



EXCELLENCE IN PUBLIC SECTOR AUDITING

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

**Volume 4      Audit Report on Government Ministries  
and Departments - 2011**

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PARLIAMENTARY PAPER NO 26 OF 2014



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

**Volume 4      Audit Report on Government Ministries  
and Departments – 2011**

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Excellence in Public Sector Auditing

File: 102

31 October, 2011

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

Dear Commodore Bainimarama

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**AUDIT REPORT ON GOVERNMENT MINISTRIES AND DEPARTMENTS 2010  
VOLUME 4**

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In accordance with section 7(7) of the State Services Decree 2009, I am pleased to transmit to you my audit report on the Whole of Government Financial Statements and Annual Appropriation Statement for 2010. The report includes the following:

- Volume 1: Whole of Government Financial Statements and Annual Appropriation Statement for 2010.
- Volume 2 – 4: Audit Report on Government Ministries and Departments – 2010.

The report should be presented to Cabinet within 30 days of receipt as required under section 7 (8) of the States Service Decree 2009.

*T Bolanavanua*

Tevita Bolanavanua  
Auditor - General



## FOREWORD

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This report covers the results of our audit of the Whole of Government (WOG) Financial Statements and the Annual Appropriation Statement for 2011 and its 32 ministries and departments as provided in the 2010 Appropriation (Amendment) Decree.

The purposes of this report are to:

- report on the audit of the WOG Financial Statements as at 31 December 2011 covered under volume 1 of the report;
- report on the audit of financial statements of ministries and departments as at 31 December 2011 covered under volume 2-4 of the report;
- report on the results of, and matters arising from, our 2011 audits of ministries and departments also covered under volume 2-4; and
- raise other matters that we believe warrant consideration by Cabinet.

The WOG Financial Statements and the Annual Appropriation Statement of the Government of the Republic of the Fiji for the year ended 31 December 2011 has been audited in accordance with section 5 of the State Service Decree No. 6, sections 46 & 47 of the Financial Management Act (2004) and section 6 of the Audit Act.

A qualified audit opinion was issued on the WOG Financial Statements due to the absence of bank reconciliations for various bank accounts, bank balances not recorded, cash at bank with negative bank balances and material variances between the general ledger and the actual cash held as at 31 December 2011. The attention of the management was also drawn to other issues highlighted in the Independent Audit Report in the WOG Financial Statements.

Section 70 (3) of the Finance Instructions states that draft agency financial statements for ministries and departments must be submitted to the Auditor-General by 31 March in the following year, or within such other time as agreed to with the Auditor-General. Of the 32 ministries/departments appropriated in the 2010 appropriation decree, 11 Ministries failed to submit their Agency Financial Statement on the 31<sup>st</sup> of March, 2012 contrary to section 70 (3) of the Finance Instructions delaying the issue of their audit reports.

Out of the Agency Financial Statements audited, 16 were issued unqualified audit opinions while 16 were qualified. The qualification issues include: trust fund account balances in the general ledger did not reconcile with bank balances; trust fund account statement of receipts and payments were not provided for audit; financial statements were not presented in accordance with the Finance Management Act 2004 and adequate records were not maintained to support Trading and Manufacturing Account balances.

The issues qualified for some ministries and departments were the same as those highlighted in 2010 which indicated that no improvement had been made or in some instances; no action was taken by respective ministries and departments.

The results and matters arising from our audits of ministries and departments are covered under volume 2-4 of the report.



Tevita Bolanavanua  
**AUDITOR - GENERAL**



## EXECUTIVE SUMMARY

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The Whole of Government Financial Statements and the Annual Appropriation Statement of the Government of the Republic of Fiji for the year ended 31 December 2011 has been audited in accordance with section 5 of the State Services Decree No. 6, section 46 & 47 of the Financial Management Act (2004) and section 6 of the Audit Act.

The audit resulted in the issue of a qualified audit report as the Cash at Bank balance as at 31/12/11 totalling \$250.8 million were not properly supported with bank reconciliations for various bank accounts, there were bank balances without any cash held, some cash at bank balances were not recorded, there were cash at bank balances with negative general ledger balances and there were instances of material variances between the general ledger and actual cash.

The attentions of Ministry of Finance were also drawn to the following matters:

- Expenditure totalling \$14.5 million was disbursed by the Ministry of Finance for certain Ministries/Departments for *Travel and Communications*, *Purchase of Goods and Services* and *Capital Grants and Transfers* through Standard Liability Group (SLG) 84. There was no acquittal or policy guideline to support SLG 84 transactions; as such sums utilized by the Ministry/Department could not be verified.
- The correctness of operating revenue receipted through the Accounts Receivable module of the Financial Management Information System, totalling \$27.3 million, reflected in the *Consolidated Statement of Receipts and Payments* in schedule 2 of the WOG Financial Statement could not be substantiated and were not correctly accounted for in accordance with cash basis of accounting as in Note 1 to the Financial Statements.
- Investments totalling \$14.2 million were not properly evaluated which included inoperative entities (\$6.5 million); investments with Fiji Ships and Heavy Industries Limited (\$7.66 million) have been disposed off but are still being recorded in the *Statement of Assets and Liabilities*.
- Share certificates were not produced for investments totalling \$52.6 million.
- Records to substantiate the accuracy and completeness of borrowing revenue totalling \$650.5 million in the *Statement of Receipts and Payments* in Schedule 2 and the total debt owed by the Government as at 31/12/11 totalling \$3.5 billion in *Note 19* to Whole of Government Accounts were lacking.
- In the absence of reconciliations, revenue collected for Land Transport Authority (LTA) fees \$43.5 million, departure taxes \$61.3 million and water rates \$24.7 million as reflected in the *Statement of Receipts and Payments* in Schedule 2 could not be substantiated.
- Trust accounts with Ministries/Departments were overdrawn by \$9.7 million contrary to Finance Circulars 4 of 30/3/98.
- Balances in the Trading Manufacturing Accounts (TMA) surplus and accumulated surplus of \$24.6 million could not be substantiated as no supporting documentations were provided.
- Lending Fund Account contained errors and omission of \$1.7 million in the *Consolidated Statement of Receipts and Payments* in schedule 2 of the WOG financial statement with respect to loans, loan recovery to/from government entities in 2011.

- A prior year adjustment of \$48,853,126 in the *Consolidated Statement of Receipts and Payments* could not be substantiated for adjustments made in 2011.

The following is a summary of the audit observations.

### **2011 WOG Financial Statements**

#### ***Cash at Bank***

Cash at Bank balance increased significantly from \$185,443,615 in 2010 to \$250,876,999 in 2011 due to significant increases in overseas bank balance (52%), trading & manufacturing account balance (19%) and trust fund account balance 20%. In addition, there was an increase in domestic bank balances by 3%.

The net of errors and omissions in the cash at bank balance reflected in the Statement of Assets and Liabilities in the WOG Financial Statement totalled to \$287.8 million. These were attributed to the absence of the bank reconciliations for various bank accounts, bank balances without any cash held, cash at bank balances not recorded, cash at bank with negative balances and there were instances of material variances between the general ledger and actual cash held by the banks.

Unpresented cheques have increased \$48.8 million in 2010 to \$50.3 million in 2011. The significant unpresented cheques balances indicated that spending for certain Ministries and Departments increase towards the end of the year. Such spending often results in uneconomical purchases affecting the following year's cash flows.

#### ***Investment***

Government's total investments held in 30 companies in 2011 were \$438,907,121. Only 8 entities remitted dividends to Government totalling \$10.6 million in 2011 compared to a forecasted dividend income for 2011 of \$30.1 million. Six entities with total government investments of \$6.5 million are inoperative.

Fiji Ships and Heavy Industries Limited (FSHIL) shares totalling \$7.66 million continues to be reflected as Government investments despite being disposed off.

Share certificates for investments totalling \$52.6 million were not provided for audit review.

#### ***Trust Fund***

\$1.5 million in respect of trust monies were not appropriately supported by Cash. 10 Ministries and Departments had overdrawn their trust fund accounts totalling \$9.7 million as 31/12/11.

#### ***Revenue***

Revenue collected totalled \$2,451,779,617 in 2011 due to the global bonds raised totalling US\$250 million following the approval of Cabinet on 9<sup>th</sup> November 2010.

Revenue totalling \$27.3 recorded in the general ledger of Ministries/Departments using Accounts Receivable module in 2011 was inclusive of both accrued sales and cash sales. This was not consistent with cash basis of accounting adopted by Government.

Proper reconciliations and records were lacking to substantiate the borrowing revenue totalling \$650.5 million while revenue collected for Land Transport Authority (LTA) fees (\$43.5 million), departure

taxes (\$61.3 million) and water rates (\$24.7 million) could not be substantiated due to the absence of reconciliations.

### ***Expenditure***

Government spending totalling \$2,402,752,517 in 2011 increased by \$502.7 million compared to 2010.

Operating expenditure increased by \$793.97 million from 2002 to 2011 with an average increment of \$88 million or 10%. Operating expenditures compared to 2010 recorded an increase of \$352.55million or 23% in 2011.

There was an overall budget saving of \$77.7 million in 2011 compared to \$93.9 million in 2010. Total revised budget in 2011 increased by \$486.50 million from \$1.994 million in 2010 to \$2.480 million during 2011.

The surplus recorded in 2011 was due to the savings made to the following standard expenditure group allocations: Travel and Communications (SEG 3) recorded savings of \$1,612,852 (2%), Maintenance and operations (SEG 4) \$2,839,741 (3.7%), Purchases of goods and services (SEG 5) \$4,123,770 (5.3%), Operating grants & transfers (SEG 6) \$3,207,774 (4.1%), Special expenditures (SEG 7) \$11,451,106 (14.7%), Capital construction (SEG 8) \$4,616,788 (5.9%), Capital purchases (SEG 9) \$2,326,556 (3%), Capital grants and transfers (SEG 10) \$15,369,630 (19.8%), Pensions and gratuities \$4,253,897 (5.5%), Finance charges on public debt \$27,365,003 (35.2%) and Value Added Tax (SEG 13) \$7,762,807 (10%).

### ***Borrowings Fund Account***

Public debt owed in 2011 totalled \$3.5 billion and comprised of domestic loans of \$2.6 billion or 74% of total debt; overseas loans of \$832 million or 24%; and Treasury Bills \$70.9 million or 2%.

New loans raised in 2011 totalled \$721.43 million which comprised of \$81.47 million that were funded through domestic bonds, \$70.92 million in treasury bills and \$569.04 million in overseas loans.

The following anomalies were noted:

- The Ministry failed to reconcile its overseas loan balances as reflected in the Financial Management Information System (FMIS) general ledger to the Commonwealth Secretariat Debt Recording Management System (CS – DRMS) and the Loan Financial Management Information System (LFIS);
- The Ministry also did not record those overseas loans received by cash through the consolidated fund account, direct disbursement of loan made to contractors, and the interest and commitment fee capitalized on the overseas loans;
- Failure to record a *domestic loans* during 2011 totalling \$35 million into the FMIS general ledger; and
- Records to substantiate those overseas loans totalling \$7.5 million were lacking.

### ***Lending Fund Account***

Loans made by Government and outstanding as at 31/12/11 totalled \$70.4 million a decrease of \$3.5 million or 5% compared to 2010. Repayments received in 2011 totalled \$3.5 million whilst additional loans given and interest capitalized in 2011 was \$139,063.

Loan recoveries collected in 2011 totalling \$2,677,182 were not recorded as revenue in the general ledger (FMIS) after being credited to the Lending Fund Account.

### ***Revolving Fund Account (RFA)***

RFA – Miscellaneous showed large outstanding/overdrawn balances for various Ministries and Departments totalling \$6.5 million.

The Revolving Fund Account (RFA) – Miscellaneous net outstanding balance as at 31/12/11 for Whole of Government (WOG) stood at \$23 million, a decrease of \$37,863,163 or 62% compared to 2010.

The audit could not substantiate the Trading and Manufacturing Accounts (TMA) surplus and TMA accumulated surplus totalling \$24.6 million as recorded in the General Ledger in 2011.

6 out of the 29 TMAs were operating above their appropriated ceiling.

The Fiji Handicraft Centre TMA which ceased operation in 2010 continued to reflect outstanding balance of \$43,224 in the general ledger as at 31/12/11.

The Standard Liability Group (SLG) 85 despite a liability showed a debit balance of \$1.96 million. While unutilised funds in SLG 84 carried over by Ministries/Departments as at 31 December 2011 decreased by \$1.6 million or 20% compared to the total funds carried over from 2010.

There was no policy guideline to support the SLG 84 and 85 transactions.

### ***Contingent Liabilities***

Total contingent liabilities as at 31/12/11 amounted to \$1.93 billion. This comprised the domestic loans of \$1.92 billion or 99.6% of total liabilities while overseas loans accounted for \$0.1 billion or 0.4%.

### ***Sinking Fund Account and JP Morgan Cash at Bank Account***

The Ministry failed to prepare the JP Morgan cash account and the sinking fund account reconciliations for the 2006 and 2011 global bond raised of US\$150 million and US\$250million respectively.

### **2011 Accounts of Ministries and Departments**

Of the 32 Ministries/Departments appropriated under the 2011 Appropriation Decree No. 59 of 2010, 11 Ministries/Department did not submit their Agency Financial Statement (AFS) on the 31st of March, 2012 to our Office as required under section 70(3) of the Finance Instructions 2011. The submission of the 2011 draft accounts by the agencies improved significantly compared to prior years.

### ***Office of the President***

The Office failed to carry out a Board of Survey since 2009.

The Office failed to prepare the monthly reconciliation statement since 2005 for Revolving Fund Miscellaneous Account having a balance of \$266,963.44. Significant portion of the RFA balance have been carried forward from previous years.

As at 31 December 2011, some of the Operating Trust Fund Account balances were overdrawn.

The Office did not prepare the monthly reconciliation for Trust Fund Account since 2005 which has a balance of \$57,543.02. True trust fund account (Fund 9) had a debit balance of \$147,248.31 which relates to Chinese grant operated by the Office of the Prime Minister which is yet to be adjusted.

The Office failed to prepare and submit the VAT Returns to Fiji Revenue & Customs Authority from March 2011 to December 2011.

### ***Office of the Prime Minister***

A variance of \$263,831.96 existed in the drawings account between the Office reconciliation and general ledger (FMIS) balance.

Eighteen of the Operating Trust Fund accounts were overdrawn as at 31/12/11.

Fiji Military Force Engineers failed to submit progress reports, acquittal reports and the final reports for two projects undertaken by them totalling \$275,435.51.

There was a lack of supporting documents to substantiate payment made through Credit Card. Credit Card payments were made after the due dates resulting in unnecessary finance charges charged by the bank.

The Office failed to examine and reconcile the credit card bank statement.

### ***Public Service Commission***

There were un-reconciled balances between Commission and FMIS records relating to Revolving Fund Account.

Lending Fund Account allocation had a credit balance of \$8,529,051. The Commission failed to provide any reconciliation for this account.

The Commission failed to deduct the provisional tax of 15% from payments made to contractors who do not provide Certificate of Exemption.

### ***Office of the Attorney General and Solicitor General***

The Office was not able to provide any details for account allocation 1-03000-00000-910000 – accumulated surplus/deficit having a credit balance of \$5,134,622.

The Operating Trust Fund Account had a balance of \$516,834. Significant portion has been carried forward from previous year, which have remained un-cleared.

Main Trust Fund Account balance of \$169,470 was recorded as Revolving Fund Account balance hence understating Main Trust Fund Account and overstating the Revolving Fund Account balance.

Continuous losses incurred by the Office in providing Film Censorship Services.

### ***Ministry of Finance***

Expenditure totalling to \$14.5 million was disbursed by the Ministry of Finance for certain Ministries/Departments for Travel and Communications, Purchase of Goods and Services and Capital Grants and Transfers through Standard Liability Group (SLG) 84. There was no acquittal or policy

guideline to support SLG 84 transactions; as such sums utilized by such Ministry/Department could not be verified.

Records to substantiate \$4.1 million for the surplus capital transferred to operating Fund Account; \$20.9 million as TMA accumulated surplus were lacking for the TMA operated by Government Printing & Stationery Department and the Fiji Procurement Office.

Records to validate the adjustment of \$867,078 in the TMA cash at bank as reflected in the TMA Balance sheet were not made available.

The Ministry failed to verify statement of acquittals to the donor funds provided for actual projects undertaken. Total donor funds disbursed for the year was \$2.3 million.

Leased vehicles incurred \$152,083 being excess mileage cost for the year ended 31/12/11. There were 115 reported Government vehicle accident cases as at 31/12/2011 of which 89 of these cases are still pending with the Solicitor General's Office totalling \$329,035.

#### ***Government Printing and Stationery Department (GPSD)***

Failure to reconcile general ledger balances to the department records has resulted in the variance of \$856,061 and \$199,521 for expenditures recorded in the Operating Fund account and the Trading & Manufacturing activity respectively.

The department has engaged the services of Quality Print Ltd for the printing of cheques totalling \$59,584 without calling for tender as required under the Fiji Procurement regulation 2010, section 30.

#### ***Fiji Procurement Office (FPO)***

A total of \$12.33 million or 10% of the total value of tenders awarded in 2011 has been waived without any correspondence of those waivers being maintained by the department.

A variance of \$2 million exists between the departmental arrears of revenue return against the FMIS general ledger balances.

The Authority to operate the Fiji Procurement Office TMA after the restructure was not made available for audit contrary to Finance Circular 10/1982.

Revolving fund account totalling \$7.7 million held by the Fiji Procurement Office were outstanding balances as at 31/12/2011 that were yet to be adjusted to respective revenue and expenditure accounts.

#### ***Information Technology and Computing Services (ITC)***

The Department has on a secondment arrangement with the Fiji National Provident Fund (FNPF) from 27/04/2011. The Memorandum of Understanding (MOU) on the terms and conditions of the secondment was yet to be finalized.

Quarterly payments in 2011 were made to Solutions for Business (Fiji) Ltd without any documentation of the work carried out.

The Department engaged Satellite Services Pty Ltd for \$123,247 in 2011 for the purchase network bandwidth of 10MB without the Tender Board approval contrary to the Procurement regulation, section 27(1).

The department does not have proper records of all equipment/items which were received through the Chinese company, Alcatel Shanghai Bell Company Limited in respect of the e-government project totalling \$45 million.

Actual cost for the construction of the new data centre could not be determined with a budget totalling \$6.97 million.

### ***Ministry of I-Taukei Affairs***

Failure to employ adequate resources for bond recovery exercise from students who absconded their studies or failed to serve their bond terms in Fiji.

### ***Ministry of Defence, National Security and Immigration***

#### ***Department of Defence***

The Department was not able to provide any details on account allocation 1-06101-00000-910000 having a credit balances of \$9,090,182.

#### ***Department of Immigration***

The Department of Immigration failed to submit the Annual Trust Fund Statement of Receipts and Expenditure in the Agency Financial Statement.

A variance of \$80,946.94 existed in the Operating Trust Fund Account balance between the Departments reconciliation and the general ledger (FMIS) balance.

An amount totalling \$1,260,897.24 has been in the account for more than 10 years and the Department failed to advertise for these refunds.

Lack of monitoring on those visitors with expired visa and permit holders while in Fiji.

### ***Ministry of Labour, Industrial Relations and Employment***

The Agency Financial Statement for the year ended 31 December 2011 submitted for audit did not include some of the Trust Fund Account balances in the Trust Fund Account Statement of Receipts and Expenditure.

A variance of \$13,891.40 was noted in the Operating Trust Fund Account balance between the Ministry's record and the general ledger (FMIS) balance.

A variance of \$324,716 existed in the OHS Trust Fund Account balance between the Ministry's record and the general ledger (FMIS) balance.

Six of the Revolving Fund Account balances have been carried forward from previous years.

Some of the clients registered under NEC and found permanent employment in 2011 did not make the 50% repayment to the Centre.

### ***Ministry of Foreign Affairs and International Cooperation***

- Some of the Operating Trust Fund Accounts balances were overdrawn as at 31/12/11.
- A variance of \$64,101.66 was noted in the Revolving Fund Account balance between the Ministry's record and the general ledger (FMIS) balance.

- Contrary to the Diplomatic Regulations, the Fiji Mission in Washington paid the cleaning cost of the former Second Secretary's residence.
- The Sydney Mission overpaid Post Allowance of AUD\$8,680.67 to the Counsellor.
- The Tokyo Mission overpaid Domestic Help Allowance of \$3,621.44 to the Ambassador.
- No gazette notification and the evidence of the annual review was provided to substantiate the payment of hardship allowance to the PNG Mission.
- The Beijing Mission continued to employ the Third Secretary even though the post was abolished through variation notice issued by the Public Service Commission.
- The First Secretary to the Brazil Mission was paid twice the post allowance resulting in overpayment of \$4,608.
- The First Secretary to the South Africa Mission was paid full representation allowance instead of one third allowance resulting in overpayment of US\$2,958.67.
- The Head of the Kuala Lumpur Mission claimed reimbursement of expenses which were personal in nature.

