>

Issues	Recommendations	Current Status	Ministry's Proposed Action
statements did not reconcile with the actual receipts for the months.	Section, specifically supervisory checks should be strengthened to avoid such discrepancies.		
Anomalies in the Main Trust Fund - Fisheries 1/3 Subsidy Scheme			
<p>Anomalies noted for 2013:</p> <ul style="list-style-type: none"> Un-reconciled variance in the cash at bank balance as recorded in the FMIS general ledger and the bank reconciliation statement. For the year ended 31 December 2013, the variance was \$591,855. Variance of \$60,285 between the receipts posted into the FMIS general ledger and the monthly cash summary receipt book. Some payments and revenues recorded through the Trust Fund account were not related to the subsidy scheme. Some monthly trust fund reconciliation statements were not provided for audit – March & April 2013 	<ul style="list-style-type: none"> The Principal Accounts Officer should ensure that Trust Fund Bank Account's monthly reconciliations are carried out properly and accurately. Accounts Officers should be proactive in resolving un-reconciled variances between the Ministry's reconciliation statements and the FMIS general ledger. The Ministry should seek the Ministry of Finance's assistance where necessary. Receipting of government revenue and payments of operating/capital expenditures from the Main Trust Account should not be entertained. All operating and capital payments should be processed through the drawings account and recorded in the FMIS general ledger under Fund 1. All revenues not related to the scheme should be deposited to the consolidated fund account. If the initial purpose of establishing the Main Trust Account has become non-existent, the Ministry should review administration of the account. 	Open – No progress since reported in 2013. In addition to other anomalies, similar issues have been highlighted in the 2014 audit as specified on Section 30.9	<i>No comments provided by the Ministry.</i>
Variance in Drawings Account Balance			
Significant variance of \$85,127 noted between the Drawings Account Reconciliation Statement for December 2013 and the FMIS general ledger closing balance as at 31 December 2013.	Accounts Officers should be proactive in resolving un-reconciled balances between the Ministry's reconciliation statements and the FMIS general ledger. The Ministry should also seek assistance from the Ministry of Finance where necessary.	Open – No progress since reported in 2013. The same issue has been highlighted in the 2014 audit as specified on Section 30.8	<i>No comments provided by the Ministry.</i>
Incorrect Accounting of VAT			
The Ministry did not account for tax on supplies of goods and services that should	<ul style="list-style-type: none"> The Ministry should ensure that VAT are accounted for in 	Open – similar issues have been	<i>No comments provided by the</i>

Issues	Recommendations	Current Status	Ministry's Proposed Action
<p>be subject to VAT. On the other hand, VAT was accounted in the FMIS general ledger on zero rated supplies</p> <p>The above will result in the inaccurate input tax balances reflected in the VAT Returns.</p>	<p>the FMIS general ledger on all supplies of goods and services that are subject to VAT</p> <ul style="list-style-type: none"> The Ministry should identify all zero rated items that are regular part of its expenditure and ensure that VAT is not charged on them. Reconciliation of Accounts and VAT Returns should be properly scrutinised by the Principal Accounts Officer. 	<p>identified in the 2014 audit as detailed in <u>Appendix 30.3.</u></p>	<p><i>Ministry.</i></p>
Refurbishment Contract			
<p>Anomalies noted from verification of refurbishment contract documents were:</p> <ul style="list-style-type: none"> Refurbishment contracts not vetted by the Office of the Solicitor General. Although the contract amounts were within the procurement limit of the Permanent Secretary for Fisheries and Forests, none of the contracts verified during the audit were endorsed or signed by the Permanent Secretary. Instead, the contracts were endorsed by Officers whose procurement limits were below the contracted amounts The upgrade of the Lautoka Forestry Office was split into two contracts of less than the \$50,000 The scopes of work for most contracts were identical and vague The contracts did not contain any clause for retention or retention bonds 	<ul style="list-style-type: none"> The Planning and Monitoring Unit should consider referring a refurbishment contract template to the Solicitor General for vetting, which can then be used as the basis for drawing up similar contracts. Contracts should be endorsed by the Permanent Secretary. If the contract amount exceeds procurement threshold \$50,000 for the Permanent Secretary, the work should be tendered for approval by the Government Tenders Board. 	<p>Some progress noted since reported in 2013. However, similar issues have been identified in the 2014 audit as specified on <u>Section 30.7</u></p>	<p><i>No comments provided by the Ministry.</i></p>
Logging License Database			
<p>Department of Forests does not have a consolidated information database of the types licenses issued and details of licensee for all Divisions.</p> <p>In addition to 2014, verification of the logging license records at Divisional Forestry Office Southern in Nausori, noted the following anomalies:</p> <ul style="list-style-type: none"> Only the current licenses are in their database while the old data are maintained in another computer. From review of timber statement, audit noted that some trees were cut below minimum cutting limit of 35 cm 	<ul style="list-style-type: none"> The Ministry to establish a centralized database to consolidate and capture data on all licenses issued in all Divisions The revenue collection centers of the Ministry should be strengthened with adequate resources and the right level of competent personnel engaged for proper revenue management. 	<p>No progress since reported in 2013.</p>	<p><i>No Comments.</i></p>

Issues	Recommendations	Current Status	Ministry's Proposed Action
<p>in diameter</p> <ul style="list-style-type: none"> Some of the receipt could not be located while some of receipts have not been entered into the Timber Revenue System The Vunimaqo Station and the Nausori Central Divisional Office did not maintain a cash book Right to remove license documents could not be located by the divisional office VEP and VAT portion not demarcated in the Cash Analysis Sheet <p>Forests Removal Licence was the Ministry's highest revenue earner in 2013 and the failure to maintain a reliable database and centralising of data may result in difficulty to detect expired licence holders and illegal logging resulting in loss of potential state revenue.</p>			

Appendix 30.1: Physical Inspection on Colo-i-Suva Quarters

Quarters-Details	Audit-Observation	Quarters-Details	Audit-Observation
Quarters-No: 17	 <p>Figure 30.1: Ceiling rain mark as a result of leaked roof</p>  <p>Figure 30.3: Screen Door not repaired or replaced</p>	 <p>Figure 30.2: Missing Louvre blades and old Louvre frames not replaced</p>  <p>Figure 30.4: Double wall repainted but not replaced</p>	
Quarters-No: 24	 <p>Figure 30.5: Screen window frame not fitting window</p>	Quarter-No: 28	 <p>Figure 30.6: Roof gap that leaks during rain</p>

Quarters-Details	Audit Observation	Quarters-Details	Audit Observation
	 <p>Figure 30.7: Screen door removed but not replaced</p>		 <p>Figure 30.8: Replacement roofing iron not flushed to fascia board</p>
Quarters No.: 32  	 <p>Figure 30.9: Ceiling rain mark as a result of leaked roof</p>  <p>Figure 30.11: Rusty roofing iron not replaced (causing roof leakage)</p>	Quarter No.: 7  	 <p>Figure 30.10: Ceiling rain mark as a result of leaked roof</p>  <p>Figure 30.12: Damaged door knobs and locks not replaced</p>  <p>Figure 30.13: Leaked, rusted drainage not replaced</p>
Quarters No.: 34  	 <p>Figure 30.12: Ceiling rain mark as a result of leaked roof</p>		

Appendix 30.2: Anomalies in the Trading and Manufacturing Account – 2014

A review of Trading and Manufacturing accounts and related records for 2014 revealed anomalies that are discussed below:

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

TMA Balance Sheet Items	Amount (\$)
Accounts receivable	5,745.00
Deposits & Deductions	5,197.00
TMA Accumulate Surplus	202,067
TMA Surplus	(51,529.00)

- There was a variance of \$19,079.30 between the FMIS general ledger and TMA bank reconciliation statement balance. Accordingly, the accuracy and completeness of the TMA cash at bank balance could not be ascertained.

General Ledger Balance (\$)	Bank Reconciliation Balance (\$)	Variance (\$)
65,947.02	46,867.72	19,079.30

- The TMA bank reconciliation for the month of December 2014 included prior years' outstanding lodgements of \$13,701.47. These longstanding lodgements not credited were from as far back as 2009 but still have not been cleared to date and the correctness of the balance could not be substantiated due to lack of supporting documents.

Date	Particulars	Amount (\$)
14/8/2009	Nasinu - CFA	225.83
7/9/2009	Nasinu	1,071.75
27/11/2009	Nasinu	1,044.65
10/12/2009	Nasinu - bank error - CFA	937.70
5/2/2010	Lodged into CFA	50.00
5/5/2010	Lodged into CFA	917.15
2/7/2010	RR 46104/110	2,807.60
23/7/10	RR 837224/3573	108.00
4/8/2010	RR 46466/168	889.60
20/9/2010	RR 838572/574	90.00
1/12/2010	RR 595194	10.00
Not Stated	RR 398265/269	278.39
18/7/2011	RR 199032	4802.00
8/12/2011	RR 199034	120.00
28/11/2011	RR 470613/614	348.80
Total		13,701.47

Appendix 30.3: Examples – VAT not accounted on supplies of goods and services

Date	Cheque No.	Details	Charged to SEG 8 (\$)	Charged to SEG 13 (\$)	Total (\$)
20/05/14	68918	50% payment for repairing forestry quarters (Block 2)	25,000	---	25,000
30/05/14	69319	First payment for Dreketi Forestry Station	24,825	---	24,825
20/05/14	68904	50% payment for repairing forestry quarters (Block 7)	24,750	---	24,750
20/05/14	68917	50% payment for repairing forestry quarters (Block 3)	24,750	---	24,750
20/05/14	68906	50% payment for repairing forestry quarters (Block 6)	23,450	---	23,450
20/05/14	71446	Final payment for repairing forestry quarters (Block 2)	12,500	---	12,500
15/08/14	71437	Second payment for repairing Forestry garage	12,500	---	12,500

Section 31 Ministry of Lands and Mineral Resources

Role and Responsibilities

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

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

Table of Contents

PART A: FINANCIAL STATEMENTS	1
31.1 Audit Opinion	1
31.2 Statement of Receipts and Expenditure	1
31.3 Appropriation Statement	2
31.4 Statement of Losses	3
PART B: AUDIT FINDINGS	3
31.5 Anomalies in the Receipting and Recording of Revenue	3
31.6 Administration of Accountable Advance	6
31.7 Anomalies in Main Trust Fund Accounts	7
31.8 Other Prior Year Recurring Issues	11
Appendix 31.1: Details of Incorrect Postings to the CLLS	16
Appendix 31.2: Dates of Certification of Reconciliation Statements	19
Appendix 31.3: Examples of incorrect payments of salaries in 2014	19

PART A: FINANCIAL STATEMENTS

31.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Lands and Mineral Resources resulted in the issue of an unqualified audit report.

31.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$20.1 million and incurred a total expenditure of \$24.3 million in 2014. Details are shown in Table 31.1 below.

Table 31.1: Statement of receipts and expenditure for 2014

Description	2014 (\$)	2013 (\$)
Land and Property Rent	13,851,038	12,816,448
Rental for Quarters	958	370
Fees Charges, Fine & Penalties	4,693,637	715,575
Hire of Plants & Vehicles	10,209	1,586
License	142,058	71,877
Sale of Publications	0	1,423
Mining Fees	619,932	523,165
Chemical	7,309	11,823
Stamp Duty	113,181	243,197
Commission	9,481	4,244
Miscellaneous	650,293	813,878
TOTAL REVENUE	20,098,096	15,203,586
Established Staff	8,418,047	7,060,204
Government Wage Earners	741,926	854,201
Travel & Communication	709,995	495,603
Maintenance & Operations	5,542,051	7,885,794
Purchase of Goods & Services	1,000,860	1,159,126
Operating Grants & Transfers	32,100	32,100
Special Expenditures	131,748	136,150
Total Operating Expenditure	16,576,727	17,623,178
Capital Construction	4,583,570	1,488,848
Capital Purchases	352,268	237,915
Capital Grants and Transfers	971,376	429,593
Total Capital Expenditure	5,907,214	2,156,356
Value Added Tax	1,843,361	1,415,420
Total Expenditure	24,327,302	21,194,954

Total revenue increased by \$4.9 million or 32% in 2014 compared to the 2013 due to the vigorous measures implemented by the Ministry to collect revenue including arrears of revenue due to Government.

Total expenditure increased by \$3.1 million or 15% from the previous year and was largely due to increase in capital expenditure by 174% which was the result of the increased number of projects executed during the year.

31.3 Appropriation Statement

The Ministry incurred expenditure totalling \$24.3 million in 2014 against a revised budget of \$32.7 million resulting in a savings of \$8.4 million. Details of expenditure against the budget estimate are provided in Table 31.2.

Table 31.2: Appropriation statement for 2014

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	8,866,694	(60,000)	8,806,694	8,418,047	388,647
2	Government Wage Earners	915,289	---	915,289	741,926	173,363

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
3	Travel & Communication	659,079	69,000	728,079	709,995	18,084
4	Maintenance & Operations	6,679,405	(27,604)	6,651,801	5,542,051	1,109,750
5	Purchase of Goods & Services	1,114,650	(65,840)	1,048,810	1,000,860	47,950
6	Operating Grants & Transfers	32,100	---	32,100	32,100	---
7	Special Expenditures	148,955	-	148,955	131,748	17,207
	Total Operating Expenditure	18,416,172	(84,444)	18,331,728	16,576,727	1,755,001
	Capital Expenditure					
8	Construction	3,935,000	1,547,002	5,482,002	4,583,570	898,432
9	Purchases	2,880,000	43,444	2,923,444	352,268	2,571,176
10	Grants and Transfers	5,150,000	(1,506,002)	3,643,998	971,376	2,672,622
	Total Capital Expenditure	11,965,000	84,444	12,049,444	5,907,214	6,142,230
13	Value Added Tax	2,312,600	---	2,312,600	1,843,361	469,239
	TOTAL EXPENDITURE	32,693,772	---	32,693,772	24,327,302	8,366,470

31.4 Statement of Losses

There was a short lodgement of revenue of \$300 in March 2014 and was later made good in August 2014 however the case has been investigated by FICAC and taken up to Court. The decision on the case is still pending with the Court.

PART B: AUDIT FINDINGS

31.5 Anomalies in the Receipting and Recording of Revenue

The Accounting Head is responsible for the effective design and operation of internal controls of the agency.¹

For the past five years, the Department of Lands collected revenue from land rents totalling more than \$61 million as tabulated below.

Table 31.3: Land Rents (Crown Lease) Collected

Year	Land Rent from Crown Lease (\$)
2014	13,851,037.93
2013	12,816,448.44
2012	10,586,965.78
2011	12,320,796.86
2010	11,459,682.72

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

¹ Ministry of Lands and Mineral Resources Finance Manual 2013 Section 17.1.1

Incorrect posting of reference numbers

The procedures followed in the receipting of land lease payments include the following:

- An official receipt is manually issued to lessees when lease payments are received by the cashier.
- Once receipted, the amount is then entered into the CLLS to update the lessee's account. The manual receipt numbers are used as the reference numbers in the CLLS.
- The receipts are then sent to the Accounts Section to be entered into the FMIS general ledger through the Accounts Receivable module.
- The manual receipt numbers used by the Department in 2014 had six digits only.

The audit noted that errors were made when receipt numbers were used as reference to update the CLLS. All receipts used in 2014 had six (6) digits; however there were entries in the CLLS that either had less or more than six (6) digits as references. Therefore, the audit was not able to trace the entries in the CLLS to the respective manual receipts to ascertain the correctness of the transactions posted in the CLLS.

Refer to **Appendix 31.1** for details.

Delays in updating lessees' accounts in the CLLS

The updating of the lessees' accounts in the CLLS was often delayed. Refer to Table 31.4 below for examples:

Table 31.4: Examples of Delays in Updating of Lessees' Account

Receipt No.	Amount (\$)	Date of Receipt	Account No.	Entry Date in CLLS	Remarks
539912	65.00	02/01/14	20864	01/01/14	Posting to CCLS was made before receipt was issued.
541360	50.00	03/02/14	47040	06/02/14	Delay of 3 days.
545928	305.00	30/05/14	30426	04/06/14	Delay of 5 days.
545933	67.00	30/05/14	30877	04/06/14	Delay of 5 days.
545934	471.50	30/05/14	30525	04/06/14	Delay of 5 days.
545935	102.00	30/05/14	30140	04/06/14	Delay of 5 days.
545940	390.55	30/05/14	30670	04/06/14	Delay of 5 days.
545936	50.00	30/05/14	31954	04/06/14	Delay of 5 days.
551778	1,054.78	28/10/14	12320	27/10/14	Posting to CCLS was made before receipt was issued.

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

Lessees' Statement of Account not updated to reflect payments made

The audit noted instances where the payments have been receipted but were not updated in the respective lessees' account in the CLLS. Refer to Table 31.5 for examples:

Table 31.5: Examples of Lessees' Statement of Account not updated

Receipt No.	Amount (\$)	Date of Receipt	Account No.
545080	50.00	29/04/14	45937

Receipt No.	Amount (\$)	Date of Receipt	Account No.
545760	1,150.00	29/05/14	42860
546397	180.00	29/05/14	42646
546400	1,000.00	29/05/14	24280
546300	234.90	30/05/14	40648
545350	100.00	30/04/14	15115
550449	40.00	28/10/14	46366

In addition, there were no reconciliations performed between the manual receipts and balances entered into the CLLS.

Accounting for revenue received through Housing Authority of Fiji

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

The audit noted that the CLLS was not fully updated even though land rents were receipted. Furthermore, considerable delays were noted in the postings to the CLLS to update the lessees' account.

Refer to Table 31.6 for details.