### ***Elections Office***

Six of the Operating Trust Fund Accounts of the Office were overdrawn as at 31/12/11.

Some of the Revolving Fund accounts of the Office had long outstanding balances carried forward from prior years.

The Office has been occupying the three floor building with current staff strength of 14 since 2006 resulting in unnecessary payment for the unutilized building space.

### ***Judiciary***

The Department as at 31/12/11 had substantial arrears of revenue of \$11,397,061, continuously increasing over the years.

Discrepancies noted in the usage of telephone lines which are cross-connected with other ministries and departments based at government buildings.

Irregularities were noted in the maintaining of Court exhibits at the Suva High and Magistrates Courts.

The Department's Account Section fails to meet the OHS requirements.

Anomaly noted in the Chief Registrars employment contract.

### ***Parliament***

Two of the Revolving Fund Accounts balances totalling \$41,359.32 have been carried forward from prior years.

A debit balance of \$29,286.89 was noted under domestic cash balance. Moreover, the Department did not prepare any reconciliation for this account.

Account number 1-12101-12101-861901 (201 PD Tax Arrears/ PAYE) had a credit balance of \$164,079.02. This account alone makes up 99% of the total Operating Trust Fund balance and has been continuously brought forward from previous years.



### ***Office of the Director of Public Prosecution***

Anomalies were noted in the salary increment paid to a Principal Legal Officer.

Cancellation of Conference to be held in 2010 resulted in the payment of \$30,862.52 to Shangri – La Fijian Report as cancellation charges.

### ***Ministry of Justice***

Prolong delay in finalising the review of companies act.

Non submission of annual returns to the Registrar of Companies Office by certain registered companies.

Non compliance with service agreement by the Post Fiji in respect to providing issuing of birth certificates service.

Lack of resources, poor tracking and weakness in the existing laws were noted in the Official Receivers Unit.

The Ministry did not have safe and secure offsite backups for its Birth, Death and Marriage (BDM) records. Non preparation of monthly blank certificate reconciliations by the BDM unit.

The Ministry failed to utilise the funds provided for the computerisation of the titles office. In addition, titles office does not have safe and secure offsite backup.

### ***Prisons and Correction Department***

The Department failed to prepare the monthly reconciliations for its Prisoners Cash Trust fund account. In addition proper records were not kept indicating lack of supervisory checks in the Accounts Section.

On the audit of Trading and Manufacturing Account, variances were noted in the Financial Management Information System (FMIS) records and the Departments records indicating lack of reconciliations and the supervisory checks performed in the Accounts Section.

Some discharged officers continued to receive their salaries after their effective date of discharge.

Anomalies were noted in the payment process such as procurements were made without the issue of a local purchase order, local purchase order was prepared after invoices were received, competitive quotations were not obtained and ITC approval for the purchase of IT equipments and applications (software) was not obtained.

### ***Ministry of Information***

Seven of the Operating Trust Fund accounts of the Ministry were overdrawn (debit balances) as at 31/12/11.

Seven of the Revolving Fund Advance accounts of the Ministry have long outstanding balances carried forward from prior years.

No further action was taken against a Ministry's officer for the loss of an official recorder worth \$1,105.16. There was a failure to maintain adequate off-site back up for archive deposits.

## ***Ministry of Strategic Planning, National Development and Statistics***

### ***National Planning Office***

An Officer was compensated for 30 days of Long Service Leave (LSL) totaling \$3,725 contrary to the approval by the Public Service Commission dated 11<sup>th</sup> January, 2011.

Late arrival at work at the Ministry contrary to section 301 of the General Order.

Capital (actual projects) expenditure in year 2011 has performed the weakest despite the highest budget allocation of \$1.1 million in year 2011. The Ministry was only able to allocate funds totalling \$586,406 or 53% of the budget.

The Ministry has not been able to determine the composition of the \$586,406 worth of projects as the Ministry did not reconcile the general ledger balances to the projects on the ground.

Non - submission of the accurate progress reports was a factor that the Ministry was not able to take strategic remedial action to avoid the failure of the two Integrated Human Resource Development Projects (IHRDP) – Nadali piggery and the Nausori bakery.

There was no memorandum of understanding between the National Center and the Ministry of Strategic Planning on how these funds are to be controlled, monitored and the accountability of the project funds.

A total of \$105,310 (3.5%) of projects with the NDP failed over the three year period from year 2009 to year 2011.

The National Planning Office (NPO) allowed payments of per diem allowances and travel advances to officers travelling overseas to attend workshops, trainings, seminars and regional forums even though these trips were fully funded by host countries.

A variance of \$20,019 existed between the Drawings accounts in the General Ledger and the Unpresented Cheque Balance Listing.

Operating Trust as at 31/12/11 had a credit balance of \$50,875, an increase by \$11,174 or 28%.

The NPO has not been deducting the PSC Scholarship repayment from staffs to the PSC for the past two years.

### ***Fiji Bureau of Statistics***

The Bureau re-engaged a retired officer for the period 04/01/2011 to 05/03/2011 without obtaining PSC approval. The officer was paid salary totalling \$17,225 without a valid contract of employment.

Of the 80 approved staff establishment for the Bureau, 34 posts are vacant as at 31/12/11.

A total of \$105,270 being accountable advance for the Sub Round 4- Employment and Unemployment Survey for 2011 was distributed amongst three officers to conduct the survey in the Central, Western and Northern Divisions. The lack of thorough checks of the retirement process exposes the funds to fraudulent activities.

### ***Ministry of Provincial Development, National Disaster Management and Sugar***

The Ministry made advance payments for the procurement of the building materials for its capital projects and the tropical cyclone Thomas rehabilitation (phase 2) projects. As such, building materials worth \$169,347 were not delivered as at the date of audit (30/04/12).

The Ministry does not have any database or record keeping system for its analysis/decision making or for follow up/tracking of the recipients of capital assistance.

In the 2011 budget, \$110,000 was provided for the construction of the Talaulia Nursing Station. The project was awarded to RFMF engineers, however the project failed to commence and the funds were returned to the Ministry of Finance.

The Vunisea Nursing Station was part of the Ministry's Public Sector Investment Programme (PSIP) for the 2011 capital budget. On 13/09/11 the payment of \$464,693 was made to Public Works Department for the construction of a 1x 4 maisonette staff quarters at the Vunisea Hospital. As at the date of audit 29/02/12 the project was incomplete and the left over funds (\$92,348) was returned to Ministry of Finance.

The Lovoni Irish crossing project was located in the village of Vunivisau and Tukuta to enable proper access to village, roads, farms and schools. The contract of the project was awarded to PWD. However, no written contractual agreement was entered nor waiver for tender was obtained from the Minister of Finance.

The proper selection process was not followed while appointing the contractor for the Delana Methodist High School project. The building materials were procured and delivered to the site and the advance payment of \$3,300 was made to the contractor; however the actual work did not commenced as at the date of audit (29/02/12).

The Ministry provided assistance to the Saint John College for the upgrading of sixteen existing quarters and the construction of a two bedroom teachers quarters. The Ministry failed to obtain prior approvals from the Health authorities which resulted in idle labour charge \$4,200 and settlement of the full payment without obtaining the certificate of completion.

Following the review of the road projects in the Northern Division it was noted that the Ministry failed to comply with its standard operating procedure requirements in selecting and evaluating the project proposals prior to commencing it.

Prolong delay in completion of the construction of the Raiwaqa Dental Clinic project and Vatukarasa Nursing Station Project resulted in the unutilised funds being refunded to the Ministry of Finance.

### ***Fiji Military Forces***

- Six of the Revolving Fund Accounts balances totaling \$2,301,296.57 have been carried forward from prior years.
- Over expenditure for SEG 1 – Established Staff of \$2,909,048 and SEG 2 - Government Wage Earners of \$394,087 was noted.
- The Board of Survey report was not provided, therefore, the Statement of Losses could not be substantiated.
- As at 31 December 2011, some of the Operating Trust Fund Accounts balances were overdrawn.
- A variance of \$1,238,948.66 was noted in the Revolving Fund Account Miscellaneous balance between the Force's record and the general ledger (FMIS) balance.

- Various irregularities were noted in the FNPF records of the Force. These relates to monies in the suspense account, undistributed contributions in the past years and outstanding surcharge on payments.
- Some officers had exceeded their leave entitlements which were not recovered before they were discharge.
- A number of officers were overpaid salary upon discharged from the service.
- The Force failed to maintain a Fixed Assets Register.
- The Force failed to maintain a debtor's register to record accountable advance given to staffs.
- The Force made payments on pro – forma invoices without obtaining approval from the Ministry of Finance.
- The Force regularly purchased stationeries from Xpress Office Supplies without obtaining tender approval.
- The Force overpaid Total Fiji Limited fuel cost amounting to \$11,532.77.
- The Accounts Section is not fully aware of how the calculation for the shipping franchise payment is carried out.
- Proper procurement procedures were not always followed by the Force when procuring goods and services.

#### ***Fiji Police Force***

- The Force failed to submit the Statement of Losses in the Agency Financial Statement.
- Over expenditure for SEG 1 – Established Staff of \$1,830,568 and SEG 5 – Purchase of Goods and Services of \$13,369 was noted.
- As at 31 December 2011, some of the Operating Trust Fund Accounts balances were overdrawn.
- A variance of \$101,484.47 was noted in the Revolving Fund Account balance between the Force's record and the general ledger (FMIS) balance and significant portion of the RFA has been carried forward from previous years.
- Proper procedures were not followed for recruiting special constables in 2011.
- Some sections of the Headquarters have officers in excess of the approved staff establishment.
- The Force has unidentified contributions of \$26,956.88 with the Fiji National Provident Fund.
- Certain officers left the Force without giving written notice and clearing their arrears.
- A number of officers were overpaid salary upon retirement, termination and dismissals.
- Some officers were occupying institutional quarters without paying rent equivalent to 8% of their basic salary.
- The total expenditure incurred for the extension of the Tukavesi Police Station exceeded the tender amount by \$6,692.20.
- The Force failed to obtain approval from the Ministry of Finance before transferring funds from the operating fund to the Police Sports Trust Fund Account.
- The Force overspent certain allocations amounting to \$125,769.18 and incurred negative expenditure in various allocations amounting to \$245,600.29.
- Expenses incurred in SEG 5 – Witness and Interpretation allowance and SEG 7 – Special Agents allowance were not applied for the purpose for which it was authorised.
- Supporting documents were not attached to the payment vouchers to substantiate payments made to the suppliers.
- On numerous occasions, the Force failed to obtain competitive quotations for purchases of goods and services.

- Several unaccounted exhibits items were kept at the Samabula and Nausori Police Station.
- Various vehicles have been grounded for a long period of time at the Transport Pool without maintenance work.
- No recovery for the damages to motor vehicles involved in accidents has been instigated against the drivers found to be at fault.

### ***Ministry of Education***

Expenditure totalling \$1,350,507 incurred in 2011 was not included in the Ministry's Financial Statements for the year ended 31/12/11. These were posted to the Prepaid Expenses accounts in the Revolving Fund Account. These expenses were carried forward and out of \$1,350,507 the Ministry cleared \$1,015,381 in 2012 financial year. The balance of \$335,126 remained uncleared as at the date of audit on 9/5/12.

There was a significant increase in Ministry's total amount of unpresented cheques in 2011. The total amount of cheques unpresented as 31/12/11 was \$1,347,618 which increased by \$814,005 or 153% compared to 2010.

### ***Ministry of Health***

The Ministry overspent its payroll allocations by \$14,498,121.48 as at 31/12/11 despite having 96 established and 276 un-established positions vacant.

Ministry's staff owed a total of \$99,771.94 to the Ministry as at 31/12/11.

A total of \$143,150.49 was paid in overtime wages to 11 casual employees, which comprises 137% of their normal wages of \$104,492.96; and that the employees worked for 81- 112 hours per week.

Ministry purchased several laundry equipments from ACLEPL in Australian in 2010 costing \$2.7m. The Ministry was not able to provide the total number units purchased, total number received, cost per unit, amount paid and amount outstanding to the supplier and additional costs incurred for storage and installation including site preparation up to end of 2011.

The Ministry spent only \$43,263.24 or 10.3% from the total allocation of \$420,000 for the purchase incinerator. A total of \$289,893 or 69% from this allocation was vired out to meet other expenses and that the incinerator bought for CWM Hospital was yet to be installed.

The Ministry did not call for tenders for the repair works carried out at the Rotuma Hospital at cost of \$80,570 by the Ministry of Works.

The Ministry made regular purchases of groceries and laundry products totaling \$547,159.63 during the year from suppliers other than those approved by the Government Tender Board.

The Ministry paid a total of \$258,118 during 2011 for litigation claims due to negligence by medical professionals which was \$58,118 or 29% more than the budgeted sum of \$200,000.

The Ministry held expired drugs to the value of \$1,518,435.50 in its stock as at 31/12/11.

The Ministry paid a total of \$1,791,365.10 to the Ministry of Works for various capital works carried out during 2011 however tenders were not called.

The Ministry spent \$149,570.69 in 2011 to repair the boiler at the Labasa Hospital which was not fully operational.

Ministry did not utilize \$340,000 allocated in its budget for the purchase of water tanks and sanitations for villages and communities in the Northern Division.

### ***Ministry of Local Government, Urban Development, Housing and Environment***

A variance of \$1,205,664 was noted between the department main trust fund account general ledger balance and the bank statement balance.

Proper bonding was not carried out for officers studying overseas. Bonding documents did not have the following: the bond amount, Officer not signing the bond documents, PSC approval was not submitted. Total bond obligation to Officer Mr. Raratabu was \$430,215.46. Total Bond obligation to Officer Mr. Tikoduadua was \$225,610.81

Multiworks Civil engineering and Building Contractors (MCEBC) was supposed to pay performance bond of 10% of the total bond or \$205,406.27. However the contractor provided only \$50,000 as performance bond.

The Ministry made second progress payment of \$358,997.52 to the contractor (Multiworks Civil Engineering and Building Contractors) on 8/12/11, even though some of the work was incomplete.

The Ministry did not call for tenders for the erection of nine billboards around Viti Levu costing \$76,194.

### ***Ministry of Social Welfare, Women and Poverty Alleviation***

There was a balance of \$1,600,000 in the Revolving fund account as at 31/12/11. Of this, \$1.4m reflected in the Ministry's Revolving Fund account was carried forward balances from previous years. Even though approval was given by the Ministry of Finance to write off \$1.4 million or 87.5% of \$1,600,000, no effort was taken by the Ministry of to clear the balance.

The Ministry's Operating Trust Fund account was overdrawn by \$106,306.59 as at 31/12/11.

### ***Department of Youth and Sports***

The Department purchased sports equipments totaling \$77,042 from JR White at regular basis in 2011, however tenders were not called.

### ***Department of Agriculture***

The Trading and Manufacturing Account incurred a loss of \$587,148 in its operation for the year ended 31 December 2011.

Adjustments were made to the Trading and Manufacturing Account during the year for which appropriate supporting documents were not provided for audit verification.

Trading and Manufacturing Account bank reconciliation was not prepared as per required/standard bank reconciliation. The total receipts and payments were obtained from bank statement to perform cash book reconciliation. Hence the Department was only reconciling bank records against the General Ledger (FMIS) records.

A variance of \$97,211.31 was noted between the Department's TMA cash at bank balance and the cash balance reported in the General Ledger (FMIS) as at 31 December 2011.

The operating trust fund account had several accounts with an overdrawn balance totalling \$1,409,903 as at 31 December 2011.

The Land and Water Resource Management trust fund receipts and payments figures could not be substantiated as relevant supporting documents were not provided for audit verification.

The audit was not able to perform independent bank reconciliation for cash balance for the year as bank statements for November and December were missing hence the cash at bank balance amounting to \$551,147.77 could be not verified.

Retention monies kept in the trust fund account totalling \$314,938.02 was utilized by the Land and Water Resource Management Division to meet payments of its operating and capital expenditure items.

Officers awarded with Fijian Affairs Board scholarship to pursue studies in Agricultural Science had absconded while serving their bond obligation; therefore the guarantors are obliged to pay off the owed amount to the government.

Appropriate approval was not obtained from the Public Service Commission to remunerate an officer outside the approved salary range.

Local Purchase Order was not issued to carry out motor vehicle maintenance work.

Relevant supporting documents were not attached to the payment vouchers as evidence of goods and services received. Therefore audit could not determine whether the services were rendered.

Funds allocated for Coconut Development Programme, Rural and Outer Island and Value Added Tax were used to meet other operating expenditures.

### ***Department of Fisheries and Forests***

TMA adjustments amounting \$118,815.23 were made to the account during the year, however, the documents to support these adjustments were not provided for audit verification.

A variance of \$16,148.80 was noted between the Department of Forestry TMA cash at bank balance and the cash balance reported in the FMIS as at 31/12/11.

TMA receipts and payment totalling \$25,104.46 and \$43,040.61 were disclosed in the TMA bank reconciliation as amounts not posted to the FMIS general ledger as at 31/12/11, however, the documents to support these amounts were not attached and provided for audit verification; hence the balance reflected in the FMIS general ledger at year end was understated.

All receipts and payments were reflected in the Trust Accounts Statement of Receipts and Payments as 1/3 Subsidy Receipts/Payments although some of receipts and payments were not related to 1/3 subsidy scheme.

On numerous instances payments were made on quotations or pro-forma invoices without obtaining prior approval of Ministry of Finance.

The Department paid a total sum of \$25,405 to Tessa Transport for providing transportation services for the Vanuabalavu Fisheries Station without a Service Level Agreement.

Contrary to the approval from the Government Tender Board, the Department purchased general food items from other companies.

Provisional tax of 15% totalling \$8,288.24 was not deducted from the contractors engaged to provide services.

### ***Ministry of Lands and Mineral Resources***

The audit of the 2011 accounts of the Ministry resulted in the issue of a qualified audit report due to non submission of the Trust Account Statement of Receipts and Payments contrary to Section 71 (1) of the Financial Instructions 2010.

The arrears for Crown Land Lease for the year ended 31 December 2011 has increased by \$5,792,625.64 or 43% compared to that of 2010.

The reassessments of crown leased property were not carried out by the Department on the due dates specified in the lease conditions.

Crown leases which have expired were not renewed on time and the Ministry continued to charge lease rental and also receive lease rental payments from expired leases.

Crown leased property classified as residential type, commercial and industrial terms and lease conditions has been breached by the lessee.

Post Fiji Limited collects crown lease revenue on behalf of the Department of Lands and Survey without a Service Level Agreement.

The driver's negligence and poor decisions washed the GP058 new Toyota Hilux 4wd twin cab in the Wainibuka River after attempting to cross the overflowed bridge.

A Yamaha 2 x 150 horse power Vessel named RV Yautalei was not properly maintained and not even registered with Fiji Island Maritime Safety Administration (FIMSA).

### ***Ministry of Industry and Trade***

An accountable advance of \$60,000 taken by the former Principal Accounts Officer for the Shanghai Expo in 2010 was not being acquitted accordingly as required in the legislations including a laptop worth \$3,000 that was reported stolen without a Fiji Police Force report provided to the Ministry.

The Department of Co-operatives and Small Businesses did not have the trust account reconciliations for 2010 and 2011.

The Ministry exceeded the stipulated amount in the Contract of Service paid to Art and Soul by \$6,448.50.

### ***Ministry of Public Enterprises, Tourism and Communications***

The audit of the 2011 accounts of the Ministry resulted in the issue of a qualified audit report due to non submission of the Trust Account Statement of Receipts and Payments contrary to Section 71 (1) of the Financial Instructions 2010.



The Ministry's office space on Level 3 of the Civic Towers Building that comprised a total area of 7,508 square feet with a rental levy of \$8,446.50 per month was not fully utilised during the year and Government has paid rent of \$23,635.50 for this unutilised office space during this period.

### ***Ministry of Works and Transport***

The operations of the TMA should be improved. Most TMA have continuously operated at substantial losses. Accounting records were inadequate to provide sufficient appropriate audit evidence to substantiate the balances reported in the financial statements of the TMA.

The reliability of information provided through the reconciliation of accounts was doubtful as there were variances noted between the various reconciliations prepared by the Ministry and the balances reflected in the General Ledger (FMIS).

Circumventions of procurement and payment procedures were prevalent as in previous years, increasing the risk of fraud and mismanagement of public funds.

Record keeping should be improved across the Ministry including Divisional Engineers and Depots. Misplacing of accounting records was a common occurrence.

The inadequate and poor maintenance of stores records, including fixed assets was widespread. In many instances, goods/inventories received and issued out by the stores were not recorded.

Monitoring for compliance of contracts with suppliers of goods and services to the Ministry before payments are effected should be improved.

### ***Department of Works***

No proper approval was obtained in the FMIS journal adjustment to write off debtors totalling \$33,703,172.

Issue prevalent in 2009 continued to surface in 2011 when Arrears of Revenue Returns were still yet to be prepared and Department's revenue on electricity were still charged to Provincial Development.

TMA Accumulated surplus balance of \$1,540,369 and TMA surplus of \$4,006,478 could not be substantiated

VAT payable as at 31/12/11 was \$3,058,423, this indicate that the Department failed to debit the liability account.

There was a variance of 1,405,133.96 between Department's TMA cash at bank balance and the FMIS balance as at 31/12/11.

Tender Board approval was not obtained for purchase of diesel from Pacific Energy SWP Ltd for a total sum of \$50,543.33.

Advance payments were made to Total (Fiji) Ltd to facilitate the supply of fuel and oil.

DEW is yet to complete a number of projects earmarked for 2011.

Number of project workers engaged by DEW exceeded the number approved by PSC.

TMA funds totaling \$9,199.14 were used to fund the IDC jobs.

Items purchased for Joinery Workshop and Plumber Shop were not recorded in the ledger/stock cards.

DECE made an advance payment of \$66,864 to SCIL for the supply of ready mix concrete and gravel for the construction of Wainiyavu Irish Crossing.

### ***Department of Transport***

Charges not related to the department were still been posted to the department's allocation.

### ***Department of Meteorological Services***

Trust Fund Account had a variance of \$15,191.03 between the department record and the FMIS record.

Trust Fund Account was overdrawn by \$101,712.64. JICA trust account had a debit balance of \$78,556 outstanding since 2006. VAT arrears of \$600,000 were been cleared against expenditures other than VAT.

### ***Department of Roads***

The budgetary provisions for capital projects were overspent by a total of \$2,341,018.00 as at 31/12/2011.

### ***Ministry of Public Utilities and Energy***

#### ***Department of Water and Sewerage***

The Department's Operating Trust Fund account was over stated by \$1,345,014. These were security deposits which are main trust received from the contractors engaged in the water and sewerage projects totalling \$1,345,014 that is maintained in the Department's Operating Trust Fund account.

The department had two drawings accounts with debit balances that were being carried forward over the years. These balances amounted to \$1,695,982 which resulted in the debit balance in the Department's Drawings account.

The Department had Revolving Fund account balance of \$594,560 as at 31/12/11. Of this amount, \$524,004 was carried forward balances from previous years which constitute payments made but yet to be retired and recorded as expenditure in previous years or cheques receipted which were dishonored.

#### ***Department of Energy***

The Department's main Trust Fund account was overdrawn by \$311,255 as per the main Trust Fund account reconciliation as at 31/12/11. However, there was cash available in the Trust Fund bank account totalling \$523,992 as at 31/12/11.

The Department failed to submit its main Trust Fund account statement of receipts and payments contrary to section 71(1) (g) of the 2010 Finance Instructions.



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## Section 25 Department of Agriculture

### Roles and Responsibility

The Department of Agriculture focus on diversifying, be market driven and improve in its service delivery to realise the sector's full potential. Diversification into niche export and domestic markets is therefore necessary, thus, priority will be given to: facilitating private sector involvement in the development of agri-business; capacity building of farmers to raise levels of production from semi-subsistence to commercial levels; and enhancement of Agricultural linkages; promote food security and ensure sound land management and development.

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## PART A: FINANCIAL STATEMENT

### 25.1 Audit Opinion

The audit of the 2011 accounts of the Department of Agriculture resulted in the issue of a qualified audit report. The qualifications were as follows:

1. Included in the Trading and Manufacturing Account is a TMA Surplus Capital Retained to Consolidated Fund and TMA Accumulated Surplus of \$1,016,866 and \$1,973,511 respectively. The audit was unable to verify the amounts as the Department did not provide appropriate audit



- evidence to support the balances. As such, the audit was unable to ascertain the accuracy and completeness of the Trading and Manufacturing Account as at 31 December 2011.
2. There is an un-reconciled difference amounting to \$97,211 between the General Ledger (FMIS) and Department of Agriculture TMA bank reconciliation. Accordingly, the audit was unable to ascertain the accuracy and completeness of the TMA Cash at Bank account as at 31 December 2011.
  3. The audit was unable to substantiate the Trust Receipts and Payments as the Department was not able to provide appropriate audit evidence to support the amount. As such the audit could not ascertain the accuracy and completeness of the Trust Fund Account as at 31 December 2011.

## 25.2 Statement of Receipts and Expenditures

The Department of Agriculture collected revenue totalling \$436,159 and incurred expenditures totalling \$42,386,974 in 2011. Details are shown in Table 25.1 below.

**Table 25.1: Statement of Receipts and Payments**

Description	2011 (\$)	2010 (\$)
<b>RECEIPTS</b>		
Agricultural produce & inspection fees	14,877	422,964
License	18,184	23,447
Meat inspection	19,876	21,643
Veterinary and animal quarantine	12,359	28,909
Sale of sheep & wool	39,942	52,624
Agriculture commercial undertaking	522	2,266
Rest house	4,394	5,705
Hire of plant and vehicle	22,664	54,480
Rental for quarters	38,350	1,115
Rental for building	1,422	1,984
Registration	2,416	2,838
Commission	7,503	9,145
Sale of Farm Product	36,996	59,314
Sale of Surplus Farm Produce	5,380	5,401
Miscellaneous Revenue	86,796	209,868
Overpayment Recoveries in Previous Years (OPR)	115,885	259,982
Agricultural Landlord and Tenant	3,567	3,557
Water Charges	3,624	2,278
Rural Electrification	1,402	282
<b>TOTAL REVENUE</b>	<b>436,159</b>	<b>1,167,802</b>
<b>EXPENDITURES</b>		
<b>Operating</b>		
Established Staff	8,607,849	9,956,061
Government Wage Earner	5,247,554	4,927,044
Travel & Communication	576,794	469,323
Maintenance & Operations	1,646,266	1,212,110
Purchase of Goods & Services	489,382	332,810
Operating Grants & Transfers	3,146,294	3,328,174
Special Expenditures	795,779	1,311,163
<b>Total Operating Expenditures</b>	<b>20,509,918</b>	<b>21,536,685</b>
<b>Capital</b>		
Capital Construction	10,705,714	21,296,601
Capital Purchases	600,405	2,527,831

Description	2011 (\$)	2010 (\$)
Capital Grants & Transfers	8,369,543	6,327,611
<b>Total Capital Expenditures</b>	<b>19,675,662</b>	<b>30,152,043</b>
Value Added Tax	2,201,394	3,290,599
<b>TOTAL EXPENDITURES</b>	<b>42,386,974</b>	<b>54,979,327</b>

Revenue collection declined by \$731,643 or 63% due to the decrease in revenue generated from agricultural produce & inspection fees.

Total expenditure decreased by \$12,592,353 or 23% in 2011 due to the decline in established staff cost by \$1,348,212 (14%), operating grants and transfer by \$181,880 (5%), special expenditure by \$515,384 (39%), capital construction by \$10,590,887 (50%), capital purchase by \$1,927,426 (76%) and value added tax by \$1,089,205 (33%).

The Quarantine Division of the Department which previously appeared under the Department of Agriculture has been reformed as a commercial statutory authority and is now operating as Bio-security Authority of Fiji (BAF) from January 2011. This was also contributed to the decline in the above expenditures.

### 25.3 Appropriation Statement

The Department incurred expenditures totalling \$42,386,974 against the revised budget of \$44,294,745 resulting in savings of \$1,907,771 or 4.3%.

Details of expenditures against the budget estimates are provided in Table 25.2 below.

**Table 25.2: Appropriation Statement**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	11,028,568	(1,216,874)	9,811,694	8,607,849	1,203,845
2	Government Wage Earner	4,856,883	85,217	4,942,100	5,247,554	(305,454)
3	Travel and communications	500,842	125,600	626,442	576,794	49,648
4	Maintenance & operations	1,432,321	263,579	1,695,900	1,646,266	49,634
5	Purchase of goods & services	489,000	48,814	537,814	489,382	48,432
6	Operating grants & transfers	3,095,537	-	3,095,537	3,146,294	(50,757)
7	Special expenditures	1,204,003	-	1,204,003	795,779	408,224
	<b>Total Operating Expenditure</b>	<b>22,607,154</b>	<b>(693,664)</b>	<b>21,913,490</b>	<b>20,509,918</b>	<b>1,403,572</b>
8	Capital construction	10,840,000	245,965	11,085,965	10,705,714	380,251
9	Capital purchases	200,000	350,000	550,000	600,405	(50,405)
10	Capital grants & transfers	8,517,131	-	8,517,131	8,369,543	147,588
	<b>Total Capital Expenditure</b>	<b>19,557,131</b>	<b>595,965</b>	<b>20,153,096</b>	<b>19,675,662</b>	<b>477,434</b>
13	Value Added Tax	2,130,460	97,699	2,228,159	2,201,394	26,765
	<b>TOTAL EXPENDITURE</b>	<b>44,294,745</b>	<b>-</b>	<b>44,294,745</b>	<b>42,386,974</b>	<b>1,907,771</b>

## 25.4 Consolidated Trading and Manufacturing Account – Department of Agriculture

**Table 25.3: Manufacturing Account**

Manufacturing Account	2011 (\$)	2010 (\$)
Opening Raw Material	-	-
Purchases	1,341,393	1,138,267
	<b>1,341,393</b>	<b>1,138,267</b>
Less: Closing Raw Material	-	-
<b>Raw Material Used</b>	<b>1,341,393</b>	<b>1,138,267</b>
Add: Direct Labour	71,038	8,335
<b>Cost of Manufacturing Goods transferred to Trading Account</b>	<b>1,412,431</b>	<b>1,146,602</b>

**Table 25.4: Trading Account**

Trading Account	2011 (\$)	2010 (\$)
Sales	1,028,127	1,212,854
Opening Stock	624,036	310,623
Add: Cost of manufacturing goods	1,412,431	1,146,602
<b>Total Stock available for sale</b>	<b>2,036,467</b>	<b>1,457,225</b>
Less: Closing Stock of finished goods	988,079	624,036
<b>Cost of Goods Sold</b>	<b>1,048,388</b>	<b>833,189</b>
<b>Gross (Loss)/Profit transferred to P &amp; L</b>	<b>(20,261)</b>	<b>379,665</b>

**Table 25.5: Profit & Loss Statement**

Profit & Loss Statement	2011 (\$)	2010 (\$)
<b>Income</b>		
Gross (Loss)/Profit transferred from Trading A/C	(20,261)	379,665
<b>Total Income</b>	<b>(20,261)</b>	<b>379,665</b>
<b>Expenses</b>		
Travelling & Communication Expenses	9,208	8,288
Maintenance & operation	214,510	59,546
Other Expenses	41,629	205
VAT	301,540	119,985
<b>Total Expenses</b>	<b>566,887</b>	<b>188,024</b>
<b>Net (Loss)/Profit</b>	<b>(587,148)</b>	<b>191,641</b>

**Table 25.6: Balance Sheet**

<b>Balance Sheet</b>	<b>2011 (\$)</b>	<b>2010 (\$)</b>
<b>Current Assets</b>		
Cash	216,488	525,010
Accounts receivable	2,075	2,075
Finished goods	988,079	624,036
<b>Total Current Assets</b>	<b>1,206,642</b>	<b>1,151,121</b>
<b>Current Liability</b>		
VAT Payable	249,997	155,918
<b>Total Current liability</b>	<b>249,997</b>	<b>155,918</b>
<b>NET ASSETS</b>	<b>956,645</b>	<b>995,203</b>
<b>EQUITY</b>		
TMA Surplus Capital Retained to CFA	(1,016,866)	(1,565,068)
TMA Accumulated Surplus	1,973,511	2,560,271
<b>Total</b>	<b>956,645</b>	<b>995,203</b>

## **25.5 Trust Fund Account – Land Water Resource Management (LWRM) and Land Resource Planning & Development (LRPD)**

**Table 25.7: Trust Fund Account**

	<b>2011 (\$)</b>	<b>2010 (\$)</b>
<b>RECEIPTS</b>		
Retention Money	767,675	431,730
<b>Total Receipts</b>	<b>767,675</b>	<b>431,730</b>
<b>PAYMENTS</b>		
Retention Money	746,635	411,759
<b>Total Payments</b>	<b>746,635</b>	<b>411,759</b>
<b>Surplus</b>	<b>21,040</b>	<b>19,971</b>
Opening Balances as 1 January	241,200	221,229
<b>Closing Balance as at 31 December</b>	<b>262,240</b>	<b>241,200</b>

## **25.6 Statement of Losses – Department of Agriculture**

There was an increase of 228% in losses compared to 2010. Loss of livestock resulted from death of sheep, pig and cattle. These losses did not include submissions for write offs arising from the annual board of survey conducted.

**Table 25.8: Report of Losses – Department of Agriculture**

Month	Description	2011 (\$)	2010 (\$)
January	Death of Livestock	95	-
February	Death of Livestock	325	406
March	Death of Livestock	265	698
April	Death of Livestock	1,251	46
May	Death of Livestock	1,232	677
June	Death of Livestock	570	997
July	Death of Livestock	786	281
August	Death of Livestock	2,509	301
September	Death of Livestock	7,307	57
October	Death of Livestock	4,126	1,242
November	Death of Livestock	3,978	1,120
December	Death of Livestock	728	1,245
<b>Total</b>		<b>23,172</b>	<b>7,070</b>

## PART B: AUDIT FINDINGS

### 25.7 Zero Budget Estimate

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

The Quarantine Division of the Department which previously appeared under Programme 1 Activity 6 (30-1-6) of the Budget Estimates was reformed as a commercial statutory authority and is now operating as Bio-security Authority of Fiji (BAF) from January 2011.

Consequently funds in the Budget Estimates were transferred from SEG 6 to SEG 10 where BAF received its grants from the Department.

However the audit noted that balances existed in the General Ledger (FMIS) under Programme 1 Activity 6 for the year 2011 even though there was no approved budget. Refer to Table 25.9 for details.

**Table 25.9: Expenditure with Zero Budget Estimate**

Allocation	Description	Amount (\$)
1-30106-30999-010101	PE Salaries	15,713.87
1-30106-30999-010201	FNPF	17,699.68
1-30106-30999-010303	Allowance – acting	739.61
1-30106-30999-010401	Overtime	7,434.80

<sup>1</sup> Finance Instructions 2010 – Section 7

Allocation	Description	Amount (\$)
1-30106-30999-020101	Wages	4,575.93
1-30106-30999-020201	FNPF	5,110.56
1-30106-30999-020301	Allowance – meal	144.00
1-30106-30999-090303	Monitoring surveillance boat	198.00
<b>Total</b>		<b>51,616.45</b>

Scrutiny of the allocations above revealed that the charges related to payroll expenses of BAF. The above indicated that the Department did not maintain accurate balances in the general ledger in accordance to the annual appropriation act and hence amounts reported in the Agency Financial Statements are overstated.

### **Recommendations**

- The Department should ensure that the general ledger balances in the FMIS are in accordance to the Budget Estimates.
- Expenses for BAF totaling \$51,646.45 should be recovered from BAF. The Department should consider deducting the amount from grant paid to BAF if BAF fails to refund this amount.

### **Management Comments**

*The comments by OAG are noted. The DOA will deduct the total expenditure of \$51,616.45 from BAFI's next operating grant payment (3<sup>rd</sup>) and will pay the balance when the RIE is approved from MOF.*

## **25.8 Losses on TMA Operation**

The TMA were created to facilitate on a semi-commercial basis for the provision of goods and services that are needed to other government departments and also to the private sector when possible. However it is required that the TMA should break even to ensure that all costs incurred in its operations are recouped.<sup>2</sup>

The Agriculture Department maintains three Trading and Manufacturing Accounts;

- 1) **Commercial Undertaking Livestock (CUT)** operates under the Animal Health & Production Division and 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 for 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) **Research Fuel & Oil** operates under the Research Services Divisions which supply fuel & oil to other sections within the Department at a cheaper rate compared to the commercial bowsers.

<sup>2</sup> Finance Circular 37 of 26 November 1984

The Research Services Divisions has established stations throughout the country which provides the product.

Scrutiny of the TMA records reveals that the TMA incurs losses of \$587,148 in its operation. Refer to Table 25.10 for details of losses and the contributing factors that contribute to the poor performance of the TMA.

**Table 25.10: Losses on TMA Operation**

TMA	Amount (\$)	Contributing Factor
Animal & Health Production	(557,752)	Increase in direct material procurement & other TMA expenses with less sales made by the stations as per FMIS records
Machine Hire	(4,935)	Increase in procurement of fuel with less sales made by the stations as per FMIS records
Fuel & Oil	(24,461)	Increase in procurement of fuel without any sales made by the stations as per FMIS records
<b>Total</b>	<b>(587,148)</b>	

The above reflects poor financial management by the Department. The losses sustained in the TMA operation implied that the Trading and Manufacturing Account is not a viable operation in the Department.

If the current system of operation is allowed then the problem will continue to escalate resulting in more losses.

### **Recommendations**

- A review should be carried out on the viability of the TMA operation.
- The Department should ensure that the TMA should break even to ensure that all costs incurred in its operations are recouped for the financial year.

### **Management Comments**

*Currently the management is reviewing the existing fees and charges of the three (3) TMA accounts in operation. The management feels that the existing fees and charges are well below the current marketable rates hence, the TMA operations had incurred losses.*

*The management is also looking into streamlining and aligning process to match all expenses and revenue within the financial year.*

## **25.9 Trading and Manufacturing Account Adjustment**

Within five working days the Ministry of Finance issues the Monthly General Ledger (GL) Report and the Accounting Head shall reconcile the TMA balances in the report. All the variances should be communicated to Ministry of Finance within 7 days of receiving the GL report.<sup>3</sup>

The audit noted that adjustments were made to the Trading and Manufacturing Account during the year, however, the documents to support these adjustments were not provided for verification. Refer to Table 25.11 for details.

<sup>3</sup> Good Accounting Practice  
Department of Agriculture

**Table 25.11: Unsubstantiated TMA Adjustments**

Allocation	Particulars	Balance - 31/12/11	Balance - 01/01/11	Adjustments
4-30351-30999-940330	TMA Surplus	1,069,643	1,565,068	(495,425)
4-30451-30695-940330	TMA Surplus	(2,415.33)	0	(2,415.33)
4-30451-30696-940330	TMA Surplus	(1,530.78)	0	(1,530.78)
4-30451-30697-940330	TMA Surplus	(2,604.85)	0	(2,604.85)
4-30451-30698-940330	TMA Surplus	(2,549.99)	0	(2,549.99)
4-30451-30699-940330	TMA Surplus	472.01	0	472.01
4-30451-30794-940330	TMA Surplus	(4,038.59)	0	(4,038.59)
4-30451-30795-940330	TMA Surplus	(3,785.05)	0	(3,785.05)
4-30451-30799-940330	TMA Surplus	(2,587.29)	0	(2,587.29)
4-30451-30895-940330	TMA Surplus	(1,580.45)	0	(1,580.45)
4-30451-30898-940330	TMA Surplus	(1,240.50)	0	(1,240.50)
4-30451-30899-940330	TMA Surplus	(6,454.85)	0	(6,454.85)
4-30851-30694-940330	TMA Surplus	(9,412.50)	0	(9,412.50)
4-30851-30792-940330	TMA Surplus	(3,411.45)	0	(3,411.45)
4-30851-30793-940330	TMA Surplus	(2,501.28)	0	(2,501.28)
4-30851-30799-940330	TMA Surplus	(2,694.90)	0	(2,694.90)
4-30851-30894-940330	TMA Surplus	(2,121.48)	0	(2,121.48)
4-30851-30897-940330	TMA Surplus	(4,319.30)	0	(4,319.30)
<b>Total</b>		<b>1,016,866</b>	<b>1,565,068</b>	<b>(548,202)</b>

**Recommendation**

**The Department should ensure that proper records of TMA adjustments are maintained and provided for audit when requested.**

**Management Comments**

*The unsubstantiated TMA adjustments were made by MOF to cater for the introduction of the new TMA Account for Fuel and Oil.*

**25.10 Revolving Fund Account (Miscellaneous)**

Divisional Accountants, Assistant Accounts, Clerks and Recorders shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>4</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>5</sup>

The Department of Agriculture's RFA-Miscellaneous balance for 2011 constituted all balances appearing under accounts receivables (SAG 560000), prepayments and clearing accounts (SAG 570000) and accounts payable (SLG 840000).

A variance of \$129,685 was noted in the RFA - Miscellaneous balance compared to the balance reflected in the FMIS. Refer to Table 25.12 for details.

<sup>4</sup> Department of Agriculture Finance Manual 2011 – Section 16.3.3

<sup>5</sup> Department of Agriculture Finance Manual 2011 – Section 16.3.4



**Table 25.12: Variance in Revolving Fund Account Balance**

Description	FMIS Balance (\$)	Department's Balance (\$)	Variance (\$)
RFA – Miscellaneous	2,262,069.91	2,391,755.18	(129,685.27)

The above finding indicated that the Accounts Section did not verify balances to the General Ledger and that both records reconcile.

**Recommendations**

- The Department should investigate and rectify the variance noted between its reconciliation and the General Ledger (FMIS).
- The Department should ensure that monthly reconciliations are carried out properly and accurately.