Table 31.6: Revenue Received through Housing Authority not fully updated in the CLLS

Month	Revenue Receipt No.	Date	Amount (\$)	Amount Batched to CLLS (\$)	Amount not Batched to CLLS (\$)	Remarks
January	542789	26/02/14	2,070.52	1,707.13	363.39	<ul style="list-style-type: none"> Payment was receipted in February. Entries to CLLS posted in April, May and August.
February	Information not provided					<ul style="list-style-type: none"> RR No. 544673 not provided to audit. Amount receipted could not be verified. Amount batched to CLLS was \$1,824.53 compared to listing of \$2,053.43. Difference of \$228.90 (amount not batched to CLLS).
March	545371	01/05/14	2,063.68	1,754.04	309.64	<ul style="list-style-type: none"> Payment was receipted in May. Entries to CLLS posted in August and December.
April	546204	26/05/14	1,999.54	1,586.29	413.25	<ul style="list-style-type: none"> Payment was receipted in May. Entries to CLLS posted in July and August.
May	547716	30/06/14	1,996.13	1,633.37	362.76	<ul style="list-style-type: none"> Payment was receipted on June. Entries to CLLS done in May, August and September.
September	551536	14/10/14	1,961.86	1,840.70	121.16	<ul style="list-style-type: none"> Payment was receipted on September. Entries to CLLS posted in December.
October	552206	19/11/14	1,843.04	1,681.80	161.24	<ul style="list-style-type: none"> Payment was receipted in October. Entries to CLLS posted in December.
November	553237	22/12/14	1,811.26	1,680.43	130.83	<ul style="list-style-type: none"> Payment was receipted in November. Entries to CLLS posted in December.

When accounts are not updated, arrears of revenue will be inflated and reports produced by the CLLS will be incomplete and/or inaccurate.

The absence of an adequate reconciliation process may result in the Department failing to detect, on a timely basis, possible irregularities in the receipting and accounting of lease payments in the CLLS.

Recommendations

- **Processes and procedures on receipting and recording of revenue should be reviewed to enhance internal controls and safeguard revenue received through land rents.**
- **Manual data should be reconciled to the CLLS daily to ensure that details of receipts posted to the system are correct. In addition, payments received through the Housing Authority of Fiji should be reconciled against the CLLS accounts.**
- **Lessees' accounts should be immediately updated once payments are received.**

Management Comments

The Department's IT team is currently working on the issue as oracle system does not allow batching of Crown Land Receipt (CLR) that has more or less than six digits.

There is a delay in batching as the Fiji Sugar Corporation Schedule has two to three Hundred accounts. Also the ITC system is down at times and this causes the delay in the batching. The department has put in place internal controls to verify all the CLR with the oracle system to check if all the receipts are batched into the system.

All the CLR's in the table were batched into the respective accounts. The department has put internal controls to ensure that all CLR Receipt are batched into the system.

The Department is now obtaining duplicate copies of the CLR and is reconciling with the oracle system to check that all the receipts are batched into the system.

This is due to the fact that Housing Authority provide the referrals late which leads to the delay in the updating the system. Currently we are working to harmonise our systems with Housing Authority in order to be efficient and effective in our services.

As a way forward, a project officer will be appointed to monitor and oversee the processes highlighted.

31.6 Administration of Accountable Advance

A ledger shall be maintained for advances, petty cash, accounts payable, revolving fund accounts expenditure and commitment accounts.² Any transaction raised affecting these accounts shall be entered in the appropriate ledger.³ Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the accounts supervisor shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.⁴

For the year ended 31 December 2014, the balance of outstanding accountable advances was \$39,202, an increase of \$19,454 or 99% compared to 2013. Refer to Table 31.7 below for details.

² Ministry of Lands & Mineral Resource Finance Manual 2013 Section 16.3.1

³ Ministry of Lands & Mineral Resource Finance Manual 2013 Section 16.3.2

⁴ Ministry of Lands & Mineral Resource Finance Manual 2013 Section 16.3.3

Table 31.7: Increase in Accountable Advance Account Balance in 2014

Account Number	Description	2014 (\$)	2013 (\$)
1-33301-79101-570301	Advances	39,202.39	19,748.02

The Department of Lands did not provide for audit an Accountable Advance Register and a listing of employees that have yet to retire Accountable Advances at year end. This provided limitation to adequately vouch and confirm retirement of advances from the journal voucher records. In addition, the reconciliation statement for December had credit balances which indicated that some accounts were cleared above the amounts advanced.

The audit was not able to ascertain the accuracy and the completeness of the amount reflected as Accountable Advance in the FMIS general ledger.

Recommendations

- **Records pertaining to the administration and management of accountable advances should be adequately maintained, updated and provided for audit.**
- **Monitoring of accountable advances should be effectively performed to ensure that employees settle advances on time and that collections on outstanding advances are initiated in a timely manner.**
- **Reconciliation statements should be prepared on a monthly basis and the statements should be properly checked and signed off.**

Management Comments

No comments provided by the Ministry.

31.7 Anomalies in Main Trust Fund Accounts

Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.⁵

Within 5 days after the end of each month, the Clerical Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.⁶ The Accounts Officer shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents.⁷

The Senior Account Officer must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.⁸

A review of the Main Trust Fund Accounts and related records revealed the following anomalies, most of which were recurring issues from previous years:

⁵ Finance Instruction 2010 s58(3)

⁶ Ministry of Lands & Mineral Resources Finance Manual 2013 Section 15.4.1

⁷ Ministry of Lands & Mineral Resources Finance Manual 2013 Section 15.4.3

⁸ Ministry of Lands & Mineral Resources Finance Manual 2013 Section 7.4.11

Bank Reconciliation Statement

- The Department of Lands did not provide certified copies of the January and February reconciliation statements for audit. In addition, the Department of Minerals Resources did not maintain any certified copies of the Trust Fund Account reconciliation statements.
- Monthly bank reconciliations for the Department of Land were not performed on time. In addition, the monthly bank reconciliation for July to December was not carried out.

Variances in Receipts and Payments

There were un-reconciled variances between the Ministry's records and the FMIS general ledger, which the Ministry could not explain or provide supporting documents to substantiate the variances. Refer to Table 31.8 for details:

Table 31.8: Variance for Receipts and Payments

Department	Trust Fund Account	Audit Recalculation (\$)	Department (FMIS) (\$)	Variance (\$)
Lands	Receipts	3,090,850	3,090,751	99
	Payments	1,703,395	1,700,590	2,805
Minerals	Receipts	1,816,241	1,852,963	(36,722)
	Payments	958,457	980,231	(21,774)

Trust Fund Accounts with Debit Balances

A number of accounts had debit closing balances for which the Department did not provide any explanations. This indicated that the Department may have incorrectly posted some transactions to the accounts. Refer to Table 31.9 for details:

Table 31.9: Details of Trust Fund Accounts with Debit Balances

Allocation	Amount (\$)
9-33101-79001-895051 (1050038)	50,000.00
9-33101-79001-895051 (1050074)	184.60
9-33101-79001-895051 (1050083)	30,632.04
9-33101-79001-895051 (1050115)	3,893.65
9-33101-79001-895051 (1050154)	13.17
9-33101-79001-895051 (1050184)	54.00
9-33101-79001-895051 (1050218)	514.41
9-33101-79001-895051 (1050227)	36.00
9-33101-79001-895051 (1050236)	72,186.00
9-33101-79001-895051 (1050246)	50.58
9-33101-79001-895051	1,135.00
9-33101-79001-895051	213,882.38
9-33101-79001-895051	2,400.00
Total	374,981.83

Trust Fund Payments Anomalies - Department of Lands

There were payments made from the Trust Fund account that were not captured in the Cheque Register (AP470 report). The Department explained the payments were replacement cheques which were not to

be posted in the FMIS general ledger. However, documents requested to confirm the initial payments were not provided for audit verification.

Refer to Table 31.10 for details:

Table 31.10: Examples of Issued Cheques not in Cheque Register (AP470 Report)

Cheque No.	Amount (\$)
667	950.00
723	721.56
786	212.75
811	212.75

In addition, a payment of \$7,994 made out to Department of Fisheries through Cheque No. 785 was cancelled on the manual cashbook. However, this was not cancelled in the cheque register (AP470 report).

Moreover, Cheque No.786 was not captured in the Cheque Register. However, the manual cashbook revealed that two payments were made on this cheque. Refer to Table 31.11 for details.

Table 31.11: Payments made from Cheque No.786

Payee	Amount (\$)
Department of Fisheries	7,994.00
PSLMR	212.75

Trust Receipts anomalies - Department of Mineral Resources

A total of \$116,207 was directly credited to the Trust Fund Bank Statement; however, these amounts were not receipted by the Department. Out of the total amount directly deposited, \$8,844 were confirmed to be operating revenue received through the Trust Fund account before being paid into the Consolidated Fund Account. This was done to cater for the direct payments which are operating revenue, made to the Department's bank account for Trust Fund.

According to the Department, direct credits pertaining to operating revenue are not receipted and the same amounts are being paid out from the Trust Fund accounts to the Consolidated Fund Account. However, the Department does not maintain a record of all payments received through the Trust Fund bank account so as to reconcile with the amounts paid to the Consolidated Fund Account.

The issues discussed above could also be the contributing factors to variances noted in the Trust Fund Accounts.

Recommendations

- **The Ministry should comply with the procedures relating to the preparation of reconciliation statements as stated in the Finance Manual.**
- **Reconciliation of all underline accounts should be performed monthly, properly checked and certified on time.**
- **Variances noted between the cashbook, reconciliation statements and the FMIS general ledger should be investigated and rectified in a timely manner.**

- **The Ministry should investigate why some issued cheques were not captured in the Cheque Register and investigate and rectify the variances noted between its manual Cashbook and the Cheque Register.**
- **The Ministry should liaise with the Ministry of Finance on appropriate ways to account for direct deposits of operating revenue made through bank transfers and reconcile operating revenues receipted through trust to payments made to operating revenue.**

Management Comments

No comments provided by the Ministry.

31.8 Other Prior Year Recurring Issues

During the 2014 audit, we followed up on the status of the matters reported in the previous year. While some issues have been rectified, a number of issues have yet to be resolved.

Refer to the Table 31.12 below for details

Table 31.12: Prior Year Issues

Issues	Recommendations	Current Status	Management's Proposed Action												
Variances in Drawings Accounts															
<p>There were un-reconciled variances between the balances in the drawings account reconciliation statement and the FMIS general ledger.</p> <p>Variance in the Drawings Reconciliation – 2014:</p> <table><tr><th>Department</th><th>FMIS General Ledger (\$)</th><th>Un-presented Cheque List (\$)</th><th>Difference (\$)</th></tr><tr><td>Lands</td><td>488,759.10</td><td>572,239.90</td><td>83,480.80</td></tr><tr><td>Mineral Resources</td><td>110,867.10</td><td>142,858.20</td><td>(31,991.10)</td></tr></table> <p>The reasons for the difference had been identified in the drawings reconciliation statement; however, these were not adjusted in the FMIS general ledger. These included bank fees, errors in bank statement and cheque register.</p> <p>Of the total un-presented cheques of \$715,098 for 2014, \$61,152 was for stale cheques. This indicated that the un-presented cheque listings were not regularly reviewed to determine whether adjustments or replacement cheques were required to be issued.</p>	Department	FMIS General Ledger (\$)	Un-presented Cheque List (\$)	Difference (\$)	Lands	488,759.10	572,239.90	83,480.80	Mineral Resources	110,867.10	142,858.20	(31,991.10)	<ul style="list-style-type: none">• The Ministry should investigate and rectify the variances noted between the reconciliation statements and the FMIS general ledger.• The Ministry should ensure that monthly reconciliations are performed properly and accurately.• The Ministry should improve management of un-presented cheques by complying with Section 7 of the Finance Manual	Open – No progress	<i>No comments provided by the Ministry.</i>
Department	FMIS General Ledger (\$)	Un-presented Cheque List (\$)	Difference (\$)												
Lands	488,759.10	572,239.90	83,480.80												
Mineral Resources	110,867.10	142,858.20	(31,991.10)												
Anomalies in Underline Accounts Reconciliation															
<p>The audit was not able to ascertain the accuracy of the balances reflected as Operating Trust Funds due to the following:</p>	<ul style="list-style-type: none">• Monthly reconciliation of accounts should be performed on a timely basis and the	Open – No progress	<i>No comments provided by the Ministry.</i>												

Issues	Recommendations	Current Status	Management's Proposed Action												
<ul style="list-style-type: none">The Department of Mineral Resources did not maintain certified copies of the underline accounts reconciliations statements. Statements that have not been endorsed or certified raise concerns on the accuracy and timeliness of the reconciliations.The preparation of monthly reconciliation statements for the Operating Trust Fund and Revolving Fund Accounts were not performed on time as detailed on Appendix 31.2, which is a breach of the Finance Instructions and Manual. Delay in undertaking reconciliation of accounts can allow material misstatements to remain undetected for a period of time thus contributing to un-reconciled variances at year endThe Department of Lands recorded \$1.4 million as operating trust fund as at 31 December 2014, an increase from the \$1.2 million in 2013. The Ministry was not able to provide the details of the deductions held under the Operating Trust Fund account. <p>An additional issue identified in the 2014 audit:</p> <ul style="list-style-type: none">A balance of \$1.09 million was recorded as VAT from Provision for Goods & Services (<i>Account No: 1-33301-79101-863201</i>) under the Operating Trust Fund account. The balance increased over the years since the creation of the account in 2009 to record VAT on revenue collected and on payments made. The Department of Lands may have been incorrectly posting entries to this account when payments were made to FRCA resulting in the outstanding balance increasing every year as detailed below. <table><tr><th>2014 (\$)</th><th>2013 (\$)</th><th>2012 (\$)</th><th>2011 (\$)</th><th>2010 (\$)</th><th>2009 (\$)</th></tr><tr><td>1,099,709.82</td><td>923,500.79</td><td>717,548.26</td><td>623,908.65</td><td>367,639.85</td><td>157,836.34</td></tr></table>	2014 (\$)	2013 (\$)	2012 (\$)	2011 (\$)	2010 (\$)	2009 (\$)	1,099,709.82	923,500.79	717,548.26	623,908.65	367,639.85	157,836.34	<p>statements should be properly checked and signed off.</p> <ul style="list-style-type: none">The balances in the books of accounts should be accurate and adequately supported.Account No. 1-33301-79101-863201 should be reviewed and where necessary, adjustments made to correct the account.		
2014 (\$)	2013 (\$)	2012 (\$)	2011 (\$)	2010 (\$)	2009 (\$)										
1,099,709.82	923,500.79	717,548.26	623,908.65	367,639.85	157,836.34										
Recovery of Arrears of Revenue															
<p>Recoveries of arrears of revenue have been slow although the Ministry has implemented measures improve the collection of revenues. There is potential risk of default in payments if arrears remained uncollected for longer periods. In addition, the long outstanding balances may be impaired. Arrears of revenue have been increasing over the years, from \$17.97 million in 2010 to \$25.25 million in 2014.</p> <p>The major component of the arrears relates to land rents for Crown Lease totalling \$24.7 million or 98%. In addition, 25% of the Crown Lease arrears have been outstanding for over 5 years and 30%</p>	<p>It is recommended that the Ministry take appropriate steps to vigorously follow-up for the recovery of long outstanding debts in accordance with the debt recovery procedures prescribed in the Ministry's Finance Manual.</p>	<p>Open – Slow progress</p>	<p><i>No comments provided by the Ministry.</i></p>												

Issues	Recommendations	Current Status	Management's Proposed Action														
<p>between 2 to 5 years. Refer below for details.</p> <table><tr><th>Arrears of Revenue</th><th>Amount (\$)</th></tr><tr><td>Valuers Registration Arrears</td><td>33,468</td></tr><tr><td>Surveyor Registration Arrears</td><td>26,814</td></tr><tr><td>Taxi Base Arrears / Narere Barracks Arrears</td><td>184,973</td></tr><tr><td>Premium Arrears</td><td>268,025</td></tr><tr><td>Crown Lease Arrears</td><td>24,736,888</td></tr><tr><td>Total</td><td>\$25,250,168</td></tr></table>	Arrears of Revenue	Amount (\$)	Valuers Registration Arrears	33,468	Surveyor Registration Arrears	26,814	Taxi Base Arrears / Narere Barracks Arrears	184,973	Premium Arrears	268,025	Crown Lease Arrears	24,736,888	Total	\$25,250,168	<p>The Ministry should conduct annual review on the effectiveness of the Taskforce Unit that was established to enforce the collection of land rents.</p>		
Arrears of Revenue	Amount (\$)																
Valuers Registration Arrears	33,468																
Surveyor Registration Arrears	26,814																
Taxi Base Arrears / Narere Barracks Arrears	184,973																
Premium Arrears	268,025																
Crown Lease Arrears	24,736,888																
Total	\$25,250,168																
Salary Reconciliation not Prepared on Time																	
<p>Salary and wages reconciliations were not performed fortnightly prior to each pay date nor were the statements sent to the Ministry of Finance as required.</p> <p>During the 2014 audit, we noted that although some salary and wages reconciliations statements were prepared, these were performed and statements prepared very late which would have made it difficult for the Department to detect and act upon any payroll discrepancy in a timely manner.</p> <p>In addition, the 2014 salary reconciliations for Pays 1 to 10 and 18 to 26 and wages reconciliation for Pays 1 to 8, 10 and 23 to 52 were not produced for audit verification.</p>	<p>The Department should ensure that regular payroll (salaries/wages) reconciliations are performed on a fortnightly/weekly basis and that the reconciliation statements are thoroughly checked by the Principle Accounts Officer to minimise or avoid incorrect payments of salaries and wages.</p>	<p>Open - No progress since reported in 2013.</p>	<p><i>Your findings and recommendation is noted. One of the Ministry's deliverable is to improve more on the Key Performance Indicators and timeline in regards to procedures relating to the preparation of reconciliation statement as stated in the Finance Manual.</i></p> <p><i>In 2014 due to staff turnover, the Department had gone through several changes of hands when it comes to reconciliation. Recons were not properly handed over resulting to the issues highlighted.</i></p> <p><i>The Reconciliations are now up to date.</i></p>														