**Management Comments**

*The DOA is looking into the huge balance that is carried forward from previous years under SAG 560000. There is a mix transaction for Fisheries & Forests with DOA when both departments were under the same Ministry. Now that the two departments are separated, DOFF transactions needs to be identified and either transferred to DOFF or submitted to MOF for appropriate actions. DOA is currently in the process of finalising this.*

*The balances in SAG 570000 just need to be cleared as these are accountable advances given out in yester years. Currently the department in consultation with Ministry of Finance FMIS unit is preparing a list of accountable advance that was retired manually but not updated in the system and to seek approval for write off.*

**25.11 RFA - Inter-Departmental Clearance (IDC) Account – Agricultural Tribunal**

The IDC is maintained to record transactions effected by one department on behalf of another. The type of transactions referred to include:

- Re-allocation of costs;
- Reversal of salaries;
- Indent charges.

Transactions are charged to the agency's IDC pending clearance by that agency. Balances in the IDC should always be zero.<sup>6</sup>

A variance of \$23,725.92 was noted between Agricultural Tribunal's closing balance and FMIS in the IDC account. Refer to Table 25.13 for details.

**Table 25.13: Variance in IDC Closing Balance**

Allocation	FMIS Balance (\$)	Department's Balance (\$)	Variance (\$)
1-30701-76999-536101	23,725.92	0.00	23,725.92

The above finding indicated that the IDC account was not cleared at the end of the year. It implied ineffective controls and lack of supervisory checks in the Accounts Section.

<sup>6</sup> Department of Agriculture Finance Manual 2011 – Section 16 Schedule 1

**Recommendations**

- The Tribunal should investigate and rectify the variance noted between its reconciliation and the General Ledger.
- The Tribunal must ensure that closing balance in the IDC account is zero at year end.

**Management Comments**

*This \$23,725.92 was paid by MOF being tax owed to FRCA. MOF debited the DOA's IDC and has been adjusted now from savings in SEG 1. The Department of Agriculture will pass the adjustment this year.*

**25.12 Variance in Operating Trust Fund Account**

Divisional Accountants, Assistant Accounts, Clerks and Recorders shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>7</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>8</sup>

A variance of \$26,721.21 was noted in the Operating Trust Fund balance compared to the balance reflected in the FMIS. Refer to Table 25.14 for details.

**Table 25.14: Variance in Operating Trust Fund Account Balance**

Description	FMIS Balance (\$)	Department's Balance (\$)	Variance (\$)
Operating Trust Fund	1,270,312.79	1,243,591.58	26,721.21

The above finding indicated that the Accounts Section did not verify balances to the General Ledger to ensure that any variance is rectified and that both records reconcile.

**Recommendations**

- The Department should investigate and rectify the variance noted between its reconciliation and the General Ledger (FMIS).
- The Department should ensure that monthly reconciliations are carried out properly and accurately.

**Management Comments**

*In 2011, there were a lot of senior positions vacant in the Accounts section and as a result some junior staffs were responsible for maintaining ledgers without proper supervision. However this year the DOA has managed to fill in most positions.*

<sup>7</sup> Department of Agriculture Finance Manual 2011 – Section 16.3.3

<sup>8</sup> Department of Agriculture Finance Manual 2011 – Section 16.3.4

### 25.13 Overdrawn Trust Fund Account

Operating Trust comprise of creditor monies such as FNPF, Tax Arrears/PAYE, Fines, Government Water Rates Charges and other credit union savings, which are not to be overdrawn at any time. By its nature, Operating Trust Fund Account should always have a credit balance.

It was noted that the operating trust fund account of the Department had several accounts with overdrawn balance totalling \$1,409,903 as at 31 December 2011. Refer to the Table 25.15 for details.

**Table 25.15: Overdrawn Trust Accounts**

Allocation	Description	Balance (\$)
1-30101-30101-861104	208 PD RENT H/A UNEST	335.18
1-30101-30101-861105	267 PD RENT PUBLIC RENTAL BOARD	1,243.21
1-30101-30101-861202	241 PD CMLA	8,027.94
1-30101-30101-861204	244 PD LICl	12,432.14
1-30101-30101-861206	246 PD MARCH & MCLENNAN	448.85
1-30101-30101-861209	249 PD MARCH & MCLENNAN	164.69
1-30101-30101-861211	YYY PD ALEXANDER STENHOUSE	113.93
1-30101-30101-861302	222 PD COMPUTER	222.70
1-30101-30101-861306	263 PD HOUSING AUTHORITY	4,305.51
1-30101-30101-861307	264 PD HOME FINANCE CO	355.35
1-30101-30101-861308	266 PD FDB HOUSING	1,063.71
1-30101-30101-861521	312 PD SACRED HEAR CU	30.00
1-30101-30101-861522	313 PD VITI N.T.W.CU	315.00
1-30101-30101-861525	316 PD SERVICE WORKER CU	595.00
1-30101-30101-861532	YYY PD PUBLIC EMPLOYEE UNION	9,667.76
1-30101-30101-861533	WESTAM FINANCE	4,228.33
1-30101-30101-861599	XXX PD OTHERS	5,615.04
1-30101-30101-861601	341 PF MAINT – SUVA	698.50
1-30101-30101-861602	342 PD MAINT - NAUSORI	214.99
1-30101-30101-861603	343 PF MAINT - RAKIRAKI	135.00
1-30101-30101-861605	345 PD MAINT – BA	200.00
1-30101-30101-861606	346 PD MAINT - LAUTOKA	75.00
1-30101-30101-861607	347 PD MAINT – NADI	411.80
1-30101-30101-861701	361 PD RATES – SUVA	30.00
1-30101-30101-861706	361 PD RATES - LAUTOKA	20.00
1-30101-30101-861716	XXX PD RATES - NASINU	10.00
1-30101-30101-861799	XXX PD RATES - OTHER	10.00
1-30101-30101-861806	415 PD RENT GRADE VI	14.12
1-30101-30101-861901	201 PD RAX ARREARS / PAYE	449,316.64
1-30101-30999-861901	201 PD TAX ARREARS / PAYE	2,306.01
1-30101-30101-861909	382 PD FORTEITURES	420.00
1-30101-30101-861913	387 PD RFA IDC SALARIES	23.57
1-30101-30101-861920	501 PD EMPLOYEES FNPF	906,853.45
<b>Total</b>		<b>1,409,903.42</b>

The overdrawing of Operating Trust Fund could have resulted from incorrect journal entries passed to the accounts.

In the absence of proper records and reconciliations, it is difficult to authenticate the accuracy of the Operating Trust Fund balance as stated in the general ledger (FMIS).

The above anomaly implies ineffective controls and lack of supervisory checks in the Accounts Section.

### **Recommendations**

- **The Department must ensure that Trust Funds are not overdrawn at any time.**
- **The Department must investigate these overdrawn Trust Funds and take appropriate action.**
- **The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

### **Management Comments**

*In 2011 the Accounts Payable (AP) process were not completed and as a result a lot of expenses had not been posted to GL and other contra accounts such as trust were affected. The department is currently in the process to identify and complete all this AP process so that not only trust account but expenses are reported accurately.*

## **25.14 Land & Water Resource Management (LWRM) Trust Fund – Unsubstantiated Figures**

All bank accounts must be reconciled monthly and the bank reconciliation shall list all outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>9</sup>

The receipts and payments 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.<sup>10</sup>

The audit could not substantiate the Department's LWRM Trust Fund receipts and payments figures in the financial statements as relevant supporting documents were not produced for audit. Refer below to details of records which were not provided to audit.

- The audit was not able to perform independent bank reconciliation for cash balance for the year as bank statements for November and December were missing hence the cash at bank balance amounting to \$551,147.77 could be not verified.
- Our review was not able to determine the cash receipts & payments for the year as cash expenditure ledger maintained by the LWRM section was not updated. The department failed to update the cash/vote book upon several requests by audit to LWRM section.
- It was further noted that the Department failed to prepare proper bank reconciliation. It was only reconciling bank records against the General ledger (FMIS) records. The Financial Management Information System as at 31/12/11 showed a balance of \$765,136 and \$493,550 in the Trust Account for the LWRM section.

As a result, the audit was not able to substantiate the accuracy of Trust Funds receipts and payments account as at 31/12/11.

Failure to carry out proper bank reconciliations can result in non-detection of misappropriations and fraud.

<sup>9</sup>Finance Instructions 2010 – Section 32(6)

<sup>10</sup>Finance Instructions 2010 – Section 58(1 – 4)

**Recommendations**

- The Department should ensure that proper records of Trust are maintained, updated and provided for audit when requested.
- Proper monthly reconciliation between bank and department cash book records are to be performed and properly checked by the supervising officer before certifying it.
- The Department should ensure that board of survey is conducted at the end of the year and any errors are investigated and adjusted accordingly.

**Management Comments**

*Due to vacant position in accounts the DOA had no option but to manage with whatever resources and manpower available to get the job done. Only the independent record keeping and reconciliation was not carried out but now staffs have been advised to improve from this year.*

**25.15 Variance in 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.<sup>11</sup>

The Assistant Accounts Officer (Ledgers) must verify balances in the bank reconciliation to the cashbook, bank statements, unpresented cheque list and the previous month's bank reconciliation before certifying it.<sup>12</sup>

The Drawing Account balance as per Department's reconciliation did not reconcile with the FMIS balance as at 31/12/11. A variance of \$1,030,146.34 was noted between the two records. Refer to Table 25.16 for details.

**Table 25.16: Variance in Drawings Account Balance**

Description	Department's Balance (\$)	FMIS Balance (\$)	Variance (\$)
Drawings Account	3,276,316.58	2,246,170.24	1,030,146.34

The above anomaly implied ineffective controls and lack of supervisory checks in the Accounts Section.

**Recommendations**

- The Department should ensure that monthly reconciliations are carried out properly and accurately.
- The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.

**Management Comments**

*In previous years the Accounts Payable (AP) process were not completed. This had led to huge amount of variance in Drawings Account and underreporting of DOA expenditure. The DOA is working closely with MOF*

<sup>11</sup> Finance Instructions 2010 – Section 32(6)

<sup>12</sup> Department of Agriculture Finance Manual 2011 – Section 7.4.10

(FMIS) to identify those transactions for which cheque has been written and vendors being paid off to prepare a list and request the Chief Accountant approval for write off.

## 25.16 Anomalies for the Engagement of Temporary Senior Agriculture Officer

The Appointment of new Public officers is made by or under the authority of the appropriate Service Commission.<sup>13</sup>

Employees are remunerated at the minimum of their respective current salary scale on appointment into service. The salary scale for the Temporary Senior Agriculture Officer in the grade PR02 is \$26,063 to \$34,175.

Joape Waqabaca,<sup>14a</sup> Temporary Senior Agriculture Officer was appointed into service on 24 September 2007 on a salary scale of \$36,399. The officer was remunerated in excess of the approved salary scale of a Senior Agriculture Officer which ranges from \$26,063 to \$34,175. Review of the officer's payroll records revealed that the officer is currently receiving \$38,315 which is the maximum salary scale in the grade SC02.

The audit noted that the Department failed to seek approval from the Public Service Commission to remunerate the officer outside the approved salary range of a Senior Agriculture Officer.

On 04/10/11, the Department wrote to the Public Service Commission highlighting the above anomaly. In a letter dated 27/10/11, the Public Service Commission responded informing the Department that the officer should be offered a new contract with effect from 24/09/11 to 23/09/12 for an annual salary of \$26,063 in the salary scale \$26,063 - \$34,175. The post of Senior Agriculture Officer should also be advertised.

However, the audit noted that the position was still to be advertised and the officer is yet to sign a new contract. Moreover scrutiny of the officer's payroll records revealed that the officer is still receiving an annual salary of \$38,315. Since the appointment of the officer on 24 September 2007, he has been overpaid \$42,551.97 in terms of unauthorized salary. Refer to Table 25.17 for details.

**Table 25.17: Overpayment of Salary**

Year	Overpayment (\$)
2007	2,534.71
2008	12,103.46
2009	7,830.95
2010	7,830.95
2011	12,251.90
<b>Total</b>	<b>42,551.97</b>

Unless approved by the Public Service Commission, officers being appointed at a salary other than the minimum scale are unauthorised.

### **Recommendations**

- **The Department should seek approval from Public Service Commission before remunerating officers outside the salary scale and the decision made by the Commission should be upheld.**

<sup>13</sup> 2011 General Orders – Section 202 – Authority for Appointments

<sup>14</sup> EDP 46162

- **The Department must ensure that the officer signs a new contract as directed by the Public Service Commission.**
- **The unauthorized salary payment should be recovered from the officer and appropriate action to be instigated against officers responsible for authorizing incorrect salary payment.**

### **Management Comments**

*The department had received a decision from PSC. However the officer has refused to take PSC's offer and the matter is being referred back to PSC. Mr. Waqabaca was initially appointed as Senior Agricultural Officer with effect from 30/9/2007 to 23/9/2008 as Senior Agricultural Officer (Monitoring Task Force) and held against a Senior Research Officer Post paid at the maximum salary point of \$36, 399. The Assistant Accounts Officer Salary then ( Mr. Uday Kumar – deceased) confirmed that upon inquiry with the then Director HRF&I (Bulou Rakuita), it was revealed that the increase in salary was a directive from the PM's office through the PS PSC however, there was no written approval from PSC to this effect.*

## **25.17 Overpayment of Salary**

Any sum due by an Officer to Government may be deducted by the Permanent Secretary for Finance from salary due to such officer. An officer shall be given prior notice of such action being taken.<sup>15</sup>

Salary advice must be submitted promptly to the Ministry of Finance where there is any change to personnel emoluments or deductions such as appointments, promotions, transfers, acting allowances, dismissals and resignations, income tax allowances, housing deductions or other charges or deductions.<sup>16</sup>

Where it becomes necessary to hold, cease or reverse an employee's salary, the Head of Salaries must immediately advise the Ministry of Finance in writing.<sup>17</sup>

Our review of the payroll records revealed that the Department failed to cease the payment of salaries for the following officers upon termination, leave without pay, resignation or retirement. Refer to Table 25.18 for details.

**Table 25.18: Details and Reasons for Overpayment of Salary**

Employee	EDP No./ FNPF No.	Overpayment (\$)	Period of Overpayment	Reason for Overpayment of Salary
Sera Rasiga	90982	114.40	23/08/11 to 26/08/11	Officer resigned with effect from 23/08/11.
Osea Rasea	60209	358.00	21/03/11 to 25/03/11	Officer resigned with effect from 21/03/11.
Eroni Tamani	49983	2,152.04	04/03/11 to 25/03/11	Officer went on leave abroad without approval with effect from 04/03/11.
Lusiana Tumaitoga	QS320	944.02	12/02/11 to 13/04/11	Officer's temporary appointment had expired on 23/02/11. The officer had proceeded on study leave without salary with effect from 12/02/11 thus her appointment was not renewed.
Peni Rokolaqa	62006	274.50	25/05/10 to 03/06/10	Officer was suspended without pay with effect from 25/05/10.
Sainimere Raganivatu	58792	164.84	09/08/10 to 12/08/10	Officer was suspended without pay with

<sup>15</sup> General Orders 2011 – Section 401

<sup>16</sup> Finance Instructions 2010 – Section 17(1)

<sup>17</sup> Department of Agriculture Finance Manual 2011 – Reversal or Withholding of Salary – Section 4.10.1

Employee	EDP No./ FNPF No.	Overpayment (\$)	Period of Overpayment	Reason for Overpayment of Salary
				effect from 09/08/10.
Losalini Toganivalu	56632	8,315.29	15/03/11 to 17/06/11	Officer was granted leave without salary on secondment to Secretariat of the Pacific Community with effect from 15/03/11 to 31/12/11. The officer was to resume duties on 02/01/12. However as at 31/01/12, she has failed to do so.
Peni Vulaki	16868	2,419.78	OPR for Previous and Current year	The officer was retired from service with effect from 05/08/11 however the Department failed to recover the OPR for previous and current year.
Matai Matakitoa	45858	773.11	12/02/11 to 18/02/11	Overpayment of salary due to short notice for resignation from service.

There was lack of supervisory control and communication within the Department in monitoring changes to payroll, particularly those who retired, resigned or were terminated. Poor communication and coordination between personnel and payroll sections has resulted in the overpayment of salary.

In addition, salary reconciliations were not properly carried out during the year which resulted in the overpayment of salaries being undetected.

### **Recommendations**

- The Department should implement an effective and efficient communication process between the Personnel and Payroll section so that correspondences relating to resignation, termination and retirement are processed in timely manner to avoid overpayment of salaries.
- Salary overpayment should be immediately recovered from the relevant officers and in case where recovery is not possible, the Department should investigate the cause of the overpayment and take appropriate actions against officers responsible.

### **Management Comments**

*The department will review the communications process and ensure that those who are leaving the service are not paid any extra salary. The details are as follows:*

- 1 Osea Rasea – The officer tendered his resignation on 21/2/11 giving a 1 month notice and was processed and dispatched to Salaries Section on 16/3/11, signed by AAO (Salaries). 7 days left is an ample time to reverse his salary from MOF.
- 2 Eroni Tamani - The officer applied for overseas leave on 3/3/2011 and left the country at 7am on 4/3/2011. The PSA in his directive had approved and that his salary be ceased with immediate effect and minute was signed on 14/3/2011. His salary was ceased on pay 7/2011.
- 3 Lusiana Tumaitoga, Temp. AA – The officer whilst being on temporary appointment, proceeded on full-time study leave for 4 ½ years with effect from 12.02.11. This was later made known to the Administration Section who issued a non renewal notice of Temporary appointment with effect from 23.02.12. Overpayment till 13/4/2011 may be due to late inputs to MOF.
- 4 Matai Matakitoa, Prin. Acct. – The officer resigned with effect from 11/2/11. The officer had worked till 18/2/11. The resignation was accepted and the short notice of resignation of 22 days was to be deducted from his leave due. Acceptance letter of resignation was dated 14.4.12. Copy submitted to Prin. Accountant for his necessary action.



- 5 *Sera Rasiga, CO – The officer resigned with effect from 23.08.2011 and was accepted. A copy of her resignation letter dated 22/8/2011 was marked to AAO (Sals) on the same date to take the necessary action. (Despatch book signed on 22/8/11.*
- 6 *Sainimere Raganivatu was suspended without pay with effect from 9/8/2010 vide memo dated 5/8/2010. Copy of the memo was marked to Principal Accountant for the necessary actions on the same date.*
- 7 *Peni Rokolaqa, CO (Lawaqa) – The officer was terminated with effect from 25/5/2010 vide memo dated 24/5/2010. Copy of the memo was marked to Principal Accountant for the necessary actions on the same date.*

## 25.18 Procuring Goods and Services without Local Purchase Order

A local purchase order shall be issued when procuring any goods, services or works from an organisation within Fiji, unless a contract or agreement has been entered into.<sup>18</sup>

Liabilities represent the amount that the Department owes and is expected to pay at some time in the future. It is important to be fully aware of commitments and the resources that will be required to settle these obligations in future. Funds need to be appropriately managed enable liabilities to be paid on time.<sup>19</sup>

At the end of each month, the payable officer shall review the accounts payable ledger to ensure that all invoices and claims do not become overdue.<sup>20</sup>

Local purchase orders were not issued to Automech to carry out maintenance work for the following vehicles in 2009. Refer to Table 25.19 for details.

**Table 25.19: Details of Invoices without Purchase Orders**

Vehicle	Division	Invoice No.	Invoice Date	Amount (\$)
GN536	Apiculture	320	22/12/09	240.00
GN518	AH & P	321	22/12/09	795.00
GN456	AH & P	324	22/12/09	3,400.00
GN433	Extension	322	22/12/09	3,450.00
GL681	Extension	319	23/12/09	1,420.00
GM975	Extension	323	22/12/09	3,200.00
GM504	Eastern Office	776	02/07/09	4,988.00
GN434	Taskforce	318	22/12/09	2,550.00
GM434	Taskforce	260	12/08/09	96.00
GN434	Taskforce	261	11/10/09	97.00
GN435	Taskforce	262	04/05/09	94.00
GN435	Taskforce	263	Not specified	86.00
GN435	Taskforce	264	09/07/09	96.00
GN435	Taskforce	265	31/08/09	93.00
GN435	Taskforce	266	31/10/09	97.00
GN434	Taskforce	272	11/09/09	86.00
<b>Total</b>				<b>20,788.00</b>

In memo written on 12/08/11, the Permanent Secretary with the concurrence of the Minister of Primary of Industries had directed to settle the outstanding invoices and those that did not adhere to the

<sup>18</sup> Department of Agriculture Finance Manual 2011 – Section 2.5.1

<sup>19</sup> Department of Agriculture Finance Manual 2011 – Liabilities – Part 13

<sup>20</sup> Department of Agriculture Finance Manual 2011 – Section 13.1.3

financial regulations to be dealt with accordingly. Consequently, \$20,788 was paid to Automech on 22/08/11.<sup>21</sup>

The audit also noted that in another memo written on 16/06/11 by the Assistant Accounts Officer (Ledgers)<sup>22</sup> the Permanent Secretary was informed that a Sergeant Tomasi Delana from the taskforce unit was responsible for taking the vehicles for repair without local purchase orders. However, the audit has established that the Department has not taken any action on the officers responsible for the anomaly.