Issues	Recommendations	Current Status	Management's Proposed Action
Incorrect Payment of Salary			
<p>Numerous instances of incorrect payments of salaries in 2013 where the Department failed to resolve on a timely basis.</p> <p>The incorrect payments of salaries that were not detected during the year resulted from ineffectiveness of the salary reconciliation process. It also indicated that supervisory controls have not been effectively implemented to ensure that changes in payroll are regularly monitored.</p>	<p>The Department of Lands should:</p> <ul style="list-style-type: none"> • implement an effective and efficient communication process between the Personnel and Payroll Sections to ensure that changes in payroll are processed on time to minimise or avoid incorrect payments of salaries; • take appropriate action on the incorrect payments of salaries as highlighted in the report. • salary reconciliations should be performed on a fortnightly basis and thoroughly reviewed by the Principal Accounts Officer. 	<p>Open - No progress since reported in 2013. Other instances of incorrect payments of salaries have been identified during the 2014 audit as detailed on <u>Appendix 31.3.</u></p>	<p><i>Due to improper handing over, the Salary reconciliation file copies for the above Pays could not be located despite the fact that it was dispatched to Ministry of Finance hence report were not produced for verification.</i></p>
Anomalies in the Procurement and Payment Processes			
<p>Breaches of procurement and payments procedures and other internal controls resulting in non-compliance with finance instructions and procurement regulations of Government. These breaches include:</p> <ul style="list-style-type: none"> • Not obtaining competitive quotations for purchases of goods and services. • Purchase orders raised and approved after invoices were received. • Processing of payments without adequate supporting documents. • Misplacing of payment vouchers. <p>Additional breach identified in the 2014 audit include mis-posting of expenditures.</p>	<ul style="list-style-type: none"> • The Ministry should ensure that it complies with finance instructions and procurement regulations of government. Any deviation should be properly justified, authorized and supported with documentary evidence. • Officers that have been given authority to approve purchases should be held accountable for their decisions. • The Ministry needs to 	<p>Open – some improvements since reported in previous years</p>	<p><i>As mentioned above, changed of hands in the wages reconciliation for year 2014 had resulted in the delay of submission and hence pays mentioned above could not be produced for audit verification despite the fact that all were dispatched to Ministry of Finance.</i></p> <p><i>As such in order to</i></p>

Issues	Recommendations	Current Status	Management's Proposed Action
	<p>encourage increased ownership and accountability for purchasing decisions and non-compliance with the procurement policies should be reported to Senior Management for necessary actions.</p> <ul style="list-style-type: none"> The internal control procedures in the Accounts Section, especially the supervisory checks should be strengthened to minimize or avoid such discrepancies. 		<p><i>strengthen the timeliness and reconciliation process, the Ministry will ensure to comply with the procedures as well as follow up or implement actions to avoid further investigations or repeated issues.</i></p> <p><i>The Ministry would be the capturing the recommendations in the relevant officer's IWP and the APA will be revised accordingly to reflect the position descriptions of an officers table work.</i></p>

Appendix 31.1: Details of Incorrect Postings to the CLLS

Reference No.	Journal Name	Amount (\$)
54	RECEIPT	1,655.50
115	RECEIPT	115.00
300	RECEIPT	300.00
460	RECEIPT	400.00
460	V.A.T.	60.00
1855	RECEIPT	1,613.04
1855	V.A.T.	241.96
3220	RECEIPT	2,800.00
3220	V.A.T.	420.00
5176	RECEIPT	300.00
5245	RECEIPT	500.00
5245	V.A.T.	75.00
5456	RECEIPT	86.96
5456	V.A.T.	13.04
5975	RECEIPT	220.00
26444	RECEIPT	2,500.00
26444	V.A.T.	375.00
30554	RECEIPT	108.70
30554	V.A.T.	16.30
31954	RECEIPT	43.48
31954	V.A.T.	6.52
32184	RECEIPT	391.30
32184	V.A.T.	58.70
40236	RECEIPT	443.48
40236	V.A.T.	66.52
40496	RECEIPT	300.00
40549	RECEIPT	649.57
40549	V.A.T.	97.43
46062	RECEIPT	100.00
47590	RECEIPT	100.00
52357	RECEIPT	50.00
52357	V.A.T.	7.50
52373	RECEIPT	250.00
52923	RECEIPT	21.60
52961	RECEIPT	304.35
52961	V.A.T.	45.65
52966	RECEIPT	106.05
52999	RECEIPT	50.00
52999	V.A.T.	7.50
53005	RECEIPT	375.00
53010	RECEIPT	65.00
53010	V.A.T.	9.75
53034	RECEIPT	50.00
53511	RECEIPT	265.00
53542	RECEIPT	250.00
53542	V.A.T.	37.50
53682	RECEIPT	350.00

Reference No.	Journal Name	Amount (\$)
5340017	RECEIPT	150.00
5340018	RECEIPT	217.39
5340018	V.A.T.	32.61
5340019	RECEIPT	16,000.00
5340019	V.A.T.	2,400.00
5357530	RECEIPT	73.91
5357530	V.A.T.	11.09
5418813	RECEIPT	50.00
5420532	RECEIPT	190.00
5421776	RECEIPT	260.00
5426200	RECEIPT	50.00
5426200	RECEIPT	387.00
5426200	RECEIPT	35.80
5426210	RECEIPT	20.00
5426210	RECEIPT	20.00
5426210	RECEIPT	10.00
5426210	RECEIPT	100.00
5427890	RECEIPT	8.33
5429987	RECEIPT	70.00
5429987	V.A.T.	10.50
5433060	RECEIPT	20.00
5433060	RECEIPT	17.39
5433060	V.A.T.	2.61
5433060	RECEIPT	20.00
5433060	RECEIPT	500.00
5433060	RECEIPT	225.00
5433060	V.A.T.	33.75
5433060	RECEIPT	100.00
5433060	RECEIPT	400.00
5433060	RECEIPT	140.00
5433060	RECEIPT	50.00
5433060	RECEIPT	3,000.00
5433060	V.A.T.	450.00
5436173	RECEIPT	212.00
5437483	RECEIPT	135.00
5442613	RECEIPT	212.00
5446730	RECEIPT	8.33
5446730	RECEIPT	8.33
5450059	RECEIPT	300.00
5450059	V.A.T.	45.00
5454600	RECEIPT	50.00
5454600	RECEIPT	86.96
5454600	V.A.T.	13.04
5454600	RECEIPT	50.00
5454600	RECEIPT	25.00
5454600	RECEIPT	25.00
5454600	RECEIPT	30.00

Reference No.	Journal Name	Amount (\$)
53683	RECEIPT	553.81
53683	V.A.T.	83.07
53889	RECEIPT	50.00
53989	RECEIPT	50.00
53992	RECEIPT	4,000.00
53992	V.A.T.	600.00
54012	RECEIPT	154.78
54012	V.A.T.	23.22
54117	RECEIPT	150.00
54166	RECEIPT	125.00
54166	V.A.T.	18.75
54167	RECEIPT	396.80
54193	RECEIPT	100.00
54205	RECEIPT	300.00
54205	V.A.T.	45.00
54215	RECEIPT	242.50
54219	RECEIPT	2,000.00
54219	V.A.T.	300.00
54224	RECEIPT	100.00
54229	RECEIPT	217.39
54229	V.A.T.	32.61
54232	RECEIPT	125.00
54263	RECEIPT	1,060.00
54263	V.A.T.	159.00
54275	RECEIPT	189.01
54275	V.A.T.	28.35
54297	RECEIPT	140.00
54306	RECEIPT	400.00
54306	V.A.T.	60.00
54308	RECEIPT	231.52
54308	V.A.T.	34.73
54316	RECEIPT	3,229.77
54326	RECEIPT	60.00
54326	V.A.T.	9.00
54329	RECEIPT	120.35
54329	V.A.T.	18.05
54329	RECEIPT	317.39
54329	V.A.T.	47.61
54329	RECEIPT	142.61
54329	V.A.T.	21.39
54350	RECEIPT	350.00
54350	V.A.T.	52.50
54362	RECEIPT	521.74
54362	V.A.T.	78.26
54363	RECEIPT	154.00
54363	V.A.T.	23.10
54376	RECEIPT	350.00
54376	V.A.T.	52.50
54382	RECEIPT	1,104.35
54382	V.A.T.	165.65

Reference No.	Journal Name	Amount (\$)
5454600	RECEIPT	150.00
5454600	RECEIPT	103.13
5454600	RECEIPT	25.00
5454600	RECEIPT	30.00
5454600	RECEIPT	50.00
5455596	RECEIPT	142.61
5455596	V.A.T.	21.39
5457933	RECEIPT	100.00
5462040	RECEIPT	8.33
5466023	RECEIPT	243.80
5466830	RECEIPT	547.83
5466830	V.A.T.	82.17
5466830	RECEIPT	869.57
5466830	V.A.T.	130.43
5466830	RECEIPT	187.40
5466830	RECEIPT	60.00
5466830	RECEIPT	200.00
5473413	RECEIPT	220.11
5473413	V.A.T.	33.02
5473741	RECEIPT	286.96
5473741	V.A.T.	43.04
5473741	RECEIPT	154.35
5473741	V.A.T.	23.15
5476800	RECEIPT	25.00
5476800	RECEIPT	25.00
5476800	RECEIPT	173.91
5476800	V.A.T.	26.09
5476800	RECEIPT	67.50
5476800	RECEIPT	50.00
5476800	RECEIPT	100.00
5477160	RECEIPT	11.67
5477160	RECEIPT	8.33
5477160	RECEIPT	8.33
5477160	RECEIPT	6.25
5478071	RECEIPT	500.00
5478071	V.A.T.	75.00
5478453	RECEIPT	1,700.00
5479740	RECEIPT	0.15
5479740	RECEIPT	15.00
5480636	RECEIPT	3,250.00
5480636	V.A.T.	487.50
5482270	RECEIPT	86.96
5482270	V.A.T.	13.04
5485088	RECEIPT	165.00
5486625	RECEIPT	86.96
5486625	V.A.T.	13.04
5488240	RECEIPT	391.30
5488240	V.A.T.	58.70
5491043	RECEIPT	100.00
5491503	RECEIPT	10.00

Reference No.	Journal Name	Amount (\$)
54490	RECEIPT	66.96
54490	V.A.T.	10.04
54492	RECEIPT	137.50
54496	RECEIPT	1.00
54496	V.A.T.	0.15
54550	RECEIPT	130.43
54550	V.A.T.	19.57
54551	RECEIPT	50.00
54551	V.A.T.	7.50
54675	RECEIPT	782.61
54675	V.A.T.	117.39
54731	RECEIPT	286.96
54731	V.A.T.	43.04
54734	RECEIPT	106.09
54734	V.A.T.	15.91
54739	RECEIPT	71.74
54739	V.A.T.	10.76
54739	RECEIPT	100.00
54749	RECEIPT	132.17
54749	V.A.T.	19.83
54864	RECEIPT	174.97
54864	V.A.T.	26.25
54867	RECEIPT	120.00
54867	V.A.T.	18.00
54885	RECEIPT	230.00
54885	V.A.T.	34.50
54904	RECEIPT	140.00
54913	RECEIPT	165.00
54917	RECEIPT	2,791.30
54917	V.A.T.	418.70
54925	RECEIPT	22.13
54925	V.A.T.	3.32
54928	RECEIPT	250.00
54928	V.A.T.	37.50
54937	RECEIPT	243.10
54973	RECEIPT	57.74
54973	V.A.T.	8.66
54987	RECEIPT	648.86
54989	RECEIPT	159.00
54992	RECEIPT	249.89
54992	V.A.T.	37.48
55008	RECEIPT	212.00
55011	RECEIPT	75.00
55026	RECEIPT	150.00
55035	RECEIPT	1,112.64
55035	V.A.T.	166.90
55319	RECEIPT	500.00
5340016	V.A.T.	45.00

Reference No.	Journal Name	Amount (\$)
5491720	RECEIPT	2,869.57
5491720	V.A.T.	430.43
5496337	RECEIPT	100.00
5496536	RECEIPT	400.00
5497030	RECEIPT	274.40
5498062	RECEIPT	1,225.00
5498062	V.A.T.	183.75
5498443	RECEIPT	200.00
5501300	RECEIPT	50.00
5501300	RECEIPT	52.17
5501300	V.A.T.	7.83
5501300	RECEIPT	25.00
5501300	RECEIPT	50.00
5501300	RECEIPT	20.00
5501300	RECEIPT	156.00
5501300	V.A.T.	23.40
5501300	RECEIPT	200.00
5501300	RECEIPT	2,000.00
5501300	RECEIPT	60.00
5501300	RECEIPT	75.00
5501301	RECEIPT	88.90
5507987	RECEIPT	200.00
5515599	RECEIPT	400.00
5517730	RECEIPT	5.00
5517730	V.A.T.	0.75
5849114	RECEIPT	50.00
54262100	RECEIPT	20.00
54330600	RECEIPT	25.00
54330600	RECEIPT	20.00
54370460	RECEIPT	104.95
54546000	RECEIPT	25.00
54768000	RECEIPT	100.00
55013000	RECEIPT	75.00
55394	RECEIPT	155.00
55394	V.A.T.	23.25
55561	RECEIPT	79.13
55561	V.A.T.	11.87
55657	RECEIPT	312.00
55676	RECEIPT	191.10
57329	RECEIPT	61.30
57329	V.A.T.	9.20
57329	RECEIPT	82.61
57329	V.A.T.	12.39
5339916	RECEIPT	120.00
5340015	RECEIPT	320.00
5340015	V.A.T.	48.00
5340016	RECEIPT	300.00
TOTAL		93,964.86

Appendix 31.2: Dates of Certification of Reconciliation Statements

Monthly Reconciliation in 2014	Revolving Fund Account	Operating Trust Account
January	31/03/14	30/03/14
February	31/05/14	15/05/14
March	15/04/14	30/05/14
April	19/04/14	30/05/14
May	20/05/14	12/08/14
June	13/10/14	27/11/14
July	29/10/14	11/12/14
August	29/10/14	15/12/14
September	31/10/14	29/12/14
October	20/11/14	31/12/14
November	09/03/15	31/12/14
December	05/05/15	30/04/15

Appendix 31.3: Examples of incorrect payments of salaries in 2014

EDP No.	Amount (\$)	Remarks
62111	730.13	Underpayment
94566	546.14	Underpayment
90589	(264.99)	Overpayment
61012	184.52	Underpayment
46435	1,485.11	Underpayment
58850	2,482.11	Underpayment
46311	(1,420.50)	Overpayment
64501	243.40	Underpayment
60662	(49.61)	Overpayment
60481	982.56	Underpayment
92816	234.36	Underpayment
60396	23.47	Underpayment
90368	21.53	Underpayment
16145	(3,512.75)	Overpayment
92027	2,508.70	Underpayment

Section 32 Ministry of Industry and Trade

Role and Responsibilities

The Ministry formulates and implements policies and strategies to facilitate industry growth, investment, trade, co-operative development, micro and small enterprise development, metrology, standards and consumer protection.

These roles and responsibilities are undertaken within the Economic Unit, Trade Unit, Department of National Measurement and Standards, Department of Co-operative Business, Corporate Services Division, Consumer Council of Fiji, Fiji Commerce Commission, Investment Fiji, Film Fiji, Real Estate Agents Licensing Board, National Centre for Small and Micro Enterprise Development, Trade Standards Advisory Council, Trade Commission - Taiwan, Trade Commission - Los Angeles, Trade Commission - Shanghai and Trade Commission - PNG.

The Ministry undertakes these roles and responsibilities with the following objectives:

- i. To diversify and expand exports base;
- ii. To diversify and expand manufacturing and commercial sector;
- iii. To improve investor and business confidence and ease of doing business;
- iv. To improve market access of products and services to international markets;
- v. To improve relations with all the stakeholders;
- vi. To improve business regulatory environment;
- vii. To ensure compliance with national and international standards;
- viii. To enhance consumer protection awareness; and
- ix. To improve communities livelihood through Co-operatives, Micro and Small Enterprise Development.

Table of Contents

PART A: FINANCIAL STATEMENTS.....	1
32.1. Audit Opinion.....	1
32.2. Statement of Receipts and Expenditure	1
32.3. Appropriation Statement.....	2
32.4. Statement of Losses	3

PART A: FINANCIAL STATEMENTS

32.1. Audit Opinion

The audit of the 2014 accounts of the Ministry of Industry and Trade resulted in the issue of an unqualified audit report.

32.2. Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$809,474 and incurred a total expenditure of \$16.1 million in 2014.

Table 32.1: Statement of Receipts and Expenditure for 2014

Description	2014 (\$)	2013 (\$)
Fees – Miscellaneous	790,556	709,362
Other Revenue	18,918	2,619
TOTAL REVENUE	809,474	711,981
Established staff	2,261,167	1,858,934
Government wage earners	244,828	210,206
Travel and communications	221,831	212,270
Maintenance & operations	610,248	456,644
Purchase of goods and services	158,480	122,937
Operating grants and transfers	6,253,600	5,378,612
Special expenditures	5,043,409	2,952,574
Total Operating Expenditure	14,793,563	11,192,177
Capital Purchases	504,997	---
Total Capital Expenditure	504,997	---
Value Added Tax	820,700	387,381
TOTAL EXPENDITURE	16,119,260	11,579,558

Total revenue increased by 14% compared to 2013 which is largely due to an increase in weights & measures fees collected.

Total expenditure increased by \$4.5 million or 39% in 2014. The increase is explained by the following:

- Increase in Established Staff by 22% was due to the inclusion of salaries and wages for the Honourable Minister and Assistant Minister and support staff, pay rise approved for civil servants and recruitments to fill vacant positions.
- Increase in Operating Grants and Transfer was due to increase in Annual Revised Budget for Investment Fiji by \$0.75 million in the year 2014.
- Special Expenditure increased by \$2.1 million or 71% due to increase in Budget for National Export Strategy. In addition, budget was provided for new programs such as Trade Policy Framework, MSG Investment Road Show and Trade Fair, MSG Trade Ministers and Ministers Meetings, Trade and Investment Promotion Mission and Trade Commission's Office - PNG.
- Capital Purchase of \$0.5 million in 2014 relates to the purchase of Water Test Bench.

32.3. Appropriation Statement

The Ministry incurred a total expenditure of \$16.1 million in 2014 against a budget of \$18.3 million resulting in a saving of \$2.2 million or 12%. Details of expenditure against the budget estimate are provided in Table 32.2 below.

Table 32.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	2,836,446	(8,200)	2,828,246	2,261,167	567,079
2	Government Wage Earners	243,889	8,200	252,089	244,828	7,261
3	Travel and communications	256,946	40,000	296,946	221,831	75,115
4	Maintenance & operations	589,528	157,388	746,916	610,248	136,668
5	Purchase of goods and services	222,880	(14,090)	208,790	158,480	50,310
6	Operating grants and transfers	6,253,600	---	6,253,600	6,253,600	---
7	Special expenditures	6,293,670	(223,475)	6,070,195	5,043,409	1,026,786
	Total Operating Costs	16,696,959	(40,177)	16,656,782	14,793,563	1,863,219
8	Capital Purchases	500,000	40,177	540,177	504,997	35,180
	Total Capital Expenditure	500,000	40,177	540,177	504,997	35,180
13	Value Added Tax	1,179,600	---	1,179,600	820,700	358,900
	TOTAL EXPENDITURE	18,376,559	---	18,376,559	16,119,260	2,257,299

32.4. Statement of Losses

The Board of Survey carried out in 2014 resulted in the write-off of furniture and office equipment valued at \$12,354.

Section 33

Ministry of Sugar

Role and Responsibility

The Ministry is responsible for the coordination of the activities and functions of the various institutions that make up the sugar industry with the sole objective of ensuring that Government's commitment to reviving the industry is achieved.

It is also responsible for the monitoring, evaluation and reporting of the implementation of the Sugar Industry Strategic Action Plan 2013 – 2017.

Table of Contents

PART A:	FINANCIAL STATEMENT	1
33.1	Audit Opinion	1
33.2	Statement of Receipts and Expenditures.....	1
33.3	Appropriation Statement.....	2
33.4	Statement of Losses	2
PART B:	AUDIT FINDINGS.....	3
33.5	Capital Expenditure Planning	3
33.6	Grant Administration	3
33.7	Drawings Account Balance	4

PART A: FINANCIAL STATEMENT

33.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Sugar resulted in the issue of an unqualified audit report.

33.2 Statement of Receipts and Expenditure

The Ministry of Sugar incurred expenditures totalling \$18.6 million in 2014 compared to \$14.6 million in 2013. Details are shown in Table 33.1 below.

Table 33.1: Statement of Receipts and Expenditure

Description	2014 (\$)	2013 (\$)
Established staff	429,335	333,743
Government wage earners	25,441	23,513
Travel & communication	48,396	56,064
Maintenance & operations	44,989	40,137
Purchase of goods & services	11,883	12,944
Operating grants & transfers	1,429,400	1,429,053
Special expenditures	---	249,081
Total Operating Expenditures	1,989,444	2,144,535
Capital construction	2,145,199	2,240,668
Capital purchases	---	383,740

Description	2014 (\$)	2013 (\$)
Capital grants & transfers	14,150,000	9,695,526
Total Capital Expenditures	16,295,199	12,319,934
Value added tax	281,700	131,718
TOTAL EXPENDITURES	18,566,343	14,596,187

The major components of expenditures in 2014 were the operating and capital grants of \$15.6 million to the Sugar Research Institute of Fiji (\$0.9 million), Sugar Industry Tribunal (\$0.5 million), South Pacific Fertilisers Ltd (\$5.75 million) and the Sugar Development Program (\$8.4 million). Total expenditures increased by \$4 million or 27% compared to 2013, which was largely due to the following:

- Established Staff increased by \$95,592 or 29% in 2014 compared to 2013. The increase was attributed to the recruitment of additional four project officers.
- Capital Grants and Transfers increased by \$4.4 million or 46% from 2013. The increase was attributed to a new program for Sugar Development, undertaken in conjunction with the Fiji Sugar Corporation to assist sugarcane farmers in the preparation of sugarcane farming lands.

33.3 Appropriation Statement

The Ministry incurred expenditures totalling \$18.6 million against the revised budget of \$19.9 million resulting in savings of \$1.3 million. Details of expenditures against the budget estimates are provided in Table 33.2 below.

Table 33.2: Appropriation Statement

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	441,982	(99)	441,883	429,335	12,548
2	Government wage earner	38,721	99	38,820	25,441	13,379
3	Travel and communications	49,000	---	49,000	48,396	604
4	Maintenance & operations	51,000	---	51,000	44,989	6,011
5	Purchase of goods & services	15,500	---	15,500	11,883	3,617
6	Operating grants & transfers	1,429,400	---	1,429,400	1,429,400	---
	Total Operating Expenditure	2,025,603	---	2,025,603	1,989,444	36,159
8	Capital construction	2,600,000	---	2,600,000	2,145,199	454,801
9	Capital purchases	600,000	---	600,000	---	600,000
10	Capital grants & transfers	14,150,000	---	14,150,000	14,150,000	---
	Total Capital Expenditure	17,350,000	---	17,350,000	16,295,199	1,054,801
13	Value added tax	497,300	---	497,300	281,700	215,600
	TOTAL EXPENDITURE	19,872,903	---	19,872,903	18,566,343	1,306,560

33.4 Statement of Losses

There was no loss of money or assets reported for the year ended 31 December 2014.

PART B: AUDIT FINDINGS**33.5 Capital Expenditure Planning**

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.¹

The Ministry recorded savings of over \$1.3 million in 2014 of which \$1.05 million accounts for savings from capital expenditure allocations. In the 2014 budget, the Ministry was allocated \$3.2 million for capital expenditure relating to purchases and construction. The audit noted that the Ministry did not utilise 33% of budget for SEGs 8 and 9. Refer to Table 33.3 below for details.

Table 33.3: Capital Expenditure Allocation

Allocation	Description	Revised Budget (\$)	Actual 2014 (\$)	Savings (\$)
1-35000-00000-090000	Purchase of Cultivators	600,000	---	600,000
1-35000-00000-080000	The fund was allocated for the cane access road upgrading and infrastructure development.	2,600,000	2,145,199	454,801

The delays in processing of tenders for purchases of cultivators and farming implements resulted in government assistance not being supplied to farmers.

Capital expenditure planning, monitoring and continual reviews are necessary for capital expenditure programs to be effective.

Recommendations

- The Ministry should improve capital expenditure planning to ensure that the funds are utilised for its intended purposes.
- Capital budgets should be monitored regularly to ensure that planned projects and government assistance are facilitated.

Ministry's Comments

No comment received from the Ministry.

33.6 Grant Administration

Unless the Ministry advises the Corporation otherwise in writing, the Corporation shall furnish to the Ministry the agreement books and records at quarterly intervals. The reports shall cover all funds and activities financed under the grant for that interval. In addition, the Corporation shall furnish to the Ministry such other information and reports at such times as the Ministry may reasonably request. The Ministry will from time to time specify in writing the guidelines for the contents and formats of the reports.

The Ministry provided \$8.4 million to the Fiji Sugar Corporation (FSC) for its cane development program in 2014. The objectives of the program were:

¹ Section 2.1.2 – Ministry of Sugar Finance Manual 2013

- To plant some 8,080 hectares of cane by the 2014 planting season.
- Over that area, an estimated yield of 65 TC/HA is expected to produce 525,000 tonnes of cane.
- Involving approximately 7,000 cane growers in all mill areas.²

The audit noted that the grant recipient did not provide acquittal reports on the utilisation of government grants for the cane development program. Although a listing of farmers provided with the assistance was submitted, this was not independently monitored by the Ministry.

The Ministry may not be effectively monitoring the utilisation of government grants for cane development programs, thus could not provide assurance that the \$8.4 million was used for its authorised purposes.

Recommendations

- **The Ministry should ensure that acquittal and progress reports are submitted by grant recipients and the reports verified by officials of the Ministry before disbursing subsequent grant.**
- **The Ministry should consider developing its own acquittal report format to ensure consistency in the provision of information by grant recipients.**

Ministry's Comments

No comment received from the Ministry.

33.7 Drawings Account Balance

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.³

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

Our review of the drawings account records revealed the following:

- There was no Board of Survey carried out for un-presented cheques balance at year end.
- In addition, there were unidentified cheques posted to the Ministry's allocation (AP470). Refer to Table 33.4 below for details.

Table 33.4: Unidentified Cheques

Date	Cheque No.	Amount (\$)
04/11/14	1550	36,300.00
18/11/14	1610	17,600.00

² MOU between the Ministry and FSC clause 20.2

³ Finance Instructions 2010 – Section 32(6)

⁴ Finance Manual 2011 – Section 7.4.11

⁵ Finance Instructions 2010 – Section 31(5)

Date	Cheque No.	Amount (\$)
21/11/14	1551	9,196.45
24/12/14	1609	8,383.27
30/12/14	1501	70.00
Total		71,549.72

Despite the above issues being reported in prior years, to date these have not been resolved.

Recommendations

- **The Ministry should ensure that proper and accurate drawings account reconciliations are carried out on a monthly basis. Any unidentified posting that are not related to the Ministry's activities should be investigated.**
- **Board of survey on un-presented cheques should be carried out at year end as required.**

Ministry's Comments

No comment received from the Ministry.

Section 34**Ministry of Public Enterprise and Tourism****Role and Responsibilities**

The Ministry consists of two departments and focuses on the following core responsibilities:

Public Enterprise

Oversees and implements reform programmes and monitors the performance and operations of public enterprises to increase their efficiencies and effectiveness in terms of financial growth and improvements in services to the public.

Tourism

Formulates and administers tourism policies, plans and initiatives for the sustainable development of the Tourism Industry in Fiji.

Table of Contents

PART A: FINANCIAL STATEMENTS	1
34.1 Audit Opinion	1
34.2 Statement of Receipts and Expenditure.....	1
34.3 Appropriation Statement	2
PART B: AUDIT FINDINGS	3
34.4 Capital Expenditure – Other Matter.....	3
34.5 Unexplained Account Balances	4

PART A: FINANCIAL STATEMENTS**34.1 Audit Opinion**

The audit of the 2014 accounts of the Ministry of Public Enterprises and Tourism resulted in the issue of an unqualified audit report but with attention drawn to the following “Other Matter”:

- Total Capital Expenditure of \$31.8 million, as stated in the Statement of Receipts and Expenditure, did not include an expenditure paid from Head 50 – Miscellaneous Account maintained by the Ministry of Finance totalling \$3.6 million. The additional fund was allocated to cater for the shortfall payment and tax clearance for the Professional Golfers Association of Australia Limited in relation to the Fiji International (PGA) Tournament in 2014.

34.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$107,769 and incurred a total expenditure of \$37.5 million in 2014.

Table 34.1: Statement of Receipts and Expenditure for 2014

Description	2014 (\$)	2013 (\$)
Miscellaneous	107,769	16,124
TOTAL REVENUE	107,769	16,124
Established staff	1,349,410	907,686
Government Wage Earners	97,569	84,479
Travel and communications	134,536	105,642
Maintenance & operations	157,785	138,840
Purchase of goods and services	372,232	57,439
Operating grants and transfers	3,192,489	3,236,595
Special expenditures	303,614	100,828
Total Operating Expenditure	5,607,635	4,631,509
Capital Constructions	---	329,547
Capital grants and transfers	31,776,456	23,500,000
Total Capital Expenditure	31,776,456	23,829,547
Value Added Tax	152,640	127,427
TOTAL EXPENDITURE	37,536,731	28,588,483

Fees from Board of Directors trainings organised in 2014 were a significant source of revenue collected by the Ministry. Revenue increased by \$91,645 or 568% compared to 2013.

The major component of expenditures in 2014 was the operating and capital grants of \$26.5 million to the Tourism Fiji. Total expenditures increased by \$8.9 million or 31% compared to 2013, which was largely due to the following:

- Established staff increased by \$441,724 or 49% due to recruitments made during the year for vacant positions.
- Purchase of goods and services increased by \$314,793 or 548% as a result of procurements of new office furniture and computers and the provision of training to Directors of Government entities that are governed by the Public Enterprise Act 1996.
- Special expenditure increased by \$202,786 or 201% due to the implementation of Fiji Tourism Development Master Plan in 2014.
- Capital grant and transfer increased by \$8.3 million or 35%, which represented expenditures related to the Fiji International Golf Tournament at the Natadola Bay Course. An additional \$3.6 million was paid from Head 50 – Miscellaneous Account maintained by the Ministry of Finance, as stated on Section 34.1.

34.3 Appropriation Statement

The Ministry's expenditure of \$37.5 million in 2014 was incurred against a budget of \$40 million resulting in a savings of \$2.5 million or 6%. Details of expenditures against the budget estimates are provided in Table 34.2 below.

Table 34.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	1,945,621	---	1,945,621	1,349,410	596,211
2	Government Wage Earners	98,917	---	98,917	97,569	1,348
3	Travel and communications	160,994	11,543	172,537	134,536	38,001
4	Maintenance & operations	183,865	10,000	193,865	157,785	36,080
5	Purchase of goods and services	1,106,128	---	1,106,128	372,232	733,896
6	Operating grants and transfers	3,259,100	---	3,259,100	3,192,489	66,611
7	Special expenditures	810,500	(21,543)	788,957	303,614	485,343
	Total Operating Costs	7,565,125	---	7,565,125	5,607,635	1,957,490
10	Capital Grant & Transfers	32,100,000	---	32,100,000	31,776,456	323,544
	Total Capital Expenditure	32,100,000	---	32,100,000	31,776,456	323,544
13	Value Added Tax	339,000	---	339,000	152,640	186,360
	TOTAL EXPENDITURE	40,004,125	---	40,004,125	37,536,731	2,467,394

PART B: AUDIT FINDINGS

34.4 Capital Expenditure – Other Matter

According to the financial statements for the year ended 31 December 2014, the Ministry incurred total capital expenditure of \$31,776,456.

The balance disclosed in the financial statements did not include other expenses paid from Head 50 – Miscellaneous Account maintained by the Ministry of Finance totalling \$3.6 million. The additional fund was paid to the Ministry to cater for the shortfall payment and tax clearance for the Professional Golfers Association of Australia Ltd in relation to the Fiji International (PGA) Tournament in 2014.

Refer to Table 34.3 for expenditures incurred for the Fiji International (PGA) Tournament.

Table 34.3: Expenditures – Fiji International (PGA) Tournament

Particulars	Amount (\$)
Paid from the Ministry's SEG 10	8,276,456.11
Paid from SLG 84	3,607,201.86
Total	\$11,883,657.97

The disclosure of all expenses relating to the operation of the Ministry is necessary for the completeness and accuracy of expenditure reported and disclosed in the financial statements.

Recommendation

It is recommended that the Ministry disclose as Notes to the financial statements other expenditures incurred for its operations which have been paid for by the Ministry of Finance and other donors.

Ministry's Comments

No comments provided.

34.5 Unexplained Account Balances

The Accounting Officer is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.¹

Our review of the general ledger (FMIS) revealed some unexplained account balances reflected in Ministry's trial balance. The balances have been carried forward from previous years. Refer to Table 34.4 below for details.

Table 34.4: Unexplained Account Balances

Account Type	Account Description	2014 (\$)	2013 (\$)
1-36101-36999-910101	APP Surplus & Deficit –Prior Years	348,182.28	176,385.99

The Ministry confirmed that the postings in SLG 91 allocation were made by the Ministry of Finance.

The Ministry of Finance explained that the balances are the net reflection of the balance sheet items under the Ministry. However, this could not be substantiated.

The Ministry of Finance also approved the write-off of \$181,994 from the Operating Trust Fund and Drawings Accounts against Equity (SLG 91). However, audit could not validate the write-offs as there were no supporting documents provided for audit.

Refer to Table 34.5 below for details.

Table 34.5: Details of Account Balances Written Off

Allocation	Descriptions	Amount (\$)
Operating Trust Fund Account		
1-36201-36201-861920	501 PD Employees FNPF	(2,040.97)
1-36101-36101-861920	501 PD Employees FNPF	(77,343.00)
1-36101-36999-861901	201 PD Tax Arrears /PAYE	(253.25)
1-36101-86999-8619306	263 PD Housing Authority	(100.00)
1-36201-36201-8619202	241 PD CMLA	(244.81)
1-36201-36201-861533	320 Wesram Finance	(288.00)
Sub-Total		(80,270.03)
Drawings Account		
1-36101-86999-530301	Drawings BSP – Suva	(96,817.18)
1-36201-36999-530301	Drawings BSP – Suva	93.34
1-36101-36999-530301	Drawings BSP – Suva	(5,000.00)
Sub-Total		(101,723.84)
Total		(181,993.87)

¹ Finance Manual 2011 – Part 14 Ledger Account – Introduction Paragraph

In addition, a drawings account balance was written off against the expenditure allocation for Travel & Communications (SEG 3) without proper adjustments, therefore overstating Travel & Communications expenses by \$5,000.