The above finding indicated disregard of rules and regulation by public servants.

### **Recommendations**

- **The Department must ensure that all expenses committed are within the approved budget and paid within the same year.**
- **The Department must ensure that local purchase orders are issued when procuring goods and services.**
- **The Department should investigate the officers responsible for not adhering to the financial regulations and institute appropriate disciplinary actions where warranted.**

### **Management Comments**

*The matter has been referred to office of the Prime Minister where the officers are based.*

## **25.19 Payment of Operating/Capital Expenditure Items from Trust Fund**

Trust money is to be accounted for separately from public money and other money.

Trust money should only be used to pay the retention monies to the contractors after expiry of the retention period on the projects.

Retention monies kept in the trust fund account totalling \$314,968.48 was utilized by the Land and Water Resources Management Division to meet payments of its operating and capital expenditure items. Refer to Table 25.20 for details.

**Table 25.20: Payments of Operating/Capital Expenditure made from Trust Fund Account**

Date	Cheque No	Payee	Amount (\$)	Remarks
26/01/11	0053	Air Pacific Ltd	283.10	Trust money utilized to pay air for Mr. L Mudaliar Suva/Labasa/Suva
11/02/11	0058	Communication Fiji Limited	1,042.68	Trust money utilized to pay rental charges for the month of February.
11/02/11	0059	Grid Security Services	5,740.68	Trust money utilized to pay for security services provided at Luvuluvu base.
02/03/11	0066	Fiji Sun	411.20	Trust money utilized for Advertisement of Tender
23/05/11	0072	Air Pacific Ltd	672.00	Trust money utilized to pay air passage for Mr. Francisco Alhambra & Mr. George Antonio
10/06/11	0073	National Bulldozing & Transport Co. Ltd	14,086.82	Trust money utilized to pay claim no.3 for the maintenance of irrigation scheme in Navua

<sup>21</sup> Cheque number 190680

<sup>22</sup> Akanisi Rokotakala

Date	Cheque No	Payee	Amount (\$)	Remarks
15/08/11	0074	Total Fiji Ltd	42,927.20	Trust money utilized to purchase fuel required by LWRM Central for vessel MBB Operation use.
17/11/11	0075	China Railway Ltd	249,805.80	Trust money utilized to pay Claim No 4 for Rewa Dredging Works Project.
<b>Total</b>			<b>314,969.48</b>	

The utilization of trust fund money to cater for operating and capital expenditure was first highlighted in the 2010 Draft Audit Memorandum issued to the Department on 19/08/2011. The Department however failed to take immediate action by not using trust fund money to meet payment for its operating and capital expenditure

Abuse of the trust fund could result in insufficient funds to cater for the retention fund of the contractors. If funds are not charged to the appropriate budgetary allocations, balances reflected in the Agency Financial Statements may also be understated. In addition such finding indicated the deliberate disregard of standing rules and regulation for the management of trust fund.

### **Recommendation**

**The Department must ensure that only retention payments are to be made from Trust Fund Account and operating and capital expenditure should be charged to the correct allocation.**

### **Management Comments**

*Two cheques were received for works carried out on the behalf of other government agencies. Details are as follows:*

1. RR # 663020 of 02/02/11 \$78,015.52 (Water Authority of Fiji for Nailili Dredging Works)
2. RR # 663019 of 28/01/11 \$18,000.00 (Provincial Development – irrigation works Navua)

*The expenses mentioned above were charged against the above receipt. As for China Railway when submission was made to Ministry of Finance the VAT portion was not included in the initial submission. The Ministry will write to Finance to seek the shortfall and credit the retention fund account.*

## **25.20 Non-Submission of Supporting Documents**

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

The Divisional Accounting and Clerical Officers are responsible for the safekeeping and proper maintenance of all accounting records or documents.<sup>23</sup>

Our review of a sample of records pertaining to expenditures incurred for the Agriculture Show 2011, noted the lack of sufficient appropriate documents to substantiate the utilisation of \$21,950 by the organising team. Refer to Table 25.21 for details.

<sup>23</sup> Department of Agriculture Finance Manual 2011 – Section 18.1.3

**Table 25.21: Details of Payments not supported**

Date	Cheque No.	Payee	Cheque Uplifted By	Details	Amount (\$)
20/07/2011	189438	PS Agriculture	Louisa Waqavatu	Payment to cater for give away prizes at the Agriculture Show	16,950
22/07/2011	189526	PS Agriculture	Louisa Waqavatu	Payment of special imprest for the central division Agriculture Show.	5,000
<b>TOTAL</b>					<b>21,950</b>

Supporting documents to substantiate how the above funds were utilized were not provided for audit.

Maintaining records to support funds utilized are essential to proper accounting of public funds. Without the appropriate supporting records, the risk of mismanagement and misappropriation of funds is high.

### **Recommendations**

- The Department should ensure that supporting documents are provided to acquit funds paid out for official functions and are presented for audit purposes when requested.
- The officers uplifting the cheque should be held accountable to provide the supporting documents as the officer is responsible for managing the funds for the Agriculture Show 2011.

### **Management Comments**

*The cheques uplifted were for 2011 Agriculture Show prizes. The DOA is not able to provide the supporting documents at this stage as the entire 2011 Agriculture Show files and document were has been taken by the Task Force from the PM's Office. The DOA has written to PM's Office for the return of the 2011 Agriculture Show files and once the files will be received we can then be in a position to retrieve and provide the supporting documents.*

## **25.21 Non Submission of Supporting Documents as Evidence of Goods Received**

The Principal Accounts Officer or authorized officers must not certify a payment as correct unless they are satisfied that there is documentation that the goods, services or works have been received.<sup>24</sup>

Payments shall not be made on any vouchers unless they are duly signed, certified, and otherwise properly completed in every respect. Payment shall be made upon receipt of goods.

Our review of the payments made on 31 December 2010 noted that relevant supporting documents were not attached to the payment vouchers as evidence of goods and services received. Therefore our audit could not determine whether the services were rendered for the following payments. Refer to Table 25.22 for details.

**Table 25.22: Payments not Adequately Supported**

Date	Cheque No.	Payee	Details	Amount (\$)	Remarks
31/12/10	184309A	A Kumar	Payment for bulldozing works	13,500.00	• Completion certificate

<sup>24</sup> Department of Agriculture Finance Manual 2011 – Section 2.8.4(ii)

Date	Cheque No.	Payee	Details	Amount (\$)	Remarks
		Bulldozing Works	for Nabawaqa Vegetable Group		<ul style="list-style-type: none"> <li>• or report not submitted by the Divisional Officers.</li> <li>• Cheque presented to bank on 09/0611</li> </ul>
	184309B	A Kumar Bulldozing Works	Payment for bulldozing works for Lewa Vegetable Group	26,298.00	
	184309C	A Kumar Bulldozing Works	Payment for bulldozing works for Nadrau Vegetable Group	18,988.59	
	184309D	A Kumar Bulldozing Works	Payment for bulldozing works for Drala Vegetable Group	13,500.00	
31/12/10	184423A	Divisional Engineer Works Western	Payment for fuel supplied for EPP/ISP monitoring and farm inspection visits.	5,000.00	<ul style="list-style-type: none"> <li>• Delivery dockets not submitted by the Divisional Officer</li> <li>• Cheque presented to bank on 21/01/11</li> </ul>
	184423C	Divisional Engineer Works Western	Payment for fuel supplied for EPP/ISP monitoring and farm inspection visits.	5,000.00	
31/12/10	184797	Emoni Gunuvoli	Payment for supply of two tonnes yam seedlings for Nanuku Youth Project	2,000.00	<ul style="list-style-type: none"> <li>• Delivery dockets or report not submitted by the Divisional Officer</li> <li>• Cheque presented to bank on 25/0511</li> </ul>
31/12/10	183854	Semi Ratubuli	Payment for supply of 80 bags kumala cuttings for	1,200.00	<ul style="list-style-type: none"> <li>• Delivery dockets or report not submitted by the Divisional Officer</li> <li>• Cheque presented to bank on 24/01/11</li> </ul>
<b>Total</b>				<b>85,486.59</b>	

If substantive evidences such as delivery dockets or reports from Divisional Officers are not maintained or verified, there would be risks of collusion, services not rendered or items delivered to other locations.

### **Recommendations**

- The Department should implement strategies to ensure that goods and services ordered are delivered in full and to the rightful recipient.
- Delivery dockets, completion certificates or report verified by the respective Divisional Officers and headquarters should be furnished with delivery dockets to allow payments to be effected and adequately supported.

### **Management Comments**

1. Cheque Nos 184309A – 184309D for A Kumar. All bulldozing works for the 4 groups were all completed and signed copies of completion certificates were forwarded to HQ. Some of the works to be carried out by the contractor were delayed due to continuous rain up in Nadarivatu so the delay in paying the company. Cheque dated 31/12/10 and final payment was done in June 2011.
2. Cheque No 184423A and 184423C – Divisional Engineer Works Western. PAO Western Office Lautoka does not have a bowser for filling of fuel and oil. Therefore, all vehicles are filled at the DE Western Bowser for daily operation and PWD Fuel Requisition (GP86) is used. Payments are made in advance to DE Western to keep our Account in credit. Then weekly Debit Note is obtained for reconciliation to avoid over expenditure.
3. Cheque No 184797 – Emoni Ratubuli for the supply of yams. The yams were delivered to the recipients but no delivery docket made. These deliveries were made by the Technical Staffs who were unaware of the procedures. We have rectified this and advised the officers to ensure that deliveries to the recipients are made on delivery docket which is currently the practice.

4. *Cheque No 183854 – Semi Ratubuli for supply of 80 bags kumala cuttings. Some of these kumala cuttings were supplied to farmers and noted on tally cards. The rest were delivered to the farmers but again no delivery dockets made. We have since rectified this and deliveries to the recipients are now made on delivery dockets.*

### **Further OAG Comments**

1. The Audit office is yet to receive the certificate of completion from the Department for bulldozing works done by A Kumar Bulldozing Works.
2. The Audit office is yet to receive the receipts from the Department for fuel purchase from Divisional Engineer Works Western.
3. The Audit office is yet to receive the delivery dockets from the Department for delivery regarding Cheque No 184797 and Cheque No 18385.

## **25.22 Diversion of Funds**

Expenditure shall be classified and every vote shall be applied for the purpose for which it is approved.

Funds allocated for Coconut Development Programme, Rural and Outer Island and Value Added Tax were used to meet other operating expenditures. Refer to Table 25.23 for details.

**Table 25.23: Diversion of Funds to Meet Operating Expenditure**

Allocation	Date	Cheque No.	Payee	Details	Amount (\$)
1-30202-30201-071199 (Coconut Development Programme – Operating)	03/06/11	187660	Tradewinds Marine Ltd	Payment for purchase of lifesaving equipment for Extension Division.	4,177.44
	03/06/11	187898	Remington Business Supplies	Payment for purchase of time clock for Lakena Extension office.	1,738.26
	06/06/11	187726	South Pacific Business Systems	Payment for repair of photocopier at Lakena office.	1,455.02
	06/06/11	187719	Mass Stationery Supplies	Payment for purchase of 2 sets of cartridge for Director Extension.	2,347.80
1-30102-30999-130101 (Value Added Tax)	16/08/11	190517	Mr. Mason Smith	Retirement of allowance taken to Italy.	9,300.06
1-30102-30999-100205 (Rural & Outer Island)	21/06/11	188341	Jad International Travel Services	Purchase of air ticket for PSA and Minister's trip to Italy.	13,514.00
	01/07/11	188726	Air Pacific Ltd	Air ticket for Mr. Fred Baker – Consultant for National Agriculture Census	12,841.70

Funds were not expended for its intended purpose and this would hinder the successful implementation of Coconut Development Programme and the Rural and Outer Island Projects. In addition if expenditures are not properly charged to the correct allocations, the Agency Financial Statements will not presently fairly the financial performance and operations of the Department.

### **Recommendations**

- Funds should be used for the purpose they were provided and prior approval should be obtained from Ministry of Finance for any diversion of funds.

- **Expenditures incurred should be correctly charged to the relevant expenditure allocation.**

### **Management Comments**

1. *Lifesaving equipment was purchased for staff engaged in Coconut Development Programme. They had to travel by sea from Islands to islands to promote coconut expansion works. It is also a requirement by FIMSA that all outboard engines are fully equipped with such equipment.*
2. *There was no intention to purchase time clock from Coconut Development Programme but this was overlooked and was purchased. Such misallocations will not be repeated in future.*
3. *A lot of printing works for Coconut Development Programme is done at Headquarters and Lakena to ensure timely services is provided to staff engaged in coconut development. This works includes the Coconut Day Celebration in Savusavu, the stakeholders meeting in Savusavu, Agriculture Show and other important consultations. As such, the photocopier had to be repaired to print technical bulletins and other materials for coconut works.*
4. *Director is responsible in coordinating all Coconut Development Programme. He has to facilitate all Coconut Development works compile reports and reports to Management on progress. As such cartridge had to be purchased from Coconut Development Programme to ensure Director's input in Coconut Development is not affected. The construction of the Whole Nut Processing Facility in TCC, Taveuni requires a lot of correspondence especially in the procurement of machines.*

## **25.23 Procurement of Roofing Iron**

All Ministries and Departments are to procure zincalume and galvanized roofing products from Roofing and Profiles (Fiji) Ltd with effective from 1<sup>st</sup> January 2011 as per Government Tender Board Approval.<sup>25</sup>

Contrary to the approval by the Government Tender Board (GTB), the Department purchased roofing iron from other companies apart from the Roofing and Profiles (Fiji) Ltd. Refer to Table 25.24 for details.

**Table 25.24: Details of Roofing Iron Purchases**

Date	Division	Cheque No.	Payee	Amount (\$)	Remarks
10/11/11	LRPD	19435	Vinod Patel Ltd	1,619.44	2 other quotes were obtained from Kasabia and Hawaka
05/04/11	KRS	185957	Kingdom City	606.00	Only 2 quotes obtained & Kasabia is the other company.
27/07/11	Extension	189709B	Vinod Patel Ltd	2,012.40	Procurement of materials for ROI project
17/07/11	AH & P	188187	S K Davey	1,711.30	Procurement of materials for FSP project
17/06/11	AH & P	188175	Bomco Hardware	1,655.40	Procurement of materials for FSP project

Disregard of rules and regulation is evident from the above procurement and that procurement was also not made from the most economical source.

### **Recommendations**

- **The Department must ensure that all zincalume and galvanized roofing products are purchased from Roofing and Profiles (Fiji) Ltd as per tender board approval.**

<sup>25</sup> GTB Meeting No.5/2010 held on 21/09/2010 – Tender No.P77/2010

- **Appropriate action should be taken against responsible officers who continue to disregard the above tender approval.**

**Management Comments**

*All staffs involved in this told us that they were not aware of the contract being awarded to Roofing and Profiles Limited and also in some cases the contracted company could not deliver to remote areas.*





**Section 26****Department of Fisheries and Forests****Role and Responsibilities**

The Department of Fisheries and Forests was established with the aim to enhance both sectors visibility and streamline decision-making so that it is more responsive and proactive in facilitating the sustainable development of the fisheries and forest sector. This will be accomplished through strengthening its capacity building, institutional and infrastructure development. Greater emphasis placed on the value adding of fisheries and forest products and effective participation of resource owners in the industries

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**PART A: FINANCIAL STATEMENT****26.1 Audit Opinion**

The audit of the 2011 accounts of the Department of Fisheries and Forests resulted in the issue of a qualified audit report. The qualifications were as follows.

1. Included in the Trading and Manufacturing Account was a TMA Surplus Capital Retained to Consolidated Fund and TMA Accumulated Surplus of \$112,882 and \$49,880 respectively. The amounts could not be verified as the Department was not able to provide appropriate audit evidence to support the balances. Accordingly, the accuracy and completeness of the Trading and Manufacturing Account as at 31 December 2011 could not be ascertained.
2. There was an un-reconciled difference amounting to \$16,149 between the General Ledger (FMIS) and Department of Fisheries and Forests TMA bank reconciliation. Accordingly, the accuracy and completeness of the TMA Cash at Bank account as at 31 December 2011 could not be ascertained.

**26.2 Statement of Receipts and Expenditures**

The Department of Fisheries and Forests collected revenue totalling \$1,592,559 and incurred expenditures totalling \$12,344,319 in 2011. Details are shown in Table 26.1 below.

**Table 26.1: Statement of Receipts and Payments**

Description	2011 (\$)	2010 (\$)
<b>RECEIPTS</b>		
Native timber measurement	823,110	570,575
Vessel registration	8,055	10,069
Management fees	170,435	452,342
License fishing	293,950	109,634
Sale of fish and ice	236,773	225,485
Miscellaneous revenue	60,236	127,206
<b>TOTAL REVENUE</b>	<b>1,592,559</b>	<b>1,495,311</b>
<b>EXPENDITURES</b>		
<b>Operating</b>		
Established Staff	4,408,950	4,010,942
Unestablished Staff	1,251,027	1,422,004
Travel & Communication	241,740	212,100
Maintenance & Operations	1,441,663	1,143,687
Purchase of Goods & Services	620,360	533,850
Operating Grants & Transfers	534,942	591,749
Special Expenditures	221,183	613,717
<b>Total Operating Expenditures</b>	<b>8,719,865</b>	<b>8,528,049</b>
<b>Capital</b>		
Capital Construction	2,838,324	2,206,503
<b>Total Capital Expenditures</b>	<b>2,838,324</b>	<b>2,206,503</b>
Value Added Tax	786,130	566,071
<b>TOTAL EXPENDITURES</b>	<b>12,344,319</b>	<b>11,300,623</b>

Revenue collected increased by \$97,248 or 7% due to the increase in revenue generated from native timber measurement and fishing licences.

Total expenditure increased by \$1,043,696 or 9% due to increase in expenditure for Plant Million Tree Initiative.

### 26.3 Appropriation Statement

The Department incurred expenditures totalling \$12,344,319 against the revised budget of \$13,075,276 resulting in savings of \$730,957 or 5.6%. Details of expenditures against the budget estimates are provided in Table 26.2 below.

**Table 26.2: Appropriation Statement**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	5,153,293	(442,633)	4,710,660	4,408,950	301,710
2	Government Wage Earner	1,254,157	-	1,254,157	1,251,027	3,130
3	Travel and communications	244,213	-	244,213	241,740	2,473
4	Maintenance & operations	1,432,676	60,000	1,492,676	1,441,663	51,013
5	Purchase of goods & services	629,990	50,000	679,990	620,360	59,630
6	Operating grants & transfers	585,000	-	585,000	534,942	50,058
7	Special expenditures	239,147	-	239,147	221,183	17,964
	<b>Total Operating Expenditure</b>	<b>9,538,476</b>	<b>(332,633)</b>	<b>9,205,843</b>	<b>8,719,865</b>	<b>485,978</b>

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
8	Capital construction	2,750,000	332,633	3,082,633	2,838,324	244,309
	<b>Total Capital Expenditure</b>	<b>2,750,000</b>	<b>332,633</b>	<b>3,082,633</b>	<b>2,838,324</b>	<b>244,309</b>
13	Value Added Tax	786,800	-	786,800	786,130	670
	<b>TOTAL EXPENDITURE</b>	<b>13,075,276</b>	<b>-</b>	<b>13,075,276</b>	<b>12,344,319</b>	<b>730,957</b>

## 26.4 Trading and Manufacturing Account – Department of Forests

**Table 26.3: Manufacturing Account**

Manufacturing Account	2011 (\$)	2010 (\$)
Opening Raw Material	21,452	48,726
Purchases	14,176	-
	<b>35,628</b>	<b>48,726</b>
<b>Less: Closing Raw Material</b>	24,810	21,452
<b>Raw Material Used</b>	<b>10,818</b>	<b>27,274</b>
<b>Add: Direct Labour</b>	107,736	114,325
<b>Cost of Manufacturing Goods transferred to Trading Account</b>	<b>118,554</b>	<b>141,599</b>

**Table 26.4: Trading Account**

Trading Account	2011 (\$)	2010 (\$)
Sales	90,295	147,858
Opening Stock	7,542	3,017
<b>Add: Cost of manufacturing goods</b>	118,554	141,599
<b>Total Stock available for sale</b>	<b>126,096</b>	<b>144,616</b>
<b>Less: Closing Stock of finished goods</b>	8,758	7,542
<b>Cost of Goods Sold</b>	<b>117,338</b>	<b>137,074</b>
<b>Gross (Loss)/Profit transferred to P &amp; L</b>	<b>(27,043)</b>	<b>10,784</b>

**Table 26.5: Profit & Loss Statement**

Profit & Loss Statement	2011 (\$)	2010 (\$)
<b>Income</b>		
Gross (Loss)/Profit transferred from Trading A/C	(27,043)	10,784
<b>Total Income</b>	<b>(27,043)</b>	<b>10,784</b>
<b>Expenses</b>		
Maintenance & operation	108,402	64,344

<b>Profit &amp; Loss Statement</b>	<b>2011 (\$)</b>	<b>2010 (\$)</b>
Special fees & charges	109	131
VAT	10,641	-
<b>Total Expenses</b>	<b>119,152</b>	<b>64,475</b>
<b>Net Loss</b>	<b>(146,195)</b>	<b>(53,691)</b>

**Table 26.6: Balance Sheet**

<b>Balance Sheet</b>	<b>2011 (\$)</b>	<b>2010 (\$)</b>
<b>Current Assets</b>		
Cash	139,812	176,825
Raw material	24,810	21,452
Accounts receivable	5,060	-
Finished goods	8,758	7,542
<b>Total Current Assets</b>	<b>178,440</b>	<b>205,819</b>
<b>Current Liability</b>		
VAT Payable	15,678	15,678
<b>Total Current liability</b>	<b>15,678</b>	<b>15,678</b>
<b>NET ASSETS</b>	<b>162,762</b>	<b>190,141</b>
<b>EQUITY</b>		
TMA Surplus Capital Retained to CFA	112,882	(5,933)
TMA Accumulated Surplus	49,880	196,074
<b>Total</b>	<b>162,762</b>	<b>190,141</b>

## 26.5 Trust Fund Account – 1/3 Subsidy Scheme Department of Fisheries

	<b>2011 (\$)</b>	<b>2010 (\$)</b>
<b>RECEIPTS</b>		
1/3 Subsidy Contribution	418,840	240,452
<b>Total Receipts</b>	<b>418,840</b>	<b>240,452</b>
<b>PAYMENTS</b>		
1/3 Subsidy Payment	390,421	285,625
<b>Total Payments</b>	<b>390,421</b>	<b>285,625</b>
<b>Surplus/(Deficit)</b>	<b>28,419</b>	<b>(45,173)</b>
Opening Balances as 1 January	40,933	86,106
<b>Closing Balance as at 31 December</b>	<b>69,352</b>	<b>40,933</b>

## 26.6 Statement of Losses

In accordance to Procurement Regulations 2010 Clause 52, the Permanent Secretary for Finance approved the disposal and write-off upon submission of the recommendations of the Board of Survey Report.