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

Recommendations

- **The Ministry should ensure that transactions posted to the FMIS general ledger and any write-offs made are supported with documentary evidences which should be produced during the audit.**
- **The Ministry should seek clarifications from the Ministry of Finance on allocations under its Head that it cannot explain neither have records to substantiate the balances.**

Ministry's Comments

- *The Ministry had identified a credit amount of \$80,270.03 that was posted to various Operating Trust Account which could not be verified since these were postings done in previous years prior to 2005. Therefore the Ministry sought approval to write off the credit balances during the write off exercise carried out by FMIS in 2014. This was approved and necessary write off was done.*
- *The amount of -\$101,723.84 was wrongly posted by Ministry of Finance in our drawings account and as a result this was an unsubstantiated amount showing in our drawings. This was later written off by Ministry of Finance in 2014. Any further clarification could be forwarded to Ministry of Finance, FMIS unit as they would be able to provide necessary supporting documents in regards to the write off.*

Section 35

Ministry of Works and Transport

Role and Responsibilities

The Ministry of Works and Transport is responsible for providing policy, planning, coordination, design, construction, operation, maintenance and management of programmes or activities related to public buildings, mechanical and electrical services, roads, bridges, and jetties. The Ministry is also responsible for any policy and administrative support services to the transport sector, focusing on land and maritime in particular its key players including the private sector transport operators, transport regulators (land and maritime), Government agencies and the public at large. This will enable the enhancement and facilitation of an efficient and sustainable transportation system and Meteorological Services within the country.

The Ministry is also responsible for the provision of an efficient meteorological and hydrological service in Fiji.

The implementation of policies involves the Transport Planning Unit, Meteorological Service Department and Public Works Department – Common Services.

Table of Content

PART A: FINANCIAL STATEMENTS	1
35.1 Audit Opinion	1
35.2 Statement of Receipts and Expenditure.....	2
35.3 Appropriation Statement	2
35.4 Statement of Losses	3
35.5 Trade and Manufacturing Account (TMA)	3
PART B: AUDIT FINDINGS.....	4
35.6 Payments to Plant Hire	4
35.7 Anomalies in Operating Trust Fund Account	6
35.8 Other Prior Year Recurring Issues.....	10
Appendix 35.1:Overdrawn Trust Fund Accounts.....	16
Appendix 35.2:Requisition Books Not Provided for Audit.....	17

PART A: FINANCIAL STATEMENTS

35.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Works and Transport resulted in the issue of a qualified audit report. The issues qualified are as follows:

- Included in the TMA Balance Sheet (Schedule 6) is TMA Accumulated Surplus of \$355,684, TMA Surplus of \$4.69 million, Accounts Receivable of \$2.11 million, Accounts Payable of \$271,036 and Deposits and Deductions of \$52,784. The amounts could not be verified as the Ministry was not able to provide appropriate audit evidence to support the balances. As a result, the accuracy and completeness of the Trading and Manufacturing Account as at 31 December 2014 could not be ascertained.
- An un-reconciled variance amounting to \$1.34 million exists between the FMIS general ledger and the TMA bank reconciliation for Cash at Bank. Accordingly, the accuracy and completeness

of the TMA Cash at Bank of \$2.55 million as shown in the TMA Balance Sheet (Schedule 6) as at 31 December 2014 could not be established.

35.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$786,792 and incurred a total expenditure of \$52.24 million in 2014. Details are shown in Table 35.1.

Table 35.1: Statement of receipts and expenditure

Description	2014 (\$)	2013 (\$)
Fees – Miscellaneous	296,013	286,996
Reimbursements for Meteorological Services	480,426	528,261
Other revenue	10,353	22,779
TOTAL REVENUE	786,792	838,036
Established Staff	7,971,839	7,161,525
Government Wage Earners	6,243,152	5,975,767
Travel & Communications	833,407	764,151
Maintenance & Operations	4,205,583	4,268,271
Purchase of Goods and Services	1,053,227	877,186
Operating Grants and Transfers	16,237,939	15,312,713
Special Expenditure	540,496	196,097
Total Operating Expenditure	37,085,643	34,555,710
Capital Construction	3,488,381	5,528,068
Capital Purchase	3,208,307	2,184,806
Capital Grants and Transfer	5,990,927	4,286,746
Total Capital Expenditure	12,687,615	11,999,620
Value Added Tax	2,471,259	2,027,676
TOTAL EXPENDITURE	52,244,517	48,583,006

Revenue collection decreased by 6% in 2014 due to the reduction in reimbursements for meteorological services.

Total expenditure increased by 8% or \$3.66 million from 2013 and this was largely due to the following:

- recruitment to fill vacant positions and pay rise for civil servants in 2014;
- increase in operating grants for the Land Transport Authority of Fiji;
- increase in implementation of projects for Department of Works between 2013 and 2014; and
- increase in budgets allocated for Capital Purchase and Capital Grants.

35.3 Appropriation Statement

The Ministry of Works and Transport incurred expenditure totalling \$52.24 million in 2014 against a revised budget of \$55.97 million resulting in a savings of \$3.73 million or 7%. Details of expenditure against the budget estimates are provided in Table 35.2.

Table 35.2: Appropriation statement

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	11,008,341	(770,457)	10,237,884	7,971,839	2,266,045
2	Government Wage Earners	6,310,344	12,777	6,323,121	6,243,152	79,969
3	Travel & Communication	900,594	(55,393)	845,201	833,407	11,794
4	Maintenance & Operations	4,399,628	(132,413)	4,267,215	4,205,583	61,632
5	Purchase of Goods & Services	875,892	199,443	1,075,335	1,053,227	22,108
6	Operating Grants & Transfers	16,549,415	(3,907)	16,545,508	16,237,939	307,569
7	Special Expenditures	650,000	250,995	900,995	540,496	360,499
	Total Operating Costs	40,694,214	(498,955)	40,195,259	37,085,643	3,109,616
8	Construction	3,550,000	(12,180)	3,537,820	3,488,381	49,439
9	Purchases	3,408,709	57,180	3,465,889	3,208,307	257,582
10	Capital Grants & Transfers	6,250,000	---	6,250,000	5,990,927	259,073
	Total Capital Expenditure	13,208,709	45,000	13,253,709	12,687,615	566,094
13	Value Added Tax	2,067,928	453,955	2,521,883	2,471,259	50,624
	TOTAL EXPENDITURE	55,970,851	---	55,970,851	52,244,517	3,726,334

35.4 Statement of Losses

There was no loss of money or assets reported for the year ended 31 December 2014.

35.5 Trade and Manufacturing Account (TMA)

Table 35.3: Manufacturing Account

	2014 (\$)	2013 (\$)
Opening Raw materials	235,644	431,522
Add: Purchases	3,109,181	3,047,737
	3,344,825	3,479,259
Less: Closing Raw Materials	340,123	235,644
Raw Materials Used	3,004,702	3,243,615
Direct Labour	3,176,476	4,432,884
Opening Work in Progress	25,327	---
	6,206,505	7,676,499
Less: Closing Work in Progress	85,605	25,327
Cost of Goods Manufactured transferred to Trading Account	6,120,900	7,651,172

Table 35.4: Trading Account

	2014 (\$)	2013 (\$)
Sales	9,004,949	9,126,417
Finished Goods (01/01/14)	146,817	296,180
Add: Cost of Manufactured Goods	6,120,900	7,651,172
Cost of goods available for sale	6,267,717	7,947,352
Less: Finished Goods (31/12/13)	277,392	146,817
Cost of Goods Sold	5,990,325	7,800,535

	2014 (\$)	2013 (\$)
Gross Profit transferred to Profit & Loss	3,014,624	1,325,882

Table 35.5: Profit & Loss Statement

	2014 (\$)	2013 (\$)
Income		
Gross Profit transferred from Trading A/C	3,014,624	1,325,882
Other income	1,115	307
OPR from previous years	---	---
Total Income	3,015,739	1,326,189
Expenses		
Travel and communications	194,299	189,541
Maintenance and operation	1,670,951	1,748,626
Purchase of Goods and Services	16,590	26,882
Special Expenses	1,338	1,296
Rent & Hire	---	576
Total Expenses	1,883,178	1,966,921
Net Profit/(Loss)	1,132,561	(640,732)

Table 35.6: TMA Balance Sheet

	2014 (\$)	2013 (\$)
Liabilities		
Deposits, Deductions & Retention money	52,784	190,373
Accounts Payable	271,036	218,656
Total Liabilities	323,820	409,029
Equity		
TMA Accumulated Surplus	355,684	(781,117)
TMA Surplus	4,693,306	4,669,422
Total Equity	5,048,990	3,888,305
Total Equity and Liabilities	5,372,810	4,297,334
Assets		
Cash at Bank	2,555,211	1,785,350
Accounts Receivable	2,114,179	2,104,195
Inventory	703,120	407,789
Total Assets	5,372,810	4,297,334

PART B: AUDIT FINDINGS

35.6 Payments to Plant Hire

The Accounting Head must not certify a payment as correct unless they are satisfied that:

- it is in accordance with an LPO, indent, contract, invoice, statement or other authorisation;
- there is documentation that the goods, services or works have been received;
- sufficient uncommitted funds are available for payment of the account;
- the account is not fraudulent and has not been previously paid;
- the expenditure account it is charged to is correct.¹

¹ Ministry of Works, Transport and Public Utilities Finance Manual 2013, Section 2.8.4

When the Ministry hire vehicles from the Plant Hire TMA, the Plant Pool approves the requests and allocates a driver for the job. The driver then fills out the daily running sheet which is certified by the Transport Officer. A debit note is then prepared detailing the total charges incurred which is certified by the Principal Engineer Mechanical and issued to the respective Sections of the Ministry for certification. The Section Heads certify that the charges are correct after which a debit note is issued to Accounts Section for payment.

In addition to other anomalies stated in Table 35.7, the audit also noted instances where payments were processed without all debit notes being certified by the Section Heads.

Table 35.7: Plant Hire Charges - Headquarters

Allocation	Date	Cheque No.	Particulars	Amount (\$)	Remarks
1-40501-99991-059113	41705	EFT 670	Payment for plant hire and driver's wages	18,913.41	<ul style="list-style-type: none"> • Copy of the actual job instruction was not attached to the payment voucher including the corresponding running sheet; • reasons for hiring vehicles and locations the vehicle travelled not stated; • normal and stand by rates were not stated; • total amount in debit notes was \$18,214.59 only; and • debit notes for \$8,917.62 were not certified.
1-40501-99991-020101 - \$1,856.32	41757	EFT 730	Payment for plant hire and driver's wages	18,398.47	<ul style="list-style-type: none"> • Copy of the actual job instruction was not provided including the corresponding running sheet; • reasons for hiring vehicles and locations the vehicle travelled not stated; • normal and stand by rates were not stated; and • debit notes for \$6,040.96 were not certified.
1-40501-99991-059113 - \$14,384.49					
1-40501-99991-130101 - \$2,157.66					
1-40501-99991-059113 - \$13,980.57	41767	EFT 776	Payment for plant hire and driver's wages	16,746.44	<ul style="list-style-type: none"> • Copy of the actual job instruction was not attached including the corresponding running sheet; • reasons for hiring vehicles and locations the vehicle travelled not stated; • normal and stand by rates were not stated; and • some debit notes were not certified.
1-40501-99991-130101 - \$2,097.08					
1-40501-99991-020101 - \$668.79					
1-40501-99991-059113 - \$12,544.43	41809	EFT 832	Payment for plant hire and driver's wages	16,265.53	<ul style="list-style-type: none"> • Copy of the actual job instruction was not attached including the corresponding running sheet; • reasons for hiring vehicles and locations the vehicle travelled
1-40501-99991-130101 - \$1,881.66					
1-40501-99991-020101 - \$1,839.44					

Allocation	Date	Cheque	Particulars	Amount	Remarks
					not stated; • normal and stand by rates were not stated; and • \$1,236.80 was not certified.

The findings indicate that payments were not reviewed by the Accounts Section before being processed in the FMIS general ledger. There is potential risk of unauthorised or fraudulent transactions passed in the FMIS general ledger.

Recommendations

- **It is recommended that all supporting documents are attached to the payment vouchers; however, if maintained separately, this should be indicated in the payment vouchers and provided for audit.**
- **Debit Notes should be properly certified before payments.**

Ministry's Comments

When charges are received by the Chief Engineer Mechanical it is then checked and then verified by the Payment Section. The Ministry has put in place a few measures which need to be adhered to including all supporting documents attached to the vouchers.

Measures are now in place to ensure that all vehicle runs are properly recorded and endorsed by the Transport officer and Divisional Heads. Also payment claims are verified by Senior Accountant prior to any payments

Measures are now in place to ensure that all Vehicle runs are properly monitored and recorded by respective HODs. All payment claims are verified by Accounting Heads prior to any payments. This has been verified by OAG.

35.7 Anomalies in Operating Trust Fund Account

Within three days of receiving the monthly general ledger reports from the Ministry of Finance, the ledger keeper shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.² Any errors or misallocations must be immediately adjusted by way of journal vouchers.³

Details of balances must be attached to the reconciliation statement.⁴ The trust officer shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents.⁵

Trust money is to be accounted for separately from public money and other money⁶, and by convention should always have credit balances. Thus, the Trust Fund Accounts should not at any time be overdrawn.⁷

² Ministry of Works, Transport and Public Utilities Finance Manual 2013, Section 16.3.3

³ Ministry of Works, Transport and Public Utilities Finance Manual 2013, Section 16.3.4

⁴ Ministry of Works, Transport and Public Utilities Finance Manual 2013, Section 15.4.2

⁵ Ministry of Works, Transport and Public Utilities Finance Manual 2013, Section 15.4.3

⁶ Financial Management Act 2004, Section 25 (1)

⁷ Finance Circular No. 4/98 of 30/03/98

The trust fund officer shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents.⁸

Our review of records for the Operating Trust Fund Accounts revealed the following anomalies, most of which were recurring issues from previous years:

- Operating Trust Fund Account under Program 6 (former Department of Roads) was still an active account in 2014. There was a decrease in JC Retention Money allocation from 2013 to 2014 by \$10.35 million or 86%. The Ministry explained that these posting were not made by them. Questions raised with the Ministry of Finance regarding the transaction were not answered. This balance reflected in the FMIS general ledger could not be substantiated against any reconciliation.

Refer to Table 35.8 below for details.

Table 35.8: Operating Trust Fund Account under Program 6

Account No.	Account Description	Actuals 2014 (\$)	Actuals 2013 (\$)	Variance (\$)
1-40601-84999-861106	390 PD GOV WATER RATES	(758.50)	(758.50)	---
1-40601-84999-861920	501 PD EMPLOYEES FNPF	(23,288.08)	(23,288.08)	---
1-40601-91991-861920	501 PD EMPLOYEES FNPF	(154,365.28)	(154,365.28)	---
1-40601-84999-862102	JC RETENTION MONEY	(1,681,904.09)	(12,035,674.58)	10,353,770.49
1-40104-40999-861924	MPAISA	36.00	36.00	---
Total		(1,860,279.95)	(12,214,050.44)	10,353,770.49

- As at 31/12/14, the Departments/Divisions had significant balances in the Operating Trust Fund accounts. Debit balances signified overdrawn accounts while the credit balances indicated that payroll deductions were yet to be paid out to the relevant entities. The significant balances also indicated that these accounts were not properly cleared off. Refer to the Table 35.9 below for details.

Table 35.9: Significant credit and debit balances as at 31/12/14

Division	Amount (\$)
Headquarters	(1,205,034.59)
DE – Works Central Eastern	1,218,513.82
DE – Works Central Eastern TMA 263	182,428.02
DE – Works Central Eastern TMA 251	72,642.89
DE – Works Western	(12,365.26)
DE – Works Northern	547,210.83
Meteorology	(23,427.38)

- The closing balances of the Department of Work's Operating Trust Fund account reconciliation statement did not reconcile with the FMIS general ledger as at 31 December 2014. Refer to the Table 35.10 below for details:

Table 35.10: Variance between Reconciliation Statement and the FMIS General Ledger

Allocation No.	Account Description	FMIS GL (\$)	Reconciliation (\$)	Variance (\$)
Divisional Engineer - Central Eastern TMA 263				
4-40263-91011-863201	VAT ON REVENUE	237,508.73	---	237,508.73

⁸ Ministry of Works, Transport and Public Utilities Finance Manual 2013, Section 15.4.3

Allocation No.	Account Description	FMIS GL (\$)	Reconciliation (\$)	Variance (\$)
Divisional Engineer - Central Eastern TMA 251				
4-40251-91011-863201	VAT ON REVENUE	75,496.45	---	75,496.45

The Division has failed to account for VAT on revenue in its reconciliation which has resulted in the variances between the FMIS general ledger and reconciliation statements.

- A significant number of accounts had debit closing balances implying that they were overdrawn as at 31 December 2014. The Ministry failed to provide any satisfactory explanations for the overdrawn accounts. Refer to Appendix 35.1 for details.
- The details of a number of Operating Trust were not provided in the reconciliation statement for December nor were documents provided during the audit to support the balances. Refer to Table 35.11 below for details.

Table 35.11: Operating Trust Fund Account without Details

Account No.	Account Description	Amount (\$)	Total (\$)
Headquarters			
1-40501-83999-860101	SECURITY DEPOSITS	(13,209.05)	
1-40501-83999-860103	TENDER DEPOSITS	(951,202.35)	
1-40501-83999-861901	201 PD TAX ARREARS / PAYE	(197,457.85)	
1-40501-83999-861920	501 PD EMPLOYEES FNPf	(24,545.02)	
1-40501-83999-862101	AP RETENTION MONEY	(12,576.18)	
1-40501-83999-863201	VAT ON REVENUE	(5,573.30)	(1,204,563.75)
Divisional Engineer Northern			
1-40501-97991-861106	390 PD GOV WATER RATES CHRGS	29,509.61	
1-40501-97991-861202	241 PD CMLA	26,095.87	
1-40501-97991-861204	PAYROL DEDUCTIONS-LICI	6,821.55	
1-40501-97991-861920	501 PD EMPLOYEES FNPf	475,626.11	538,053.14

The above anomalies imply ineffective controls and lack of supervisory checks in the Accounts Section. This also indicates that the reconciliation process was not effectively performed.

Recommendations

The Ministry should:

- strengthen the monthly reconciliation process to mitigate the various anomalies;
- ensure that monthly reconciliations are carried out properly and accurately and Accounts Officers should be proactive in investigating and resolving un-reconciled balances;
- ensure that errors and discrepancies in the reconciliation statements are corrected promptly before subsequent month's reconciliation statement is prepared; and
- ensure that overdrawn accounts are investigated with appropriate actions taken.

Ministry's Comments

Operating Trust Fund Account under Program 6

The Ministry has written to MOF requesting for the write off of the unsubstantiated debits and credits under Head 40 Program 6 [Department of National Roads] since they were no longer in operation. Furthermore the Ministry has requested for deactivation of the respective GL accounts under Program 6

Significant Credit and Debit Balances as at 31/12/14

These balances include figures from past years which could not be verified due to insufficient records. These balances will be further verified and submitted to MOF for write off.

Variance between Reconciliation Statement and FMIS General Ledger

Ministry had been working with MoF - Asset Management Unit [AMU] to address the VAT on Revenue for TMA operations. AMU is currently liaising with FRCA to address and rectify this.

Overdrawn Trust Fund Account

These balances include figures from past years which could not be verified due to insufficient records. These balances will be further verified and submitted to MOF for write off.

Operating Trust Fund Account without Details

These balances include figures from past years which could not be verified due to insufficient records. These balances will be further verified and submitted to MOF for write off.

Ministry had conducted training on all reconciliations with assistance from MoF and currently carries out all reconciliation's whereby all variances are accounted for. All variances which had been carried forward over the past years and could not be reconciled have been included in the write off submission to MoF.

Ministry ensures that all debit and credit transactions are accurately accounted and variances cleared in the following month's reconciliation.

35.8 Other Prior Year Recurring Issues

A number of significant issues were raised with recommendations for improvements in previous years' audits. While some issues have been rectified, some issues have yet to be resolved or are the process of being resolved. These recurring issues make up the major component of this report.

Refer to the Table 35.12 below for details

Table 35.12: Prior Year Issues

Issues	Recommendations	Current Status	Ministry's Proposed Action/Comments
Unsubstantiated TMA Balances			
<p>The Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the balances reflected in the TMA Balance Sheet. As a result, audit was not able to ascertain the correctness of these accounts:</p> <ul style="list-style-type: none"> • TMA Accumulated Surplus • TMA Surplus • Accounts Receivable • Accounts Payable • Deposits & Deductions <p>There was un-reconciled difference between the FMIS general ledger and the TMA bank reconciliation for cash at bank. Therefore, the audit was unable to ascertain the accuracy and completeness of the TMA Cash at Bank as shown in the TMA Balance Sheet.</p> <p>Refer to Table 35.6 for balances of the accounts for 2014.</p>	<ul style="list-style-type: none"> • Details of the TMA Accumulated Surplus and TMA Surplus as reflected in the consolidated TMA Balance Sheet should be provided for audit. • It is recommended that the draft Agency Financial Statements, including the Trading and Manufacturing Accounts are thoroughly checked, balances substantiated and clarified with the Ministry of Finance before they are submitted for audit; • Accounts Officers should be proactive in dealing with issues concerning TMAs, that is, seek out explanations and liaise with the Ministry of Finance to resolve long outstanding issues regarding 	<p>Open – Some progress have been made towards resolving the issue. However, this remained as qualifications in the 2014 Auditor's Report.</p>	<p>1. <i>The Ministry has reconciled the TMA variances which are now being verified by Ministry of Finance (MoF) – AMU. These include Accounts Receivable, Accounts Payable and Deposits and Deductions. The exercise this will enable the Ministry to correctly verify and substantiate the TMA variance under the 2015 Agency Financial Statements. Upon completion of the exercise, the Ministry would be able to:</i></p> <ul style="list-style-type: none"> • <i>Substantiate all past years (including 2006 -2010) TMA variances</i> • <i>Ensure that no qualification on the same issue in 2015 AFS</i> <p><i>Due to magnitude of the transactions from the inception, MoF – AMU spent almost 2 days to reconcile the records for January 2007 only. This exercise will take at least a month to complete.</i></p>

Issues	Recommendations	Current Status	Ministry's Proposed Action/Comments
	<p>the records that would support the balances for TMAs.</p> <ul style="list-style-type: none"> The Ministry should consider maintaining separate cash ledgers in the FMIS for the separate TMA's; and The Ministry should ensure all cash balances, accounts receivables, deposits and deductions, and equity is properly reflected in the Financial Statement. 		<p>2. <i>The un-reconciled variance appearing in the AFS Cash at Bank, relates to the previous year's (2006 – 2010) which includes misappropriation that is under Fiji Independent Commission against Corruption (FICAC) investigation and pending court's decision.</i></p>
Program 6 General Ledger Accounts			
<p>Prior to the establishment of the Fiji Roads Authority (FRA) in 2012, the budget/activities of the Department of Roads were captured under Program 6 of Appropriation Head 40.</p> <p>Accounts and allocations in the FMIS general ledger under Program 6 remained active after the establishment of the FRA.</p>	<p>The Ministry should:</p> <ul style="list-style-type: none"> liaise with Ministry of Finance to deactivate these allocations; ensure that transactions posted to the general ledger (FMIS) are supported with documentary evidences; seek clarifications from the Ministry of Finance on allocations under its Head that it cannot explain and obtain records to substantiate the balances; and investigate why expenditures were charged to an allocation that should have been deactivated and without any budgetary allocation. 	<p>Open – some progress have been made towards resolving the issue.</p>	<p><i>These allocations were for Department of National Roads [DNR] which remained active after the closure of DNR. The Ministry has verified and written to MoF requesting for the write off of all Head 40 Program 6 allocations with balances.</i></p> <p><i>Some balances have been carried forward over the years and remained constant. The Ministry has included this in the write off submission to the MoF.</i></p>

Issues	Recommendations	Current Status	Ministry's Proposed Action/Comments																				
Drawings Account																							
<p>Un-reconciled variances were noted between the reconciliation statements and the FMIS general ledger. This was also noted in the 2014 audit as follows:</p> <table border="1"> <thead> <tr> <th>Department/Divisions</th><th>FMIS GL Figure (\$)</th><th>Reconciliation Statement (\$)</th><th>Variance (\$)</th></tr> </thead> <tbody> <tr> <td>Headquarters</td><td>(339,772.82)</td><td>(365,320.28)</td><td>(25,547.46)</td></tr> <tr> <td>Meteorology</td><td>(197,676.10)</td><td>(193,441.42)</td><td>(4,234.68)</td></tr> <tr> <td>Divisional Engineer Central Eastern (DECE)</td><td>(1,099,637.87)</td><td>(1,091,495.62)</td><td>(8,142.25)</td></tr> <tr> <td>Total</td><td>(1,637,086.79)</td><td>(1,650,257.32)</td><td>(37,924.39)</td></tr> </tbody> </table> <p>The drawings account reconciliations, which were performed by the Ministry of Finance, were not done on a monthly basis. For example, for the Divisional Engineer Central Eastern, the reconciliation of account was only prepared at year end.</p>	Department/Divisions	FMIS GL Figure (\$)	Reconciliation Statement (\$)	Variance (\$)	Headquarters	(339,772.82)	(365,320.28)	(25,547.46)	Meteorology	(197,676.10)	(193,441.42)	(4,234.68)	Divisional Engineer Central Eastern (DECE)	(1,099,637.87)	(1,091,495.62)	(8,142.25)	Total	(1,637,086.79)	(1,650,257.32)	(37,924.39)	<p>The Ministry should ensure that errors and discrepancies in the reconciliation statements are corrected promptly before subsequent month's reconciliation statement is prepared. The Ministry should seek assistance from the Ministry of Finance where necessary.</p>	<p>Open – some progress have been made towards resolving the issues.</p>	<p>Variance Between FMIS General Ledger and Reconciliation Statement: <i>The Ministry carried out its reconciliations through verification of the source documents against FMIS GL figures. However, MoF introduced and generated new drawings reconciliation through FMIS system whereby certain payments processed under Accounts Payable module were not captured in the GL during the time of system generated reconciliation, thus resulting in variances. MoF will be advised to regularize the variances.</i></p> <p>Bulk Reconciliation: <i>The Ministry carried out its reconciliations through verification of the source documents against FMIS GL figures. However MoF introduced and generated new drawings reconciliation through FMIS system whereby certain payments processed under Accounts Payable module were not captured in the GL during the time of system generated reconciliation, thus resulting in variances. MoF will be advised to regularize the variances.</i></p>
Department/Divisions	FMIS GL Figure (\$)	Reconciliation Statement (\$)	Variance (\$)																				
Headquarters	(339,772.82)	(365,320.28)	(25,547.46)																				
Meteorology	(197,676.10)	(193,441.42)	(4,234.68)																				
Divisional Engineer Central Eastern (DECE)	(1,099,637.87)	(1,091,495.62)	(8,142.25)																				
Total	(1,637,086.79)	(1,650,257.32)	(37,924.39)																				
Poor Maintenance of Accounting Records																							
<p>The audit noted that accounting records for the Divisions have been not maintained properly, which often resulted in records being misplaced and not produced for audit. This has yet to be fully resolved as evidenced from the anomalies identified during the 2014 audit, as follows:</p> <ul style="list-style-type: none"> For the Plumber Shop, the requisition numbers for wages and subsistence allowances were not recorded in the ledger. Therefore, audit was not able to identify which project these expenses were charged to. Therefore expenditures for all projects undertaken by the Plumber Shop were understated. 	<p>The Ministry should ensure that all Divisions comply with the Finance Manual with regards to maintenance and safe keeping of accounting records and their provision for audit purposes.</p>	<p>Open - Some progress have been made towards resolving the issues since reported in previous years.</p>	<p><i>All source documents and payment vouchers are now systematically stored for easy retrieval in the filing space.</i></p> <p><i>Manual Commitment and Expenditure ledgers are maintained and monthly reconciliations are carried out to ensure that accurate and reliable data are maintained at all times.</i></p>																				

Issues	Recommendations	Current Status	Ministry's Proposed Action/Comments
<p>In addition, requisition books were not produced for audit. Refer to Appendix 35.2 for examples. Accessing the requisition books during the audit is important for establishing audit trail as they are used as the primary references in the manual ledgers maintained at the Divisions. From the requisition books, the payment vouchers could then be extracted which would have other supporting documents pertaining to the payments. Explanation provided by the Chief Clerk - Plumber Shop was that the requisition books were jointly used by Plumber Shop and Building Section and the movements of the books between the two Sections resulted in the books being misplaced.</p> <ul style="list-style-type: none"> It was further noted that as at the date of audit,⁹ the ledger records at the DECE Joinery TMA were only updated up to August 2014. 			<p><i>The documents and records are now properly filed and stored according to sequence by the responsible officers to avoid misplacement of records and documents. HODs are encouraged to maintain proper record keeping and data storage.</i></p> <p><i>Monthly reconciliations are submitted to MoF as per MoF Table 5 deliverables and also in compliance with Ministry's 2015 Finance Manual.</i></p> <p><i>The Department has filed the requisitions mentioned in the Audit Report with all supporting documents attached in the payment vouchers. The requisition book copy has been misplaced due to movement of requisition book between Buildings and Plumber shop.</i></p> <p><i>The division has now put in place separate requisition books for each section. The Ministry also monitors stock register on a monthly basis.</i></p> <p><i>Each department are mandated to submit their monthly financial report including TMA management report with entity performance analysis.</i></p>

⁹ 26/01/15

Issues	Recommendations	Current Status	Ministry's Proposed Action/Comments
Job Allocations for Operating Fund Account Capital Projects			
<p>The audit noted that there was only one job allocation in the FMIS general ledger for all projects funded under the Operating Fund Account Capital Constructions. Consequently, the audit was not able to ascertain and confirm, from the FMIS general ledger the total expenditures incurred and paid for, for individual projects. For examples:</p> <ul style="list-style-type: none"> For the Electrification of Rural Government Stations, the expenses for the different projects were all charged to one expenditure allocation in the FMIS general ledger (1-40509-95214-080351) making it difficult to determine costs incurred by each of the five projects. In the manual ledger maintained by the Ministry, the same was also true and material and transport costs for different projects were only separated after enquiry from audit. The capital construction budget under the Maintenance and Operation of Public Buildings was \$3 million. These were for Repair and Upgrading of Public Buildings (\$1,000,000); Routine and Special Upgrading of Public Buildings (\$1,500,000); Water Supply and Sewer Line (\$500,000). All the Repair and Upgrade of Public Buildings projects carried out in the Central Division were charged to only one allocation (1-40502-95211-080229) in the FMIS general ledger. <p>All the Routine and Special Upgrade of Public Buildings projects were also charged to one allocation (1-40502-95211-080429) in the FMIS general ledger.</p>	<p>The Ministry should liaise with Ministry of Finance for the creation of project allocation for each project undertaken as this would assist in monitoring costs for individual projects to ensure that costs are contained with the budget allocated for each project.</p>	<p>Open - Some progress have been made towards resolving the issues since reported in previous years.</p>	<p><i>The FMIS GL system only allows 7 digits on allocation. The Ministry has consulted MoF on extending the allocation further to more than 7 digits but were told that the system only allow for 7 digits.</i></p> <p><i>The Divisions are keeping separate ledgers for different projects to distinguish the expenditure.</i></p> <p><i>Expenditures are also recorded in the weekly advice.</i></p> <p><i>OAG comments are noted. The ministry will formalise to MoF to facilitate the individual expenditure items for each project under fund control to avoid inter-funding. Currently the Ministry is maintaining manual ledgers and appropriate reconciliation for individual projects against the FMIS GL.</i></p>
Anomalies in Expenditure and Records – Building Section			
<ul style="list-style-type: none"> It was difficult to determine whether individual commitments have been paid as there were insufficient details provided in the ledgers. Payment voucher or cheque numbers were not recorded as references. Due to insufficient information in the Expenditure Ledgers, payments could not be verified to the FMIS general ledger. The requisition form and the schedule of 	<p>The Ministry should:</p> <ul style="list-style-type: none"> ensure proper maintenance of expenditure ledgers; ensure that adequate audit trail is maintained through clear documentation; 	<p>Open - Some progress have been made towards resolving the issues since reported in previous years.</p>	<p>Manual Commitment and Expenditure ledgers are maintained and monthly reconciliations are carried to ensure that accurate and reliable data are maintained at all times.</p> <p>Monthly reconciliations are submitted to MoF Table 5 deliverables and also in compliance</p>

Issues	Recommendations	Current Status	Ministry's Proposed Action/Comments
<p>bill details could not be verified to the FMIS as they were not system generated but manually processed.</p> <p>In addition, although space was provided for payment voucher details in the report prepared by the Buildings Section, these were not filled in. These were important details that needed to be documented because the requisition forms and the schedule of bills were attachments to the payment vouchers maintained with the Account Sections and were not primary documents for referencing.</p> <ul style="list-style-type: none"> The expenditures stated under each project in the Expenditure Ledgers may not be the actual cost of the project as unrelated costs or costs for other projected were charged to any accounts that have savings. 	<ul style="list-style-type: none"> implement an effective and efficient communication process between the Buildings and the Accounts Sections so that all necessary details are accurately updated in the respective expenditure ledgers; ensure that all expenditure incurred for a particular project are charged to their respective project allocations; and monitor project expenditure at regular intervals. 		<p>with the Ministry's 2015 Finance Manual.</p> <p>As per recommendation by OAG cheque numbers are now included in the manual ledgers for ease of reference.</p>

Appendix 35.1: Overdrawn Trust Fund Accounts

Account No.	Account Description	Amount (\$)	Total (\$)
Headquarters			
1-40501-83999-861106	390 PD GOV WATER RATES CHRGS	45.00	
1-40501-83999-861533	WESRAM FINANCE	0.10	
1-40501-83999-861923	PAYROLL UNIFORM DEDUCTION WORKS	557.75	
1-40501-83999-861924	MPAISA	70.00	672.85
Divisional Engineer Central Eastern TMA 263			
4-40263-91011-861599	XXX PD OTHERS0	2,215.00	2,215.00
Divisional Engineer Western			
1-40501-96991-861102	384 PD OPR PREVIOUS YEAR	6.00	
1-40501-96991-861104	208 PD RENT H/A UNEST	226.27	
1-40501-96991-861105	267 PD RENT PUBLIC RENTAL BRD	154.62	
1-40501-96991-861106	390 PD GOV WATER RATES CHRGS	130.97	
1-40501-96991-861206	246 PD MARSH & MCLENNAN	8.67	
1-40501-96991-861209	249 PD MARSH & MCLENNAN (HTH/P	13.53	
1-40501-96991-861307	264 PD HOME FINANCE CO	23.36	
1-40501-96991-861501	286 PD FIJI PUBLIC SERVICE ASS	114.00	
1-40501-96991-861507	293 PD SOCIETY OF HOSP. PHAM	48.75	
1-40501-96991-861525	316 PD SERVICE WORKER CU	360.00	
1-40501-96991-861536	HANDY FINANCE LIMITED	319.62	
1-40501-96991-861537	CARPENTERS FINANCE FIJI LTD	209.00	
1-40501-96991-861599	XXX PD OTHERS0	71.00	
1-40501-96991-861605	345 PD MAINT-BA	15.00	
1-40501-96991-861606	346 PD MAINT-LAUTOKA	40.00	
1-40501-96991-861901	201 PD TAX ARREARS / PAYE	10.00	
1-40501-96991-861911	385 PD SPORTS & SOCIAL	80.25	1,831.04
Divisional Engineer Northern			
1-40501-97991-861101	202 PD OPR CURRENT YEAR	312.62	
1-40501-97991-861106	390 PD GOV WATER RATES CHRGS	29,509.61	
1-40501-97991-861202	241 PD CMLA	26,095.87	
1-40501-97991-861204	PAYROL DEDUCTIONS-LICI	6,821.55	
1-40501-97991-861501	286 PD FIJI PUBLIC SERVICE ASS	24.08	
1-40501-97991-861525	316 PD SERVICE WORKER CU	71.39	
1-40501-97991-861533	WESRAM FINANCE	170.00	
1-40501-97991-861536	HANDY FINANCE LIMITED	744.67	
1-40501-97991-861599	PAYROL DEDUCTIONS -OTHERS	31.00	
1-40501-97991-861899	440 PD FIXED RENT	147.44	
1-40501-97991-861901	201 PD TAX ARREARS / PAYE	3,563.28	
1-40501-97991-861911	385 PD SPORTS & SOCIAL	5,116.74	
1-40501-97991-861920	501 PD EMPLOYEES FNPF	475,626.11	548,234.36
Total			552,953.25

Appendix 35.2: Requisition Books Not Provided for Audit.