**Table 26.7: Report of Losses**

Location	Description	2011 (\$)	2010 (\$)
Headquarters	Equipment	144,250	-
	Stores	87,737	-
Forestry	Equipment	104,200	-
Fisheries	Equipment	77,430	-
<b>Total</b>		<b>413,617</b>	<b>-</b>

## PART B: AUDIT FINDINGS

### 26.7 Trading and Manufacturing Account Adjustments

Within five working days the Ministry of Finance issues the Monthly General Ledger (GL) Report and the Accounting Head shall reconcile the TMA balances in the report. All the variances should be communicated to Ministry of Finance with 7 days of receiving the GL report.<sup>1</sup>

The audit noted that adjustments were made to the account during the year, however, the documents to support these adjustments were not provided for audit. Refer to Table 26.8 below for details.

**Table 26.8: Trading and Manufacturing Adjustment**

Allocation	Particulars	Balance - 31/12/11	Balance - 01/01/11	Adjustments
4-30651-77999-940377	TMA Surplus - Forests	112,881.85	5,933.38	118,815.23

#### Recommendation

The Department should ensure that proper records of TMA adjustments are maintained and provided for audit when requested.

#### Department's Comments

*Recommendation fully concurred and will be observed accordingly.*

### 26.8 Anomalies in TMA Bank Reconciliations

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

All money received by an agency must be banked on the day of receipt, or as early as practical on the next banking day, by an officer who, wherever possible, is independent of the revenue collector.<sup>3</sup>

The Permanent Secretary must appoint a Board of Survey to conduct a physical stock take of all cash on hand and other stocks held in safes at least once a year.<sup>4</sup>

<sup>1</sup> Good Accounting Practice

<sup>2</sup> 2010 Finance Instruction – Section 32(6)

<sup>3</sup> 2010 Finance Instruction – Section 20(8)

<sup>4</sup> 2010 Finance Instruction – Section 31(5)

A variance of \$16,148.80 was noted between the Department of Forestry TMA cash at bank balance and the cash balance reported in the FMIS as at 31/12/11. Refer to Table 26.9 for details.

**Table 26.9: Variance in TMA Cash at Bank**

Accounts	FMIS Balance (\$)	Department/ Audit Balance (\$)	Variance (\$)
Trading and Manufacturing Account (TMA)	139,812.19	123,663.39	16,148.80

Furthermore, review of the Department's monthly TMA bank reconciliation revealed the following discrepancies:

- TMA receipts and payment totalling \$25,104.46 and \$43,040.61 respectively were disclosed in the TMA bank reconciliation as amounts not posted to the FMIS general ledger as at 31/12/11, however, the documents to support these amounts were not attached and provided for audit hence the balance reflected in the FMIS general ledger at year end was understated.
- A Board of Survey was not conducted at the end of the year for the TMA cash balance.
- Receipts amounting to \$20,926.92 have been incorrectly deposited into the Consolidated Fund Account (CFA) and have been disclosed as lodgments not credited in the TMA bank reconciliation. No action has been taken by the Department to transfer these amounts as some of the receipts date back to 2007. Refer to the Table 26.10 for details.

**Table 26.10: TMA Receipts Deposited into CFA**

Year	Month	Amount (\$)
2007	February	150.88
	March	60.90
	August	50.00
	October	616.23
2008	January	70.00
	February	363.18
	April	609.22
	August	268.00
2009	February	4.00
	March	50.00
		25.00
		44.20
	June	10.00
	August	814.33
	September	1,071.75
	November	1,044.65
	December	937.70
2010	February	50.00
	March	972.00
		20.00
	April	94.40
	May	2,358.74
	July	2,807.60
		108.00
	August	889.60
	September	90.00
	December	10.00

Year	Month	Amount (\$)
2011	July	5,080.39
	August	1,787.35
	November	348.80
	December	120.00
Total		20,926.92

As a result, the audit was not able to substantiate the accuracy of cash at bank balance for the TMA account as at 31/12/11.

Failure to carry out proper bank reconciliations could result in non-detection of misappropriations and fraud. There was also a lack of independent check by Principal Accounts Officer to ensure the correctness of the reconciliation prior to certification.

### **Recommendations**

- The Department should ensure that proper reconciliations are carried out and any error arising out of the reconciliation is adjusted accordingly.
- The Department should rectify the incorrect lodgement balance by making arrangement with the bank for the transfer of all the incorrect lodgements to the TMA bank account to avoid carrying forward of the above figure to the next accounting period.
- Regular follow up are to be made at the end of every month if any incorrect lodgements are made again by the bank to avoid carrying forward of the outstanding balance.

### **Department's Comments**

*We have accepted the recommendation and we are going to be more careful and with strict adherence of the reconciliation system process.*

*For the unadjusted aging errors reported were consequences for several changes of the Ministry for Fisheries & Forests Chart of Accounts resulted from the ministerial responsibility shift of the Budgetary Head it happened about three (3) times between 2006 to 2011. Based on FMIS technical aspects there were quite a handful COA challenges raised with FMIS Treasury for which in a few cases appropriate solutions still indefinite.*

## **26.9 Transfer of Charges to the New Head**

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

The chart of accounts of the Whole of Government is structured according to the budget sector agency as approved annually through the Annual Appropriation Decree.

The Department of Fisheries & Forests acquired Head 32 as approved in the 2011 Annual Appropriation Decree.

Our review of the general ledger balances under the old Head 30 revealed that charges were not transferred to the new Head. Refer to Table 26.11 for details.



**Table 26.11: Charges Still Appearing in Old Head**

Allocation	Amount (\$)
1-30A00-00000-SDTA00	28,283.65
1-30B00-00000-SDTA00	(481.77)
1-30B01-76068-895005	(13,181.00)
1-30B01-78068-895005	(94,005.04)
9-30B01-78068-520301	(25,965.57)

The Department did not maintain accurate balances in the general ledger in accordance to the annual appropriation act and hence amounts reported in the Agency Financial Statements were either understated or overstated.

### **Recommendation**

**The Department should ensure that the general ledger balances in the FMIS are correctly mapped to the correct allocations as in the 2011 Budget Estimates.**

### **Department's Comments**

*Please be advised that the Ministry for Finance have been appropriately informed about these old charges appeared in the Old Chart of Accounts in response that they will be responsible in matching and downloading accordingly in to its new corresponding Chart of Accounts.*

*Based on the good faith understanding mentioned on bullet two [2] above MOF FMIS had deactivated Ministry's access in to these old CAO therefore we suggest this audit query is directed to MOF FMIS to make good.*

## **26.10 Revolving Fund Account (Miscellaneous)**

The closing balance of the Revolving Fund Account (RFA) - Miscellaneous according to the General Ledger (FMIS) is a debit balance of \$13,641.87 as at 31 December 2011.

From our review of the RFA – Miscellaneous reconciliation for December 2011, we noted that Department's RFA – Miscellaneous balance as at 31 December 2011 did not reconcile with the General Ledger (FMIS). Refer to Table 26.12 for details.

**Table 26.12: Variance in RFA - Miscellaneous**

Description	Department's Reconciliation (\$)	FMIS (\$)	Variance (\$)
RFA – Miscellaneous	149,412.95	13,641.87	135,771.08

The Accounts Section did not verify balances to the General Ledger to ensure that any variance is rectified and that both records are reconciled.

### **Recommendation**

**The Department should ensure that their Revolving Fund Account records are reconciled with Ministry of Finance records at the end of each month.**

**Department's Comments***Recommendation fully concurred.***26.11 Procurement of Food Items**

All Ministries and Departments are to procure General Food Items, Fresh and Frozen Goods, Root Crops, Vegetables, Fruits, Fish and Bread from the following companies as per the Government Tender Board Approval.<sup>5</sup>

## 1. Supply of General Food Items. Approved suppliers are:

- Ashabhai & Co.
- Food Processors (Fiji) Ltd
- Flour Mills of Fiji Ltd
- Fiji Dairy Ltd
- Punja & Sons Ltd

## 2. Supply and Delivery of Fresh and Frozen Goods, Root Crops, Vegetables, Fruits, Fish and Bread. Approved suppliers are:

- Fresh'et Grocers
- Joes Farm
- Ashabhai & Co.
- Tebara Halal Meat (Suva) Ltd
- Pacific Fish Meat Ltd

Contrary to the approval from the Government Tender Board, the audit noted that the Department purchased general food items from other companies. Refer to Table 26.13 below for details.

**Table 26.13: Details of Food Item Purchases**

Date	Cheque No	Payee	Amount (\$)	Details
29/7/11	42925	Lomai Store	2,919.60	Purchase of food ration for vessel Tuiniwasabula.
<b>Purchases from Newworld Supermarket</b>				
10/2/11	39381	Newworld Supermarket	3,317.96	Purchase of groceries for FTC
18/3/11	40043	Newworld Supermarket	3,383.74	Purchase of groceries for FTC
19/4/11	40805	Newworld Supermarket	3,582.50	Purchase of groceries for FTC
23/5/11	41491	Newworld Supermarket	3,350.91	Purchase of groceries for FTC
14/7/11	42638	Newworld Supermarket	4,061.56	Purchase of groceries for FTC
19/7/11	42692	Newworld Supermarket	1,592.15	Purchase of groceries for FTC
18/8/11	43399	Newworld Supermarket	3,449.26	Purchase of groceries for FTC
26/9/11	44277	Newworld Supermarket	3,447.25	Purchase of groceries for FTC
04/10/11	44450	Newworld Supermarket	322.56	Purchase of groceries for seaweed project
12/10/11	44590	Newworld Supermarket	3,200.00	Purchase of groceries for FTC
25/10/11	44867	Newworld Supermarket	934.52	Purchase of groceries for FTC
14/11/11	45268	Newworld Supermarket	1,878.05	Purchase of groceries for FTC
29/11/11	45770	Newworld Supermarket	1,157.02	Purchase of groceries for FTC

<sup>5</sup> CTN 197/2011 – Contract for Supply of General Food Items,

CTN 05/2011 – Supply and Delivery of Fresh and Frozen Goods, Root Crops, Vegetables, Fruits, Fish and Bread

Date	Cheque No	Payee	Amount (\$)	Details
09/12/11	46019	Newworld Supermarket	858.55	Purchase of groceries for FTC
13/12/11	46092	Newworld Supermarket	793.81	Purchase of groceries for FTC
<b>Total for Newworld Supermarket</b>			<b>35,329.84</b>	
<b>Grand Total</b>			<b>38,249.44</b>	

Our review of a sample of records pertaining to items purchased from Newworld Supermarket revealed that the Department paid \$1,947.54 extra for procurement of food items as compared to the approved tendered price. Refer to Table 26.14 for details.

**Table 26.14: Comparison of Prices between Approved Suppliers and Newworld Supermarket**

Approved Item	Particulars	Approved Supplier	Tendered Price (\$)	Quantity Purchased	Amount as per Tender (\$)	Amount Paid (\$)	Amount Overpaid (\$)
Biscuit 5kg	1 x 5kg	Flour Mills of Fiji	21.28	93	1,979.04	2,093.66	114.62
Corned Beef 340g	48 x 340g	Ashabhai & Co.	3.48	484	1,684.32	2,045.61	361.29
Canned Mutton 340g	48 x 340g	Ashabhai & Co.	3.85	457	1,759.45	2,105.57	346.12
Noodles 85g		Flour Mills of Fiji	0.47	1,245	585.15	694.13	108.98
Normal Flour 10kg	1 x 10kg	Flour Mills of Fiji	11.26	20	225.20	263.00	37.80
Peanut Butter 1kg	8 x 1kg	Ashabhai & Co.	11.8	56	660.80	763.12	102.32
Rolled Oats 400g	30 x 400g	Ashabhai & Co.	2.1	69	144.90	187.83	42.93
Soya Bean Oil 4 ltrs	6 x 4ltrs	Punjas	17.25	28	483.00	541.68	58.68
Tin Fish 425g	24 x 425g	Ashabhai & Co.	2.28	346	788.88	890.18	101.30
Yeast 500g	20 x 500g	Ashabhai & Co.	3.89	10	38.90	53.66	14.76
Cocoa Powder*	24 x 250gm	Ashabhai & Co.	4.48	58	259.84	351.77	91.93
Coffee Instant *	6 x 454gm	Ashabhai & Co.	4.53	40	181.2	638.28	457.08
Jam 500g*	12 x 500gm	Ashabhai & Co.	4.00	35	140	158.05	18.05
Tomato Sauce*	24 x 440g	Food Processors	1.61	202	325.22	416.9	91.68
<b>Total</b>					<b>9,255.90</b>	<b>11,203.44</b>	<b>1,947.54</b>

Disregard of rules and regulation was evident in the above procurements as they were not made from the most economical source.

### **Recommendations**

- **The Department must ensure that all food items are purchased from the approved contractors as per tender board approval.**
- **Appropriate action should be taken against responsible officers.**

### **Management Comments**

*Recommendation fully accepted and it will be observe closely.*

*Purchase for FTC food items being chosen in conjunction with recommendations from the Dietician Department for all meals to be balanced and non-fatty. Thus, the choice for 'Golden Country' branded canned meat rather than the contracted 'Farmers 'branded canned meat (which do contain more fat than the Golden Country' canned meat). This recommendation (from the said) had also been extended to the substitution of 'Rolled Rib Roast Beef', (a contracted food item) for 'Stripped Beef' (a non contracted food item-with fat removed) and for chicken to be stripped off from its skin before being cooked.*

*None the less, attempts were made in 2011 for the usage of the then existing Tender. Most of the contractors issued 'Credit Account Facility Forms' which were required to be filled and endorsed by senior procurement personals before they were processed and would accept Government Purchase Orders from approved applicants tempts to the finalizing of these forms were unsuccessful, hence, the cancellation of Purchase Orders which were directed to them.*

*Upon informing the contractors (via telephone) only one contractor (Ashabhai) did modify its Credit Account Facility Form this year to a more simple one (which was filled by myself), hence, is the only contractor with which the Ministry is in business with.*

*The rest of the 'Credit Account Facility Forms' have not been simplified and are yet to be finalized by our Ministry.*

## 26.12 Provisional Tax Not Deducted

Any person making payment in terms of a contract for services but not a contract of employment is required under the new Regulations to make a deduction for Provisional Tax at 15% of gross amount of the payment at the time it is credited or paid to the contractor.

Unless a Certificate of Exemption (“exception” as mentioned in the Legal Notice) is produced by the contractor, or satisfactory evidence is produced by the contractor that he holds such certificate, provisional tax of the rate of 15% must be deducted from the gross amount at the time of actual payment of the contractual sum.<sup>6</sup>

The audit noted that the Department failed to deduct provisional tax of 15% totalling \$8,288.24 from payments made to the following contractors. Refer to Table 26.15 for details.

**Table 26.15: Details of Provisional Tax not Deducted**

Date	Cheque No.	Payee	Amount (\$)		Provisional Tax Not Deducted (\$)
			(VIP)	(VEP)	
18/11/11	45461	Rajen Builders Ltd	6,500.00	5,652.17	847.83
2/12/2011	45912	Rajen Builders Ltd	6,500.00	5,652.17	847.83
30/12/11	46397	Rajen Builders Ltd	13,295.80	11,561.57	1,734.23
			<b>26,295.80</b>	<b>22,865.91</b>	<b>3,429.89</b>
18/05/11	41380	Bhimas Earthmoving Ltd	2,900.01	2,521.75	378.26
16/06/11	42022	Bhimas Earthmoving Ltd	13,049.98	11,347.81	1,702.17
16/06/11	42022	Bhimas Earthmoving Ltd	1,450.22	1,261.06	189.16
29/07/11	42949	Bhimas Earthmoving Ltd	13,049.99	11,347.82	1,702.17
25/11/11	45636	Bhimas Earthmoving Ltd	2,900.00	2,521.74	378.26
			<b>33,350.20</b>	<b>29,000.18</b>	<b>4,350.02</b>
15/06/11	41991	Shafad Construction	7,700.00	6,695.65	1,004.35
16/09/11	44019	Shafad Construction	5,499.99	4,782.60	717.39
			<b>13,199.99</b>	<b>11,478.25</b>	<b>1,721.74</b>
<b>Total</b>			<b>110,093.36</b>	<b>95,733.37</b>	<b>14,359.99</b>

The non deduction of provisional tax by the Department indicated management's disregard of relevant tax legislation and has also resulted in loss of government revenue.

<sup>6</sup> Legal Notice No. 70 – Income Tax (Collection of Provisional Tax) Regulations, 1976

**Recommendation**

**The Department must ensure that provisional tax is deducted for all contractual payments.**

**Management Comments**

*Fully agreed that this regulated requirement it should be observe closely by all serving Ministries. Rajen Builders Ltd, Bhimas Earthwork Ltd and Shafad Construction initially these contractors have produced their Certificate of Exemption upon engagement before work commenced but unfortunately the CE expires whilst work still in progress.*

**Section 27****Ministry of Industry and Trade****Role and Responsibilities**

The Ministry is responsible for formulating and implementing policies and strategies to facilitate investment, commerce and business development thus contributing to quality economic growth. The development and implementation of policies and strategies involves the Economic Analysis Unit working closely with the implementing arms of the Ministry which are: Department of Fair Trading and Consumer Affairs; Corporate Section; National Micro Finance Unit; Consumer Council of Fiji; Fiji Islands Trade and Investment Board; Fiji Audio Visual Commission; National Centre for Small and Micro Enterprise Development; and Department of Cooperatives and Small Business.

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**PART A: FINANCIAL STATEMENTS****27.1 Audit Opinion**

The audit of the 2011 accounts of the Ministry of Industry and Trade resulted in the issue of an unqualified audit report.

**27.2 Statement of Receipts and Expenditures**

The Ministry collected revenue totalling \$759,482 and incurred a total expenditure of \$10,798,236 in 2011.

**Table 27.1: Statement of Receipts and Expenditures for 2011**

Description	2011 (\$)	2010 (\$)
<b>RECEIPTS</b>		
State Revenue		
Fees – Miscellaneous	755,393	202,567
Other revenue	4,089	2,955
<b>TOTAL REVENUE</b>	<b>759,482</b>	<b>205,522</b>
<b>EXPENDITURE</b>		
Established staff	1,927,563	1,869,411
Government wage earners	192,498	215,779

Description	2011 (\$)	2010 (\$)
Travel and communications	175,179	171,533
Maintenance & operations	517,977	722,619
Purchase of goods and services	64,977	59,193
Operating grants and transfers	4,205,530	3,905,437
Special expenditures	2,847,732	2,933,404
<b>Total Operating Costs</b>	<b>9,931,456</b>	<b>9,877,376</b>
Purchases	338,940	187,651
Grants and transfers	66,107	-
<b>Total Capital Expenditure</b>	<b>405,047</b>	<b>187,651</b>
Value Added Tax	461,733	586,590
<b>TOTAL EXPENDITURE</b>	<b>10,798,236</b>	<b>10,651,617</b>

There is significant increase in the Fees and Charges by \$552,826 or 273% from 2010 to 2011 due to the implementation of new Weight and Measures Fees, Scrap Metal Fees and Real Estate Fee.