Number	Account Description	Requisition No.	Amount (\$)
4-40252-91011-260101	Material (Purchases)	633981	264.87
		633982	101.06
		633975	113.48
		633978	212.74
		654358	209.56
		633976	333.04
		633973	368.43
		633972	71.58
		633970	1,775.02
		633974	636.17
		633919	78.7
		633980	435.46
		633969	78.7
		633974	95.43
		633971	150.91
		633977	350.95
		634011	1,269.55
		651127	939.14
		651128	204
		651129	366.96
		651130	62.78
		651131	3,415.65
		651132	73.11
		633979	728.91
		951129	366.96
		651128	266.78
		633977	332.95
		633978	113.48
		634030	13,043.31
		634016	324.2
		634037	3,056.39
		634042	69.56
		634043	1,522.69
		654913	78.26
		651130/651128	266.78
Total			31,777.56

Section 36

Ministry of Public Utilities & Energy

Roles and Responsibilities

The Ministry of Public Utilities and Energy is responsible for formulating policies in the Energy and Water and Sewerage sectors and the establishment of a responsive legal framework to govern the development of essential services.

The Department of Energy will focus on accelerating electricity infrastructure development to expedite the provision of electricity services to the rural population. These include assisting rural communities with connections to FEA electricity network, provision of stand-alone diesel generator and where there are sufficient resources for renewable energy technologies (evaluated after resource analysis) installation of either wind, hydro, biomass or standalone solar home systems. The Department addresses four key strategic areas namely: Energy Security; Energy Planning; Power Sector and Renewable Energy.

The Department of Water and Sewerage is the regulatory arm of the water and sewerage sector to oversee the provision of safe drinking water and an efficient sanitation service is provided to all communities. The establishment of a legal framework on the regulatory and quality control function will be pursued thus ensuring the best services are provided by the relevant agencies. In addition, the department will embark on research and development works relevant to water and sewerage technologies.

Table of Contents

PART A: FINANCIAL STATEMENT	1
36.1 Audit Opinion.....	1
36.2 Statement of Receipts and Expenditure.....	2
36.3 Appropriation Statement.....	3
36.4 Statement of Losses	4
36.5 Trust Fund Account Statement of Receipts and Payments	4
PART B: AUDIT FINDINGS.....	5
DEPARTMENT OF WATER AND SEWERAGE.....	5
36.6 Separate Trust Fund Account for Security and Retention Deposits	5
36.7 National Water and Sanitation Database	5
DEPARTMENT OF ENERGY	6
36.8 Main Trust Fund Account Balance – Department of Energy	6
36.9 Supply, Installation and Rehabilitation Works of Solar Home System.....	7
36.10 No Agreement with FEA	9
36.11 Accounting for Retention Sum	9

PART A: FINANCIAL STATEMENT

36.1 Audit Opinion

The audit of the 2014 accounts of the Ministry of Public Utilities and Energy resulted in the issue of a qualified audit report.

The basis of qualification was:

1. An un-reconciled variance of \$1,189,645.65 exists in the Department of Energy's Main Trust Fund Account Statement of Receipts and Payments and the general ledger (FMIS) balance as at 31 December 2014. As a result, I was not able to substantiate the correctness of the Main Trust Fund Account balance of \$2,154,797 as at 31 December 2014.
2. The Department of Water & Sewerage maintained security deposits totalling \$1,161,883.81 as at 31 December 2014 in the Operating Trust Fund Account. The security deposits were received from the contractors engaged in water and sewerage projects. The Department did not maintain a Main Trust Fund Account and a separate bank account for the security deposits. As a result, the Statement of Receipts and Payments for the security deposits were not disclosed in the Special Purpose Financial Statements.

36.2 Statement of Receipts and Expenditure

The Ministry of Public Utilities and Energy collected revenue amounting to \$11,239 and incurred total expenditure of \$169,353,186 in 2014.

Table 36.1: Statement of Receipts and Expenditure for 2014

Particulars	2014 (\$)	2013 (\$)
RECEIPTS		
State Revenue		
Recovery of OPR in Previous Years	224	---
Commission Revenue	1,984	1,177
Total State Revenue	2,208	1,177
Agency Revenue		
Miscellaneous Revenue & Fees	9,031	16,519
Total Agency Revenue	9,031	16,519
TOTAL RECEIPTS	11,239	17,696
EXPENDITURE		
Operating Expenditure		
Established Staff	1,609,279	1,312,278
Government Wage Earners	140,902	130,070
Travel & Communication	147,697	125,334
Maintenance & Operations	247,521	251,811
Purchase of Goods & Services	359,237	272,448
Operating Grants & Transfers	58,587,841	57,619,076
Special Expenditure	350,987	979,156
Total Operating Expenditure	61,443,464	60,690,173
Capital Expenditure		
Construction	12,504,559	2,270,598
Purchases	95,082	1,604,597
Grants & Transfers	93,278,090	61,472,385
Total Capital Expenditure	105,877,731	65,347,580
Value Added Tax	2,031,991	1,013,548
TOTAL EXPENDITURE	169,353,186	127,051,301

The Ministry's State Revenue increased by \$1,031 or 87.6% compared to 2013 due to increase in commission revenue and OPR in previous years while the Agency Revenue decreased by \$7,488 or 45.3% in 2014 compared to 2013 due to the reversal of stale cheques for the current year that was adjusted in the same current year.

The Ministry's total expenditure increased by \$42,301,885 or 33.3% in 2014 compared to 2013 as a result of the followings:

- The Established Staff costs increased by \$297,001 or 22.6% in 2014 compared to 2013. This was mainly due to vacant posts being filled and 2014 pay rise for all civil servants as per PSC Circular No. 81/2013 dated 19/12/13
- The Government Wage Earner costs increased by \$10,832 or 8.3% in 2014 compared to 2013. This was mainly due to increase in payment of overtime for drivers who are severely involved in the provision of services to project officers to monitor the capital projects and pay rise for all civil servants as per PSC Circular No. 81/2013 dated 19/12/13.
- The Travel and Communication cost increased by \$22,363 or 17.8% in 2014 compared to 2013. This was mainly due to increase in payment of travel expenses for Project Staffs travelling to inspect Capital Projects at Main Island and Maritime Zones.
- The purchase of Goods and Services increased by \$86,789 or 31.9% in 2014 compared to 2013. This was due to the increase in expenses relating to advertising, promotions and training.
- The Operating Grants and Transfers increased by \$968,765 or 1.7% in 2014 compared to 2013, as there was an increase in operating grants for Water Authority of Fiji. This is fully controlled and administered by the Department of Public Enterprise and Public Sector Reform.
- The Capital Construction increased by \$10,233,961 or 450.7% in 2014 compared to 2013. This was mainly due to the inclusion of Grid Extension Projects namely; Rural Power Grid Extension - Tavua/Korovou – TFZ; Sauniwaqa Grid Extension – Nakasi; Koronubu/Nabau Grid Extension, Lewarua/Nasivikoro Grid Extension and Nakasa/Uluivalili Secondary School Grid Extension under Department of Energy's Budget.
- The Capital Grants and Transfers increased by \$31,805,705 or 51.7% in 2014 compared to 2013 due to the increase in capital grant for Water Authority of Fiji.
- The Value Added Tax increased by \$1,018,443 or 100.5% in 2014 compared to 2013. The increase was due to the increase in expenditure in other operating SEGs.

36.3 Appropriation Statement

The Ministry incurred actual expenditures totalling \$169,353,186 in 2014 against the revised budget of \$172,046,928 resulting in a savings of \$2,693,742 or 1.6%.

Table 36.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	1,694,430	---	1,694,430	1,609,279	85,151
2	Government Wage Earners	162,155	---	162,155	140,902	21,253
3	Travel & Communication	135,000	18,010	153,010	147,697	5,313
4	Maintenance & Operations	232,000	31,990	263,990	247,521	16,469
5	Purchase of Goods & Services	401,600	---	401,600	359,237	42,363
6	Operating Grants & Transfers	58,596,225	---	58,596,225	58,587,841	8,384
7	Special Expenditure	1,542,181	(50,000)	1,492,181	350,987	1,141,194
	Total Operating Costs	62,763,591	---	62,763,591	61,443,464	1,320,127
	Capital Expenditure					
8	Construction	15,435,000	(2,411,046)	13,023,954	12,504,559	519,395
9	Purchases	100,000	---	100,000	95,082	4,918
10	Grants & Transfers	91,277,470	2,411,046	93,688,516	93,278,090	410,426

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Total Capital Expenditure	106,812,470	---	106,812,470	105,877,731	934,739
13	Value Added Tax	2,470,867	---	2,470,867	2,031,991	438,876
	TOTAL EXPENDITURE	172,046,928	---	172,046,928	169,353,186	2,693,742

36.4 Statement of Losses

Loss of Money

The Ministry recorded a loss of \$6,144.20 through misappropriation of funds in the Department of Energy Trust Fund Account.

Loss (other than money)

The Board of Survey for 2014 was carried out for all the sections of the Ministry. The Board of Survey report is yet to be finalised and approved by Ministry of Finance as at the balance date.

36.5 Trust Fund Account Statement of Receipts and Payments

The Department of Energy Main Trust Fund Account had \$2,154,797 credit balance for the year 2014 compared to a credit balance of \$1,623,366 in 2013. Refer Table 36.3 for receipts and payments for the year ended 31/12/14.

Table 36.3: Trust Account Statement of Receipts & Payments for 2014

Particulars	2014 (\$)	2013 (\$)
RECEIPTS		
Solar Security Deposits	370,841	381,412
Hydro	193	11,229
FEA Grid/House Wiring Connection Fees	578,307	567,465
Biogas	4,473	3,696
Performance Bond	136,549	117,072
Diesel House Wiring and Maintenance Fees	6,866	36,362
Total Receipts	1,097,229	1,117,236
PAYMENTS		
Solar Maintenance	50,756	89,599
FEA Grid/House Wiring	460,389	280,024
FEA Connection Fees	36,339	4,151
Performance Bond Release	129	36,923
Diesel House Wiring and Maintenance	193	173
Bio Gas	17,992	1,567
Total Payments	565,798	412,437
Net Surplus	531,431	704,799
Balance as at 1 January	1,623,366	918,567
Closing Balance as at 31 December	2,154,797	1,623,366

PART B: AUDIT FINDINGS

DEPARTMENT OF WATER AND SEWERAGE

36.6 Separate Trust Fund Account for Security and Retention Deposits

Trust money is money that the agency is holding in trust. Trust money is to be kept in a separate bank account and accounted for separately from “public money” and “other money”. A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who must inform the bank of the agency of the officers authorised to operate the account.

The audit noted that the Department maintained security deposits totalling \$1,161,883.81 received from the contractors engaged in water and sewerage projects together with the Departments’ Operating Trust Fund account number 1-41201-85999-860101. As at 31/12/14, the Operating Trust Fund account had a balance of \$1,161,883.81 as security deposits.

The audit noted that the Department did not maintain a separate Main Trust Fund bank account for the security deposits received from the contractors. The security deposits received from the contractors were deposited into the Consolidated Fund account and recorded in the Operating Trust Fund account.

As a result, the Operating Trust Fund account was over stated by \$1,161,883.81.

Recommendation

The Department should liaise with the Ministry of Finance to open up a Main Trust Fund account for receipt and payment of security and retention deposit monies from the contractors.

Department’s Comments

The Retention Security Deposits existed with the Department of Water & Sewerage (prior to the formation of the establishment of Water Authority of Fiji) was still in existence before the transition period. This retention security deposit is a non-cash deposit received from the contractors but instead is the sum retained from the contract sum which is payable to the Contractor after completion of the project and its defect liability period.

The sum of \$1,161,883.81 has been retained in Operating Trust under DWS which doesn’t have any budgetary provision under 2015 Budget.

Furthermore, the Ministry has not received any claims for payment of retention over the past 3 years hence recommend that the sum to be written off. The Ministry has submitted a memorandum to the Ministry of Finance (MOF) requesting for write-off of retention security deposit for the Department of Water & Sewerage. A copy of the same has also been forwarded to the Auditor General’s office for verification. Ministry of Finance has confirmed via email that they will be compiling and submitting a write off submission to the Minister for Finance for the whole of Government before the end of 2015.

36.7 National Water and Sanitation Database

The Department in line with the National Water Resource and Sanitation Policy worked on a plan to implement a National Water and Sanitation Database. The objective of the database was to provide real time information about water and sanitation management in Fiji.

The Department paid \$12,696 in 2014 to ITC services to develop National Water and Sanitation database. The database was to have been implemented in July 2014. The audit noted that ITC services completed the development of the database in June 2015. The project was delayed by 11 months.

The audit further noted that the Department was not able to access the database due to connectivity limitations. Hence the Department was not able to use the database.

According to the Technical Officer Water and Sewerage, (EDP Number 93165) the development of the database was delayed mainly due to the difficulty in identifying the different types of information available and integrating those information into the database. The Department had to continuously amend the database to enable it to capture all the information available.

The findings indicate that the Department did not properly plan for the development of the database. The database developed is not in use and resulted in the waste of public funds.

Recommendations

The Department should:

- **carry out a feasibility study and properly plan for such works in future; and**
- **liaise with ITC to resolve the connectivity problem.**

Department's Comment

The recommendation in the Audit report is duly noted and the department will ensure a feasibility study is carried out for any such work in the future.

In regards to the internet connection for the department, the ministry IT section is finalising works for the provision of internet for Department staffs.

Arrangements are currently in place for the relocation of the Department to Level 3 Nasilivata House which is now currently being refurbished. The refurbishment works also include IT data and voice cabling hence this will solve the Internet connectivity problems that currently exist and enable access to the database server.

DEPARTMENT OF ENERGY

36.8 Main Trust Fund Account Balance – Department of Energy

Within 5 days after the end of each month, the accounts officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹

All bank accounts shall be reconciled monthly. The bank reconciliation shall list the outstanding cheques and be signed and dated by the responsible officer.²

The Department of Energy's Main Trust Fund account had a balance of \$3,344,442.98 in FMIS general ledger while the Statement of Receipts and Payments had a balance of \$2,154,797.33 as at 31/12/14. The audit noted that the Department failed to reconcile the Statement of Receipts and Payments balances with the Main Trust Fund General Ledger (FMIS) balance as at 31/12/14.

¹ Ministry of Works, Transport & Public Utilities Finance Manual 2012 Section 15.4.1

² Section 39 (5) – Finance Instruction 2005

As a result the Department had an unreconciled variance of \$1,189,645.65 between the Main Trust Fund account general ledger and the Statement of Receipts and Payments balance as at 31/12/14. Refer to Table 36.4 below for details.

Table 36.4: Variances in Energy Main Trust Fund Account

Balance as per Statement of Receipts and Payments (\$)	Balance as per Main Trust Fund Ledger (FMIS) (\$)	Variance (\$)
2,154,797.33	3,344,442.98	1,189,645.65

Furthermore, the audit noted that the Department had prepared monthly bank reconciliation for the Main Trust Fund account. However the audit failed to ascertain the accuracy and completeness of the bank reconciliation as the reconciliations were not prepared and audited prior to 2014.

The finding indicates that proper reconciliations were not carried out by the Department. 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 Department should:

- **investigate these variances in the Main Trust Funds and take appropriate action; and**
- **strengthen internal control procedures in the Accounts Section to avoid such discrepancies.**

Department's Comments³

The Ministry has reconciled the variance of \$1,189,645.65 from the inception of the trust fund account for the Department of Energy. A sum of \$1,026,976.66 has been identified as mispostings by the Ministry of Provincial Development over the years from 2009. In consultation with the Ministry of Finance, Whole of Government (WOG) financial statements for 2014 have been completed and submitted to Minister for Finance for endorsement hence the above mispostings will be adjusted in 2015 financial year.