Total expenditure increased by \$146,619 or 1.4% compared to 2010 due to increases in established staff costs by \$58,152 (3%), operating grants and transfers by \$300,093 (8%), purchases by \$151,289 (81%) and grants and transfers by \$66,107 or 100%.

### 27.3 Appropriation Statement

The Ministry incurred expenditures totalling \$10,798,236 in 2011 against the budget of \$12,947,484 resulting in a savings of \$2,149,248 or 16.5%. Details of expenditures against the budget estimates are provided in Table 27.2 below.

**Table 27.2: Appropriation Statement for 2011**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	2,868,250	(22,300)	2,845,950	1,927,563	918,387
2	Government Wage Earners	245,058	(11,000)	234,058	192,498	41,560
3	Travel and communications	182,811	8,100	190,911	175,179	15,732
4	Maintenance & operations	556,123	37,900	594,023	517,977	76,046
5	Purchase of goods and services	121,108	(12,700)	108,408	64,977	43,431
6	Operating grants and transfers	4,205,530	-	4,205,530	4,205,530	-
7	Special expenditures	4,130,750	(572,853)	3,557,897	2,847,732	710,165
	<b>Total Operating Costs</b>	<b>12,309,630</b>	<b>(572,853)</b>	<b>11,736,777</b>	<b>9,931,456</b>	<b>1,805,321</b>
8	Construction	416,000	-	416,000	338,940	77,060
9	Purchases	350,000	(283,893)	66,107	66,107	-
	<b>Total Capital Expenditure</b>	<b>766,000</b>	<b>(283,893)</b>	<b>482,107</b>	<b>405,047</b>	<b>77,060</b>
13	Value Added Tax	811,100	(82,500)	728,600	461,733	266,867
	<b>TOTAL EXPENDITURE</b>	<b>13,886,730</b>	<b>(939,246)</b>	<b>12,947,484</b>	<b>10,798,236</b>	<b>2,149,248</b>

## 27.4 Statement of Losses

### 27.4.1 Loss of Money

An accountable advance of \$60,000 was taken by the former Principal Accounts Officer for the Shanghai Expo in 2010 which has not been acquitted accordingly as required in the legislations. The loss incurred was not reported and neither a loss report was sent to the Ministry of Finance, and the case is now being investigated by Police and the Fiji Independent Commission Against Corruption (FICAC).

### 27.4.2 Loss (Other than money)

A laptop worth \$3,000 issued to the former Principal Accounts Officer for the Ministry of Industry and Trade was reported stolen after a break – in at the Officer's residence but there was no Fiji Police Force report prepared or provided to the Ministry.

## 27.5 Main Trust Account

Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly. Each year, a statement of receipts and payments must be prepared for audit and inclusion, when required, in the agency's annual report.<sup>1</sup>

The audit noted that the Department of Co-operatives and Small Businesses has trust accounts which were in operation in 2010 and 2011. However the Department failed to prepare trust reconciliations in 2010 and 2011 for these accounts. Movements in these accounts as per the FMIS are tabulated below.

**Table 27.3: Movements in the Department's trust accounts in 2010**

Account Description	Account Number	Opening (\$)	Debit (\$)	Credit (\$)	Closing (\$)
CO-OP SMALL BUS. INSTITUTE	9-34401-80001-895035	0	15,390.55	35,763.42	(20,732.87)
CENTRAL CO-OP FUND	9-34401-80002-895036	0	5,073.55	19,133.24	(14,059.69)
CENTRAL CO-OP FUND	9-34401-80004-895036	0	0	55.00	(55.00)
NATIONAL CO-OP FEDERAT.	9-34401-80004-895038	0	3,405.05	5,598.96	(2,193.91)

**Table 27.4: Movements in the Department's trust accounts in 2011**

Account Description	Account Number	Opening (\$)	Debit (\$)	Credit (\$)	Closing (\$)
CO-OP SMALL BUS. INSTITUTE	9-34401-80001-895035	(20,732.87)	16,899.55	24,098.34	(7,198.79)
CENTRAL CO-OP FUND	9-34401-80002-895036	(14,059.69)	258.47	9,420.08	(23,221.30)
CENTRAL CO-OP FUND	9-34401-80004-895036	0	5.78	24.96	(19.18)
NATIONAL CO-OP FEDERAT.	9-34401-80004-895038	(2,193.91)	6,280.55	7,684.18	(1,403.63)

The absence of monthly reconciliation indicated negligence by responsible officers. Additionally, it will be difficult to identify any error or irregularity and needed adjustments for the accounts mentioned because this increases the risk of mismanagement of funds.

<sup>1</sup> Finance Instructions 2010 – Part 9, Section 58(3) and Section 58(4)



### **Recommendations**

**The Department should adhere to Finance Instruction 2010 and prepare monthly trust account reconciliation, and a statement of receipts and payments at the end of the year for audit inspection.**

### **Management Comments**

*The Department is preparing monthly reconciliations for 2012 to rectify the variances identified and will ensure that the Statement of Receipts and Payments is submitted with the Annual Financial Statements at the end of the 2012 financial year.*

## **PART B: AUDIT FINDINGS**

### **DEPARTMENT OF CO-OPERATIVES AND SMALL BUSINESSES – HEADQUARTERS**

#### **27.6 No Documentation of the former Project Manager's Output**

The primary role of the Project Manager's Position is to oversee the effective implementation of the Cabinet Decision on the Restructure of the Co-operative Department and the Revitalization of the Co-operative Business Sector.<sup>2</sup> The officer will diligently and faithfully perform the duties of Project Manager, Department of Co-operatives in the Ministry of Industry and Trade for a period of 12 months from this Agreement subject to satisfactory performance which would be reviewed bi-annually.<sup>3</sup>

The officer appointed on the above mentioned post Mr. Are Wakowako's (EDP 63624) contract expired on 10 June 2011 and was not renewed. This was due to unsatisfactory progress in the project he was employed to carry out.

Irregularities in the officer's appointment and the salary paid to him at the maximum of the scale, no record of a bi-annual review of his performance as was required under his contract, and the unavailability of reports on his output for the first six months were highlighted in the previous year's audit report.

The audit noted that there was a request for the extension of his contract along with a status report and list of pending activities submitted by the officer to the then Permanent Secretary for the Ministry of Industry and Trade on 10 May 2011. This was sighted in his personal file but could not be substantiated because there was no documentation of the work done by the officer or an output report available with the Department or its line Ministry.

The staffs of the Department and the Ministry of Industry, Trade and Commerce further explained that the officer reported directly to the former Permanent Secretary at the time but without a documented performance report. Nevertheless, Mr. Wakowako, was paid a total salary of \$43,731.36 and meal claimed amounting to \$609 during his term as Project Manager.

Failure by the Department and the Ministry to maintain proper records of the former Project Manager's output has hindered the auditing work when trying to substantiate and evaluate the Cooperatives reform exercise compared to the remunerations paid during the contract term.

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<sup>2</sup> Staff Board Submission stating the Fiji Sun advertisement on 05/05/08 for the Project Manager – Department of Co-operatives Vacancy

<sup>3</sup> Contract of Service for Mr. Are Wakowako signed on 10 June 2010

## **Recommendations**

**The Department and its line Ministry should ensure that future officers being contracted for projects are to be properly monitored with documented evidence maintained for auditing purposes to ensure transparency and accountability of appointments.**

## **Department's Comments**

*The appointed officer, Mr. Are Wakowako was directly under the former Permanent Secretary of the Industry and Trade Mrs. Saipora Mataikabara. He was also stationed at the Ministry of Industry and Trade Head Office at Naibati House. The same issue was raised in 2010 and the Ministry has not extended his contract from 2011 due to inadequate report for his performance output. Cabinet Decision No. 310 is the only referenced documentation of Mr. Wakowako's output. A copy of the decision and paper is attached for information and retention.*

## **27.7 Anomalies in the Maintenance of the National Reserve Investment Trust**

All co-operatives registered after the enactment of this Act shall allocate to its statutory reserve fund at least 50% of its surplus for the first 4 years after registration. At least 25% of the allocations to the statutory reserve fund shall be transferred to the National Reserve Investment Trust Fund (NRITF) to be administered by the National Co-operative Federation.<sup>4</sup>

The audit noted after scrutiny of records maintained by the Department that there was no documented consent from the co-operative societies and the non – presence of the Annual General Meeting resolutions to authorize the following irregularities:

- Designing and developing of a prescribed NRITF regulations required in the Act to stipulate the powers, administration, utilization and objectives of the fund was not done
- Investments made to four limited liability companies amounting to \$109,150.50 between 25/10/99 to 06/08/04 by the former Registrars of Co-operatives
- Appointment of the former Registrar (now deceased) and the two divisional managers (Northern and Central/Eastern) with the designated powers to invest the NRITF funds is illegal

Additionally, the following anomalies were noted from the account maintenance:

- Majority of the payment vouchers raised were not signed by the receiving officers or persons
- Receipting of contributions and reconciliations were lacking for the proper maintenance of the account
- The fund has not been audited since its inception, even though it was under the responsibility of the Registrar of Cooperatives
- Government resources were used to assist and ensure proper maintenance of the trust fund without a provision to conduct an independent audit over the NRITF fund affairs and the utilisation
- Shareholder's names for investments made from the NRITF had the Fiji Co-operative Union Limited (FCUL) name on the share certificates for some together with the National Co-operative Federation (NCF). This is contradictory as the NRITF sources its funds from the members' 25% contributions and the FCUL or NCF as a separate legal entity does not contribute any equity to the investments made but only benefitted once the dividends is distributed.

The discrepancies highlighted above in the administering of the NRITF showed a lack of accountability and transparency in the affairs of the fund, and an unclear demarcation between the support services provided by the Department and those of the apex body of the co-operative societies – the FCUL.

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<sup>4</sup> Co-operatives Act 1996 – Section 100 (3) and (4)  
Ministry of Industry and Trade

### **Recommendations**

- The Department should ensure that internal controls on payments and receipts regarding the fund are strengthened and that regular reconciliations are carried out to ensure proper maintenance of the trust fund.
- An independent audit should be carried out on the fund over its affairs and the utilization of monies to ensure transparency and accountability of its affairs.
- The Co-operatives Act (1996) is outdated and unduly prescribes membership, operational and financial policies. Revisions to the Act should:
  1. Encourage more professional and flexible management arrangements including a stronger internal audit function.
  2. Make stronger requirements and proper tests for participants on the oversight body (Fiji Co-operative Union).
  3. Standardize and make transparent portfolio reporting requirements.<sup>5</sup>

### **Department's Comments**

*The comments are noted. Currently all NRITF transactions has been ceased temporarily pending full investigation. This is consistent with the current restructure of the Department, whereby the past usage of such Trust Fund account will be reviewed and appropriate guidelines and procedures are put in place.*

*§.*

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<sup>5</sup> Credit Unions and Cooperatives in Fiji, A Missed Opportunity for Financial Inclusion / Dennis Fischer and Till Bruett. – Suva, Fiji : PFIP, United Nations Development Programme Pacific Centre, 2011. Section 7.1 – Pg.32

## Section 28

# Ministry of Public Enterprises, Civil Aviation, Communications and Tourism

### Role and Responsibilities

The functions of the Ministry include, devising policy initiative for tourism development, facilitating the development of tourism infrastructure, coordinating the activities of stakeholder agencies, planning and monitoring the implementation of tourism development programmes, promoting and developing sustainable tourism policies and practices, regularly reviewing and administering the Hotel Aids Act, developing awareness and encourage local participation in the industry.

The Ministry has a monitoring role on Public Enterprises through the relevant Acts. The overall objective of the public enterprises reform is to increase the efficiency of public enterprise and other sectors of the economy. Basically, it is about maximizing the utilization of resources by directing them where they are needed most.

The Ministry is also responsible for providing and implementing Government policies on the regulation of the telecommunications, ICT radio communications, postal and television industries.

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## PART A: FINANCIAL STATEMENTS

### 28.1 Audit Opinion

The audit of the 2011 accounts of the Ministry of Public Enterprises, Communications and Tourism resulted in the issue of a qualified audit report. The qualification was as follows:

The consolidated financial statements were not presented in accordance with the Financial Management Act. The Ministry of Public Enterprise, Tourism, Civil Aviation and Communications did not provide the Trust Account Statement of Receipts and Payments contrary to Section 71(1) of the Financial Instructions 2010.

### 28.2 Statement of Receipts and Expenditures

The Ministry collected revenue totalling \$13,155 and incurred a total expenditure of \$31,496,222 in 2011.

**Table 28.1: Statement of Receipts and Expenditures for 2011**

Description	2011 (\$)	2010 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
License – Telecom & Television	7,975	2,028,522
Commission	58	153
Miscellaneous	5,122	1,003
<b>TOTAL REVENUE</b>	<b>13,155</b>	<b>2,029,678</b>
<b>EXPENDITURE</b>		
<b>Operating Costs</b>		
Established staff	861,225	941,141
Government Wage Earners	49,214	59,316
Travel and communications	66,944	83,454
Maintenance & operations	127,276	112,936
Purchase of goods and services	349,344	93,191
Operating grants and transfers	5,592,748	4,086,236
Special expenditures	201,651	140,198
<b>Total Operating Costs</b>	<b>7,248,401</b>	<b>5,516,472</b>
<b>Capital Expenditure</b>		
Grants and Transfers	24,120,000	23,500,000
<b>Total Capital Expenditure</b>	<b>24,120,000</b>	<b>23,500,000</b>
Value Added Tax	127,820	2,207,810
<b>TOTAL EXPENDITURE</b>	<b>31,496,222</b>	<b>31,224,282</b>

Total revenue decreased by \$2,016,523 or 99 % as revenue generated from Telecom and Television licences was transferred to the Telecommunications Authority of Fiji for collection from 2011.

The major components of expenditures were operating and capital grants which comprised 77% of the total expenditures incurred. The increase in expenditures in 2011 resulted mainly from the following:

- Purchase of goods and services increased by \$256,153 due to payments made the consultant Minter Ellison for the FEA restructure in 2011; and
- Operating Grants and Transfers increased by \$1,506,512 or 37% due to the increased allocation of Telecommunications Authority of Fiji and merging of the Civil Aviation Department operating grant with the Ministry in 2011

### 28.3 Appropriation Statement

The Ministry incurred expenditures totalling \$31,496,222 in 2011 against the budget of \$34,018,423 resulting in a savings of \$2,522,201 or 8%. Details of expenditures against the budget estimates are provided in Table 28.2 below.

**Table 28.2: Appropriation Statement for 2011**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	1,630,425	-	1,630,425	861,225	769,200
2	Unestablished staff	93,585	-	93,585	49,214	44,371

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SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
3	Travel and communications	122,866	-	122,866	66,944	55,922
4	Maintenance & operations	181,869	8,200	190,069	127,276	62,793
5	Purchase of goods and services	1,409,128	(220,200)	1,188,928	349,344	839,585
6	Operating grants and transfers	5,773,750	212,000	5,985,750	5,592,748	393,002
7	Special expenditures	573,500	(200,000)	373,500	201,651	171,849
	<b>Total Operating Costs</b>	<b>9,785,123</b>	<b>(200,000)</b>	<b>9,585,123</b>	<b>7,248,401</b>	<b>2,336,722</b>
10	Capital Grant & Transfers	28,320,000	(4,200,000)	24,120,000	24,120,000	-
	<b>Total Capital Expenditure</b>	<b>28,320,000</b>	<b>(4,200,000)</b>	<b>24,120,000</b>	<b>24,120,000</b>	<b>-</b>
13	Value Added Tax	343,300	(30,000)	313,300	127,820	185,480
	<b>TOTAL EXPENDITURE</b>	<b>38,448,423</b>	<b>(4,430,000)</b>	<b>34,018,423</b>	<b>31,496,222</b>	<b>2,522,201</b>

## PART B: AUDIT FINDINGS

### 28.4 Incomplete Agency Financial Statements

Each agency must include the following statements in its annual financial statements:

- (a) a statement of receipts and expenditures;
- (b) a profit and loss statement for each trading and manufacturing activity;
- (c) an appropriation statement;
- (d) a statement of assets and liabilities for each trading and manufacturing activity (where applicable);
- (e) notes to the statement of assets and liabilities;
- (f) a statement of losses; and
- (g) a trust account statement of receipts and payments<sup>1</sup>.

The Ministry's financial statements for the year ending 31<sup>st</sup> December 2011 were not presented in accordance with the Financial Management Act. The Trust Account Statement of Receipts and Payments was not provided for audit contrary to Section 71 (1) of the Finance Instructions 2010.

Our review of the general ledger through the Financial Management Information System indicated that for the year ending 31 December 2011, Trust Fund Account maintained by the Department of Communications had a balance of \$3,010,826.09.

Due to insufficient records, audit could not verify the balance in the general ledger.

#### Recommendation

**The Ministry should provide all statements as required in the Finance Instructions 2010 in the agency financial statements.**

#### Management Comments

*No Comments.*

<sup>1</sup> Finance Instruction 2010 - Section 71 (1)

## 28.5 Office Space not utilised during the year

One of the principles of responsible financial management is to ensure that value for money in the use of money and resources<sup>2</sup>.

There should be an undertaking by the Ministry/Department to occupy the space<sup>3</sup>.

The Ministry's office space at Level 3 of the Civic Towers Building was not utilised fully during the year. The office space comprised a total area of 7,508 square feet with a rental levy of \$8,446.50 per month. It was noted that most of the usable area were empty and used as storerooms by the Ministry (*Appendix 28.1*). The space has been empty since August 2011 when the Department of Tourism was relocated to Level 4 of the Civic Towers Building (refer photos in *Appendix 28.2*)

The Ministry had written to the Public Service Commission requesting funds for the refurbishments and to sub – let the office space to South Pacific Tourism Organisation (SPTO). The Ministry intended to save \$65,465.64 of annual rent payment by SPTO to FNPF from the Government grant disbursed to SPTO annually. However, this request was declined by the Public Service Commission on 4 November 2011 due to the exhaustion of funds for the renovations of office space<sup>4</sup>. There were other anomalies identified:

- the landlord and tenancy agreement was not renewed after the 10 year period with effect from 1st August, 1998;
- the rental charges provision has not been reviewed after every 5 years as stipulated in the landlord and tenancy agreement;
- items stored in the rooms have not been boarded; and
- Public Service Commission was not pursued to identify and evaluate accommodation options<sup>5</sup> to assist the Ministry in making use of the empty office space.

There were options to utilize the empty office space but the rooms remain unoccupied even up to the time of the audit<sup>6</sup>. The Government has paid rent totalling \$23,635.50 for the unutilised office space during the period reviewed.

### **Recommendations**

**The Ministry should take appropriate actions with stringent compliance with the Financial Management Act 2004 and the Public Service Commission Office Accommodation Policy and Procedures Manual 2003.**

### **Management Comments**

- *PSC has not released funds for this project, the Ministry has requested a budget of \$97,000 for office re – design at level 3 in 2013 to address this issue.*
- *Once the re- design is completed, the Ministry will use seaside of the building and the town end will not be occupied by the Ministry.*

<sup>2</sup> Financial Management Act 2004. Part 2-Section 5 (c)

<sup>3</sup> Office Accommodation Policies, Guidelines, Standards and Procedures Manual (2003) Appendix 1 (A)

<sup>4</sup> PSC Memorandum: Reference 29/501/69 on 04/11/11 – “Renovation and Refurbishment of Office Space”

<sup>5</sup> Office Accommodation Policies, Guidelines, Standards and Procedures Manual (2003) S2.1(a)

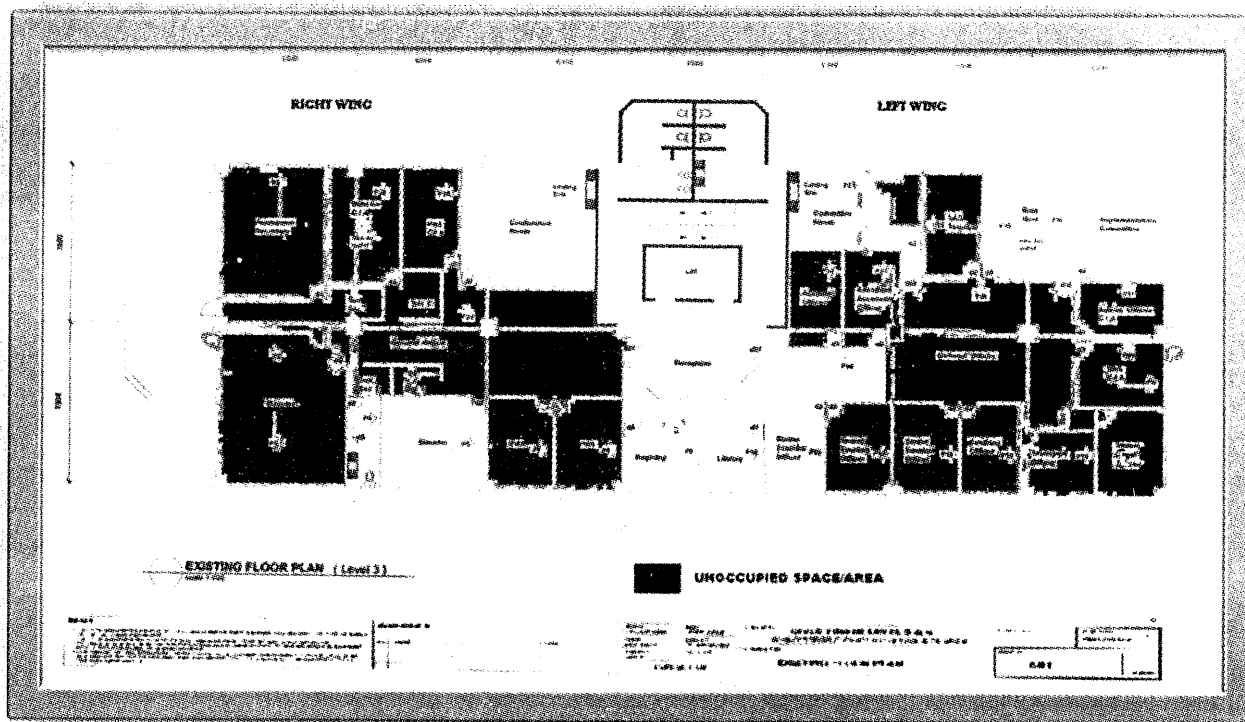
<sup>6</sup> June 2012.