Furthermore, a remaining balance of \$162,668.34 has been identified which were lodged into the Consolidated Fund Account (CFA) instead of Department of Energy Trust Fund Bank Account by Ministry of Provincial Development.

A submission has been made to the Ministry of Finance to transfer this sum from CFA to DOE Trust Account to cater for any refund; should there be a need to facilitate refund to the communities which may come forward with documentary evidence of their payments.

36.9 Supply, Installation and Rehabilitation Works of Solar Home System

The GTB in its meeting held on 11/10/13 approved to award the Contract for installation of Solar Home Lighting System for rehabilitation works at Yasawa, Bua and Macuata to Powerlite Generators at a cost of \$24,886. The contract agreement was signed on 28/02/14.

³ Management comments has been edited for presentation purpose
Ministry of Public Utilities & Energy

The contract was for the installation of Solar Home Lighting System for 76 households in Yasawa, 45 households in Bua and 22 households in Macuata. According to the contract agreement, the Contractor was to be paid \$14,931.60 or 60% of the contract amount after completing the wiring of houses in Yasawa and Bua.

However the Department paid 60% of the contract amount totalling \$14,931.60 to the Contractor on 02/09/14 despite the inspection report dated 25/4/14 stated that 11 houses in Yasawa and 2 houses in Bua were not wired due to poor structure of the houses.

The Department could not provide the cost of wiring per household, hence the audit could not calculate the amount overpaid to the Contractor for not wiring all the houses in Yasawa and Bua.

The above finding indicated that payments were processed without considering the progress of the projects. This indicates laxity on the part of the project management team and the Director of Energy. Failure by the Department to properly monitor the installation works has resulted in overpayment to the Contractor and loss of public funds.

Recommendations

The Department should take disciplinary action against officers responsible for laxity on their part despite the overpaid amount been recovered.

Department's Comments

Government Tender Board approved the award for CTN 74/2013 for Supply & Installation of Solar Home Lighting Systems to Powerlite Fiji Ltd at the cost of \$166,676 for rehabilitation works at Yasawa, Bua and Macuata. The total cost for supply amounting to \$141,790 has been made by the Department to Powerlite. For the installation works, the department has the retention component \$1,244.30 and Performance Bond of \$3,732.90 retained with the department totaling to \$4,977.20.

The details of the Overpayment are as follows:

CTN 74_2013 Technical and Cost Evaluation Results Summary												
Company	Technical Evaluation				Cost Evaluation						Total Scores (100%)	Ranking
	1st step scores (30%)	2nd step scores (40%)	3rd Step scores (20%)	Total (90%)	Supply Cost (FJ\$VIP)	Installation Labour Cost (FJ\$VIP)	Installation Transport Cost (FJ\$VIP)	Total Installation Cost (FJ\$VIP)	Total Supply and Installation (FJ\$VIP)	Scores based on Supply Installation Cost (10%)		
Powerlite Offer 1	30	40	20	90	144,217.02	14,058.75	10,827.25	24,886.00	\$169,103.02	5	95	2
Powerlite Offer 4	30	40	20	90	141,790.00	14,058.75	10,827.25	24,886.00	\$166,676.00	5	95	1
DOE estimate									\$276,390.50	5		
Average conforming price									\$167,889.51			

Table 4: Evaluation Results Summary

Cost of overpayment = [Total Labor Cost for Installation / No. of houses] * No. of houses not installed
 Cost of overpayment = \$14,058.75 / 143 * 13
 = \$1,278.07 (Unused Labor Cost for 13 houses)

The sum of \$1,278.07 will be deducted from the Contractor's remaining balance of retention and Performance Bond amount before end of 3rd quarter, 2015.

36.10 No Agreement with FEA

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.

All Government contracts must be prepared by the organization and should be vetted by the Solicitor General.⁴ The contract must clearly outline all the necessary terms and conditions of the agreement.

The GTB in its meeting held on 03/09/14 approved to award the contract for Grid Extension for the Lewarua/Nasivikoso Project to Fiji Electricity Authority (FEA) at a cost of \$600,000 (VIP). The Department made an advance payment of \$600,000 on 17/11/14 to FEA for the Grid Extension Project.

The audit noted that the Department did not have a written contract agreement between Fiji Electricity Authority and the Department to carry out the Grid Extension for the Lewarua/Nasivikoso Project. In addition, as at the date of audit⁵, FEA had not commenced with the Grid Extension Project.

The findings indicate that government's interest are not fully protected which may result in loss of public funds. In absence of a contract agreement the Department may not be able to take any action against FEA for delays or non-performance.

Recommendations

The Department should:

- **Ensure that an agreement is entered into with FEA for the Grid Extension Project; and**
- **Instigate disciplinary action against officers responsible for making advance payment without a contract agreement.**

Department's Comments

Your comments have been noted; the Grid Extension for the Lewarua/Nasivikoso Project is co-funded between DOE and FEA on 50% basis without increase in cost.

FEA is the Sole supplier in this case who reports to the Permanent Secretary for Ministry of Infrastructure & Transport.

The contract has been vetted by SGs office on 17/3/2015 and will be signed in due course.

The Ministry has put in place a Checklist for Major Project payments that is strictly adhered to and complies with the MoIT 2015 Finance Manual, Procurement Regulation, Finance Instructions and Financial Management Act 2004 and other Finance Circulars governing the financial operation of the department

36.11 Accounting for Retention Sum

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

⁴ PSC Circular No 23/2001

⁵ 08/5/15

The Department carried out several capital projects during the year 2014. The progress payment was made to the Contractors after subtracting the retention sum. However, the amount deducted as retention sum was not deposited into a Trust Fund account and remained in the Department's budget allocation.

In addition the retention sum held by the Department for the capital projects was not recorded in the FMIS general ledger. Refer to Table 36.5 for examples of contracts for which retention sums were deducted and maintained within the budgetary allocation.

Table 36.5: Examples of Contract for which Retention Sums were deducted

Contract Number	Contract	Contract Sum (\$)	Percentage of Retention	Retention Amount (\$)
CTN 76	Installation of 1,200 Solar Home System	251,255.00	5	12,562.75
CTN 101	Contract for FEA House Wiring projects	261,740.44	10	26,174.04
		254,833.50	10	25,483.35
		134,028.09	10	13,402.81
CTN 160	Contract for FEA House Wiring projects	353,648.50	10	35,364.85
		80,706.84	10	8,070.68
		288,429.47	10	28,842.95
CTN 74	Contract for Installation of Solar Home System in Yasawa, Bua and Macuata	24,886.00	5	1,244.30
CTN 100	Contract for Diesel Underground Reticulation & House Wiring Project	661,714.00	10	\$66,171.40
		50,426.00	10	5,042.60
CTN 144	Contract for Seqaqa Dreketi FEA House wiring projects	246,113.00	10	24,611.30
		244,490.00	10	24,449.00
		181,076.00	10	18,107.60
		62,922.00	10	6,292.20

The above finding indicates that the proper procedures were not followed for retention sum held for the capital projects.

There is a risk that the Department may not have sufficient funds available when defect liability period ends and retention payments fall due.

Recommendations

The Department should:

- **liaise with Ministry of Finance to open a separate general ledger allocation to record the retention funds and deposit the retention sum into the existing Department of Energy Trust Fund Account; or**
- **open a separate Trust Fund account to deposit the retention sum.**

Department's Comments

We have noted your comments; the department will retain all the Retention Sum of the projects into Trust Fund Bank Account for projects whose retention sum is due in the next accounting period (2016).

Contract Number	Contract	Contract Sum (\$)	Percentage of Retention	Retention Amount (\$)	Remarks
CTN 76	Installation of 1,200 Solar Home System	251,255.00	5	12,562.75	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
CTN 101	Contract for FEA House Wiring Projects	261,740.44	10	26,174.04	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
		254,833.50	10	25,483.35	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
		134,028.09	10	13,402.81	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
CTN 160	Contract for FEA House Wiring Projects	353,648.50	10	35,364.85	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
		80,706.84	10	8,070.68	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
		288,429.47	10	28,842.95	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
CTN 100	Contract for Diesel Underground Reticulation & House Wiring Project	661,714.00	10	66,171	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
		50,426.00	10	5,042	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
CTN 144	Contract for Seqaqa/ Dreketi FEA House Wiring Projects	246,113.00	10	24,611	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
		244,490.00	10	24,449	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
		181,076.00	10	18,107	The Retention component will be transferred to Trust Fund Bank Account in 2015 after completion of 90% of the said works
		62,922.00	10	6,292	The Retention component will be transferred to Trust Fund Bank

<i>Contract Number</i>	<i>Contract</i>	<i>Contract Sum (\$)</i>	<i>Percentage of Retention</i>	<i>Retention Amount (\$)</i>	<i>Remarks</i>
					<i>Account in 2015 after completion of 90% of the said works</i>

The Ministry has put in place a Checklist for Major Project payments that is strictly adhered to and complies with the MoIT 2015 Finance Manual, Procurement Regulation, Finance Instructions and Financial Management Act 2004 and other Finance Circulars governing the financial operation of the department.

Section 37**Government Shipping Services****Programme Statement**

The Government Shipping Services is responsible for the promotion and facilitation, in accordance with government policies and priorities, the national need for sea transportation.

This is through the provision of shipping and marine navigational aids services, meeting Fiji's obligation to international maritime conventions and the maritime community.

In recognition of the inter relationship between sea transportation and the wider economy, these services play an important role in the development of urban, rural islands and coastal economies on a sustainable basis aimed at maximising the contribution of the respective sectors to the national economy, thereby improving the standards of living of all people throughout Fiji.

Table of Contents

PART A: FINANCIAL STATEMENTS	1
37.1 Audit Opinion.....	1
37.2 Statement of Receipts and Expenditure.....	1
37.3 Appropriation Statement.....	2

PART A: FINANCIAL STATEMENTS**37.1 Audit Opinion**

The audit of the 2014 accounts of the Government Shipping Services resulted in the issue of an unqualified audit report.

37.2 Statement of Receipts and Expenditure

The Department collected revenue totalling \$118,191 and incurred a total expenditure of \$17.8 million in 2014.

Table 37.1: Statement of Receipts and Expenditures for 2014

Description	2014 (\$)	2013 (\$)
State Revenue		
Fare and Freight Charges	89,060	72,392
Miscellaneous	29,131	3,044
TOTAL REVENUE	118,191	75,436

Description	2014 (\$)	2013 (\$)
Operating Costs		
Established staff	976,508	851,437
Government Wage Earners	1,753,139	1,672,799
Travel and communications	45,173	100,376
Maintenance & operations	3,787,972	2,619,394
Purchase of goods and services	208,795	169,027
Operating grants and transfers	---	1,092,570
Special Expenditure	86,087	---
Total Operating Costs	6,857,674	6,505,603
Capital Expenditure		
Capital Construction	263,982	874,847
Capital Purchases	8,616,154	4,877,347
Total Capital Expenditure	8,880,136	5,752,194
Value Added Tax	2,034,496	735,065
TOTAL EXPENDITURE	17,772,306	12,992,862

The Department recorded an increase in revenue by 57% compared to 2013. This is attributable to increase in fare and freight charges by 23% and increase in miscellaneous revenue due to the reversal of stale cheques and voided per diem allowances of \$17,418.

Overall total expenditure increased by \$4.8 million or 37% compared to 2013 and was primarily due to the following:

- Filling of vacant positions and pay rise in 2014 for civil servants as per PSC Circular No. 81/2013 led to the increase in expenditures for Established Staff and Government Wage Earners.
- Higher budget in 2014 resulted in increased maintenance and operations expenses by 45%. The expenses were incurred for the repair and maintenance of vessels, operational equipment and for purchases of fuel and oil.
- The special expenditure incurred relate to consultancy fees for the Job Evaluation Exercise. Funds were vired from SEG 2 based on Cabinet Decision No. 291 of 03/10/2013.
- Capital Purchase increased by \$3.7 million or 77%. Two vessels, namely the MV Sigavou and MV Vunilagi, were procured in 2014.
- Value Added Tax increased by 177% as a result of proportional to increase in expenditures.

The budget for the Franchise Shipping Scheme was allocated to the Transport Planning Unit under the Ministry of Works and Transport (Head 40), thus the notable decrease in Operating Grants and Transfers for 2014.

37.3 Appropriation Statement

The Department incurred expenditures totalling \$17.8 million in 2014 against a budget of \$20.2 million resulting in a savings of \$2.4 million or 12%. Details of expenditures against the budget estimates are provided in Table 37.2 below.

Table 37.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	1,358,402	---	1,358,402	976,508	381,894
2	Government Wage Earners	2,925,488	(100,000)	2,825,488	1,753,139	1,072,349
3	Travel and communications	44,757	24,000	68,757	45,173	23,584
4	Maintenance & operations	3,845,500	(24,000)	3,821,500	3,787,972	33,528
5	Purchase of goods and services	268,208	---	268,208	208,795	59,413
7	Special Expenditure	---	100,000	100,000	86,087	13,913
	Total Operating Costs	8,442,355	---	8,442,355	6,857,674	1,584,681
8	Capital Construction	500,000	---	500,000	263,982	236,018
9	Capital Grant & Transfers	9,150,000	---	9,150,000	8,616,154	533,846
	Total Capital Expenditure	9,650,000	---	9,650,000	8,880,136	769,864
13	Value Added Tax	2,071,300	---	2,071,300	2,034,496	36,804
	TOTAL EXPENDITURE	20,163,655	---	20,163,655	17,772,306	2,391,349

Section 38

Fiji Roads Authority Grant

Role and Responsibilities

The Fiji Roads Authority is a new corporate entity established in January 2012 to manage all of the roads and public jetties in Fiji comprising of 11,115 km roads (note that the full extent of cane access and farm access roads is not yet fully determined), 936 Bridges (note that the full extent of bridge stock, particularly on cane and farm access roads is yet to be fully determined) and 47 public jetties.

Table of Contents

PART A: FINANCIAL STATEMENT	1
38.1 Audit Opinion.....	1
38.2 Statement of Receipts and Expenditure.....	1
38.3 Appropriation Statement.....	2

PART A: FINANCIAL STATEMENT

38.1 Audit Opinion

The audit of the 2014 financial statement of the Fiji Roads Authority Grant resulted in the issue of an unqualified audit report. However, Management attention was drawn to the matters below.

Part 4 of the grant agreement between the Government of Fiji and the Fiji Roads Authority (FRA) on the transfer, utilisation and accountability of the 2014 Operational and Capital Grants requires that FRA to provide the Office of the Prime Minister updated forecasted monthly cash flow requirements for the rest of the year, quarterly reports of detailed statement of expenditure and written summary of the work completed to date. The Office of the Prime Minister was not able to furnish to audit these reports required under Part 4 of the FRA Grant Agreement. These acquittals were later provided to audit after the issue of the audit report.

The audit was carried out on the Grant disbursed from the Office of the Prime Minister and direct payments authorised by the Ministry of Finance to the contractors. The audit of the Fiji Roads Authority is a separate audit.

38.2 Statement of Receipts and Expenditure

The total expenditure of \$520,590,365 was disbursed in 2014. Refer Table 38.1 for details.

Table 38.1: Statement of Receipts and Expenditure for 2014

Description	2014 (\$)	2013 (\$)
EXPENDITURE		
Operating Expenditure		
Operating grants and transfers	19,282,981	22,326,300
Total Operating Expenditure	19,282,981	22,326,300

Description	2014 (\$)	2013 (\$)
Capital Expenditure		
Capital grants and transfers	501,307,384	282,143,718
Total Capital Expenditure	501,307,384	282,143,718
TOTAL EXPENDITURE	520,590,365	304,470,018

Total expenditure increased by \$216,120,347 or 71% in 2014 due to the increase in the expenditure for capital grants and transfers.

38.3 Appropriation Statement

The disbursed grants to FRA and direct payments to FRA contractors totalled \$520,590,365 against the revised budget of \$509,057,981 resulting in over-expenditure of \$11,532,384 or 2%. Details of expenditures against the budget estimates are provided in Table 38.2

Table 38.2: Appropriation Statement for 2014

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Operating Expenditure					
1	Established Staff	---	---	---	---	---
2	Government Wage Earners	---	---	---	---	---
3	Travel & Communication	---	---	---	---	---
4	Maintenance & Operations	---	---	---	---	---
5	Purchase of Goods & Services	---	---	---	---	---
6	Operating Grants & Transfers	19,282,981	---	19,282,981	19,282,981	---
7	Special Expenditure	---	---	---	---	---
	Total Operating Costs	19,282,981	---	19,282,981	19,282,981	---
	Capital Expenditure					
8	Capital Construction	---	---	---	---	---
9	Capital Purchase	---	---	---	---	---
10	Capital Grants & Transfers	454,775,000	35,000,000	489,775,000	501,307,384	(11,532,384)
	Total Capital Expenditure	454,775,000	35,000,000	489,775,000	501,307,384	(11,532,384)
13	Value Added Tax	---	---	---	---	---
	TOTAL EXPENDITURE	474,057,981	35,000,000	509,057,981	520,590,365	(11,532,384)

In 2014, the Cabinet approved the re-deployment of \$35,000,000 from various Ministries and Departments to the Fiji Roads Authority Capital Grant and Transfers. The over-expenditure of \$11,532,384 was incurred on Road projects funded directly by the lender to the contractors after Ministry of Finance approvals.