- *With recent increase in staff numbers, the Corporate Services team has been regrouped and have used up a few rooms. Also will be increasing staff numbers given the recent vacancy advertisements.*



## APPENDICES

### Appendix 28.1: Floor Plan Layout for Civic Towers Level 3



The non – shaded area is occupied by the sections listed below but the illustrations provided are for the unoccupied spaces used as storage facility at the Level 3 of Civic Towers.

- Accounts Section (2 staff)
- Department of Civil Aviation (2 staff)
- Department of Communication (2 staff)
- Registry (1 staff)
- Principal Administration Officer (1 PAO and 2 TRCO's)

*Note: The Left Wing denotes the left side of the level as you enter from the Reception and the Right Wing denotes the right side of the level as you enter from the Reception.*

## Appendix 28.2: Illustrations of Empty Spaces



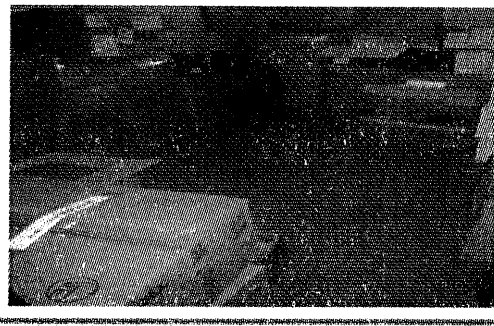
**Figure 28.1:** (Left Wing) The first cubicle on the left, listed on the existing floor plan as the Accounts Officer's room.



**Figure 28.2:** (Right Wing) The first cubicle on the left, listed on the existing floor plan as the first PAS room.



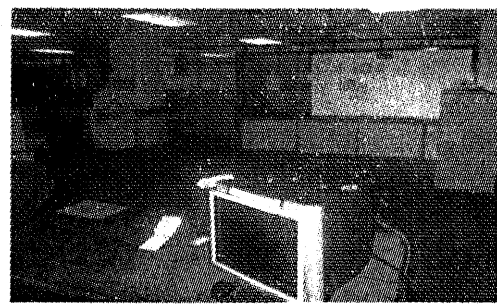
**Figure 28.3:** (Right Wing) The second cubicle on the left, listed on the existing floor plan as the second PAS room.



**Figure 28.4:** (Right Wing) The first cubicle on the right, after the Conference Room, listed on the existing floor plan as the third PAS room.



**Figure 28.5:** (Left Wing) Empty office space in the middle of the wing, listed on the existing floor plan as General Office.



**Figure 28.6:** (Left Wing) Empty office space on the far left of the wing (towards Suva City Carnegie Library) listed as two cubicles belonging to the SAS/CA and that of the Senior Legal Officer.



## Section 29 Ministry of Works and Transport

### Role and Responsibilities

The Ministry of Works and Transport is responsible to provide 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 Government, Transport Statutory Authorities, the Private Sector and public at large. This will enable the enhancement and facilitation of an efficient and sustainable transportation system and Meteorological Services within the country.

The implementation of policies involves the Transport Planning Unit, Meteorological Service, Fiji Islands Maritime Safety Administration, Public Works Department – Common Services and Department of National Roads.

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## PART A: FINANCIAL STATEMENTS

### 29.1 Audit Opinion

The audit of the 2011 accounts of the Ministry of Works and Transport resulted in the issue of a qualified audit report. The qualifications are as follows:

- The Ministry of Works and Transport did not maintain adequate accounting records to substantiate TMA Accumulated Surplus of (\$1,540,369) and TMA Surplus of \$4,006,642 as shown in the TMA Balance Sheet.
- There is an un-reconciled difference amounting to \$1,405,134 between the General Ledger (FMIS) and bank reconciliation for Ministry of Works and Transport.
- The Ministry of Works and Transport did not maintain adequate accounting records to substantiate the correctness and accuracy of VAT Payables balance of \$3,058,423 as at 31/12/11 in the TMA balance sheet. This account for 55% of total equities and liabilities.
- The TMA net profit was understated as TMA revenue were recorded in the Profit and Loss account as VAT exclusive while expenditures were recorded as VAT inclusive.

### 29.2 Consolidated Statement of Receipts and Expenditures

The Ministry collected revenue totalling \$1,181,054 and incurred total expenditures of \$220,776,565 in 2011. Details are shown in Table 29.1.

**Table 29.1: Statement of Receipts and Expenditures**

Description	2011 (\$)	2010 (\$)
<b>RECEIPTS</b>		
Light Dues Port	-	520,588
Licensing Coasting	-	14,460
Commission	48,262	79,084
Survey Fees	-	516,478
Reimbursement Meteorological Services	600,686	608,988
Miscellaneous revenue	529,539	1,022,674
Other revenue	2,567	6,782
<b>TOTAL REVENUE</b>	<b>1,181,054</b>	<b>2,769,054</b>
<b>EXPENDITURE</b>		

Description	2011 (\$)	2010 (\$)
Established Staff	8,994,229	9,615,750
Government Wage Earners	14,538,391	15,320,574
Travel & Communications	879,566	995,977
Maintenance & Operations	4,144,978	3,731,674
Purchase of Goods and Services	11,473,418	7,850,957
Operating Grants and Transfers	12,216,942	10,133,990
Special Expenditure	253,622	150,000
<b>Total Operating Expenditure</b>	<b>52,501,146</b>	<b>47,798,922</b>
Capital Construction	148,350,241	96,751,296
Capital Purchase	3,756,546	655,369
Capital Grants and Transfer	4,030,436	-
<b>Total Capital Expenditure</b>	<b>156,137,223</b>	<b>97,406,665</b>
Value Added Tax	12,138,196	13,460,219
<b>TOTAL EXPENDITURE</b>	<b>220,776,565</b>	<b>158,665,806</b>

Revenue decline by \$1,588,000 or 57.3% due to decreases in light dues port, licensing coasting, and survey fees. These revenue items were normally collected by the Fiji Island Maritime Safety Authority (FIMSA) when it was part of the Ministry of Works and Transport. However, it is now a corporate entity namely Maritime Safety Authority of Fiji (MSAF) and maintains records of all its financial affairs.

The increase in total expenditures in 2011 by \$62.1 million or 39% resulted mainly from the increase in expenses for plant leasing, maintenance and upgrading of roads, jetties and bridges due to natural disaster, and increase in operating and capital grants for Land Transport Authority and Maritime Safety Authority of Fiji.

### 29.3 Consolidated Appropriation Statement

The Ministry of Works and Transport incurred expenditures totalling \$220,776,565 in 2011 against the revised budget of \$228,181,707 resulting in a savings of \$7,405,142 or 3.2%. Details of expenditures against the budget estimates are provided in Table 29.2.

**Table 29.2: Appropriation Statement**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	10,687,053	(981,473)	9,705,580	8,994,229	711,351
2	Government Wage Earners	13,784,919	1,050,877	14,835,796	14,538,391	297,405
3	Travel & Communication	969,590	102,208	1,071,798	879,566	192,232
4	Maintenance & Operations	4,181,280	(11,658)	4,169,622	4,144,978	24,644
5	Purchase of Goods & Services	13,361,022	(176,854)	13,184,168	11,473,418	1,710,750
6	Operating Grants & Transfers	12,226,932	-	12,226,932	12,216,942	9,990
7	Special Expenditures	100,000	153,662	253,662	253,622	40
	<b>Total Operating Costs</b>	<b>55,310,796</b>	<b>136,762</b>	<b>55,447,558</b>	<b>52,501,146</b>	<b>2,946,412</b>
8	Construction	150,770,000	(808,695)	149,961,305	148,350,241	1,611,064
9	Purchases	3,172,000	1,045,051	4,217,051	3,756,546	460,505
10	Capital Grants & Transfers	4,324,000	-	4,324,000	4,030,436	293,564
	<b>Total Capital Expenditure</b>	<b>158,266,000</b>	<b>236,356</b>	<b>158,502,356</b>	<b>156,137,223</b>	<b>2,365,133</b>
13	Value Added Tax	14,333,101	(101,308)	14,231,793	12,138,196	2,093,597
	<b>TOTAL EXPENDITURE</b>	<b>227,909,897</b>	<b>271,810</b>	<b>228,181,707</b>	<b>220,776,565</b>	<b>7,405,142</b>

## 29.4 Consolidated Statement of Losses

The Ministry did not submit a Consolidated Statement of Losses during the financial year ending 31 December 2011.

## 29.5 Consolidated Trade and Manufacturing Account (TMA)

Table 29.3: Manufacturing Account

	2011 (\$)	2010 (\$)
Opening Raw materials	869,788	574,850
Add: Purchases	4,643,546	5,153,587
	<b>5,513,334</b>	<b>5,728,437</b>
Less: Closing Raw Materials	826,231	869,788
<b>Raw Materials Used</b>	<b>4,687,103</b>	<b>4,858,649</b>
Direct Labour	7,413,694	8,685,544
Opening Work in Progress	14,947	4,391
	<b>12,115,744</b>	<b>13,548,584</b>
Less: Closing Work in Progress	23,730	14,947
<b>Cost of Goods Manufactured transferred to Trading Account</b>	<b>12,092,014</b>	<b>13,533,637</b>

Table 29.4: Trading Account

	2011 (\$)	2010 (\$)
Sales	18,765,794	20,322,893
Finished Goods (01/01/08)	528,045	290,033
Add: Cost of Manufactured Goods	12,092,014	13,533,637
<b>Cost of goods available for sale</b>	<b>12,620,059</b>	<b>13,823,670</b>
Less: Finished Goods (31/12/08)	615,938	528,045
<b>Cost of Goods Sold</b>	<b>12,004,121</b>	<b>13,295,625</b>
<b>Gross Profit transferred to P &amp; L</b>	<b>6,761,673</b>	<b>7,027,268</b>

Table 29.5: Profit & Loss Statement

	2011 (\$)	2010 (\$)
<b>Income</b>		
Gross Profit transferred from Trading A/C	6,761,673	7,027,268
Other income	122,342	-
<b>Total Income</b>	<b>6,884,015</b>	<b>7,027,268</b>
<b>Expenses</b>		
Travel and communications	200,436	169,512
Maintenance and operation	7,046,594	8,302,619
Special expenses	2,093	-
Other expenses	79,450	46,342
VAT	1,655,626	1,648,586
<b>Total Expenses</b>	<b>8,984,199</b>	<b>10,167,059</b>
<b>Net Loss</b>	<b>(2,100,184)</b>	<b>(3,139,791)</b>

**Table 29.6: TMA Balance Sheet**

	2011 (\$)	2010 (\$)
<b>Liabilities</b>		
Deposits, Deductions & Retention money	3,058,423	1,537,945
Accounts Payable	61,026	24,310
<b>Total Liabilities</b>	<b>3,119,449</b>	<b>1,562,255</b>
<b>Equity</b>		
TMA Accumulated Surplus	(1,540,369)	(82,501)
TMA Surplus	4,006,642	4,025,358
<b>Total Equity</b>	<b>2,466,273</b>	<b>3,942,857</b>
<b>Total Equity and Liabilities</b>	<b>5,585,722</b>	<b>5,505,112</b>
<b>Assets</b>		
Cash at Bank	2,358,228	3,112,923
Accounts Receivable	1,761,596	979,410
Inventory	1,465,898	1,412,779
<b>Total Assets</b>	<b>5,585,722</b>	<b>5,505,112</b>

## PART B: AUDIT FINDINGS

### DEPARTMENT OF WORKS

#### 29.6 Revolving Fund Account (RFA) Bad Debts adjustments

The Accounting Head shall certify all financial reports that must be submitted to the Ministry of Finance. These reports include revolving fund, inter-departmental clearance and cash clearance reports<sup>1</sup>.

All monthly reconciliation for RFA accounts are prepared and submitted to Ministry of Finance on time and are checked and certified by an independent officer<sup>2</sup>.

In 2007, the Ministry of Finance posted \$33,703,172 into the Ministry's RFA, the balances consisted of debtors for Government Supplies. Details and breakdown of the balances were not provided to audit despite numerous requests.

In October 2011, an FMIS journal adjustment was posted into the GL to write off the outstanding amount. Investigations revealed that no proper approval was obtained for the write off.

Without proper justification and supporting details from the Department and Ministry of Finance, audit could not substantiate the correctness of the RFA – Miscellaneous balance as at 31 December 2011.

#### Recommendations

**The Department should:**

- liaise with the Ministry of Finance to identify the details of the balance of \$33,703,172 that was posted to Department's RFA;
- ensure that the Ministry of Finance's approval is sought before any write off of funds and

<sup>1</sup> Finance Manual - Ministry of Works and Transport 2010 Section 17.3.1(iv)

<sup>2</sup> Finance Manual - Ministry of Works and Transport 2010 Schedule 2 –Monthly Internal Control Report



- ensure that monthly RFA reconciliations are carried out properly and accurately.

### **Management Comments**

*Approval was sought from Ministry of Finance for the write off of the \$33,703,172 that was brought forward from 2007 for the Department of Works. This was Government Supplies debtors which were uploaded by Ministry of Finance in 2007. RFA reconciliation clerk had submitted statements of reconciliation to Ministry of Finance and requests were made for the explanations as to these brought forward figures. Upon advice from Ministry of Finance for write off, the Ministry had written to Ministry of Finance which had made the appropriate adjustments as per copy of their approval Memo.*

### **Further OAG Comments**

The copy of the approval memorandum from Ministry of Finance was not signed.

## **29.7 Electricity Arrears of Revenue**

The Accounting Head shall prepare a quarterly report on the level of outstanding and overdue debts.<sup>3</sup> The report must outline:

- i. the amount outstanding but not yet due;
- ii. the total for each overdue age category;
- iii. name of each debtor within each age category;
- iv. the recovery actions taken for each overdue debt.<sup>4</sup>
- v.

Within one month after the end of each quarter, each agency with accounts receivable must submit a quarterly report on outstanding and overdue debts to the Ministry of Finance.<sup>5</sup>

The Department's Work Depots at Nabouwalu, Taveuni, Rotuma, Lakeba and Vunisea operate a generator each which supply electricity to Government Stations and other nearby villages. The consumers of electricity are billed on their monthly consumption and are required to make payments accordingly.

The following anomalies were noted in the accounting of revenue for electricity bills:

- There were no Arrears of Revenue Return prepared by the Vunisea and Lakeba stations and there was no evidence that this was followed up by Headquarters. The Department of National Roads was collecting revenue from these two stations.
- The District Officer in Rotuma collected electricity bills on behalf of the Department of Works and remits it through Post Fiji Limited. The Ministry of Provincial Development and Multi Ethnic accounted this revenue into their books and in FMIS allocation (1-18101-68999-230399) after receiving the cheques from Post Fiji. As a result the Department's revenue was understated.

This issue was highlighted in the 2009 and 2010 Audit Reports but no action had been taken by the Department to correct the anomaly.

Laxity by the revenue clerk and supervisors at Headquarters was evident in their failure to prepare and submit quarterly Arrears of Revenue Return to Ministry of Finance. As a result, the arrears of revenue for the Department of Works and subsequently the whole of government are understated. *f*

<sup>3</sup> Finance Manual – Ministry of Works and Transport 2011 Section 9.3.1

<sup>4</sup> Finance Manual – Ministry of Works and Transport 2011 Section 9.3.3

<sup>5</sup> Finance Instruction 2010 43(1)

### **Recommendations**

**The Department should ensure that:**

- **revenue statement and arrears of revenue are obtained from Department of Roads and Provincial Development;**
- **the arrears of revenue return from all the stations are prepared and submitted to Ministry of Finance on a timely basis; and**
- **the revenue collected from Rotuma by the Department of Provincial Development is properly receipted and recorded by the Department of Works.**

### **Management Comments**

*The Department takes note of the recommendations of the Audit and will ensure that all arrears of Revenue returns from the five Government stations (Nabouwalu, Taveuni, Rotuma, Lakeba and Vunisea) will be compiled and submitted. The collection of revenue for Taveuni and Nabouwalu Depots are being manned by Divisional Engineer, North whereby as according to records kept in HQ they have submitted all their receipts of all revenue collected for year 2011.*

*Management is currently in the process of identifying the best solution in collection of current and arrears of Electricity charges from the five stations.*

## **29.8 Trading and Manufacturing Account**

### **29.8.1 Unsubstantiated TMA Surplus Balance**

Each enterprise should determine, based on the nature of its operations, whether or not to present current and non-current assets and current and non-current liabilities as separate classifications on the face of the balance sheet. When an enterprise chooses not to make this classification, assets and liabilities should be presented broadly in order of their liquidity.<sup>6</sup>

The Ministry of Works and Transport included TMA Accumulated Surplus of a debit balance of \$1,540,369 and TMA Surplus of \$4,006,478 in the Balance Sheet as at 31 December 2011. The Ministry did not provide details of these amounts.

As a result, the audit was not able to ascertain the correctness of these amounts.

### **Recommendations**

- **Details of the TMA Accumulated Surplus and TMA Surplus as reflected in the consolidated TMA Balance Sheet under equity should be provided for audit.**
- **The TMA financial statements are thoroughly checked, balances substantiated and clarified with the Ministry of Finance before they are submitted for audit.**

### **Management Comments**

*The Ministry takes note of the Audit recommendations and is currently liaising with Asset Management Unit of MOF to clarify on these issues. It should be noted that the Asset Management Unit calculates and determines TMA Accumulated Surplus and TMA Surplus for reporting in the Balance Sheet.*

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<sup>6</sup> FAS 1 (53)

**29.8.2 Value Added Tax (VAT) on Revenue**

With effect from September 2009, all Ministries and Departments were advised to remit to FIRCA all fees and charges on revenue collected. To facilitate this, a new Standard Liability Group [SLG] with Natural Account Number [863201] was created, replacing the current revenue code [220199]. Ministries and Departments were required to create their own appropriation and cost centre codes. This can be applied across all fund types as long as this natural account number is used to capture the VAT earned on providing goods and services.<sup>7</sup>

When receipting revenue, the VAT portion should be credited to a new liability account (SLG 863201 – VAT on revenue) and at the end of the month when making VAT returns payment to FIRCA, the VAT portion should be debited to the same liability account thus making it zero.

However, VAT expenditure account was debited for VAT payments to FIRCA instead of the liability account, hence overstated expenditure and understated net profit. The liability account had a balance of \$3,058,423 as at 31/12/11. Refer to Table 29.7 below for details.

**Table 29.7: Details of VAT on Revenue**

Cost Centre	Amount (\$)
<b>Department Of Works</b>	
Joinery	498,279.37
Plumber shop	81,114.75
Concrete Products	1,010.03
Fuel & Oil	970,748.52
Plant Hire	1,329,048.77
Workshop Suspense	6,433.47
<b>Department Of Roads</b>	
Quarry	141,792.28
Starmix	29,995.81
<b>TOTAL</b>	<b>3,058,423.00</b>

The current treatment of VAT on revenue does not reflect the correct financial performance of TMA operation as revenue was reflected in the financial statement as VAT exclusive while expenditure as VAT inclusive. Therefore, net profit was understated.

**Recommendations**

- The Ministry should ensure that VAT returns are prepared and remitted to FIRCA on a monthly basis and VAT payable account is updated accordingly.
- The Ministry in consultation with Ministry of Finance should review the treatment of VAT on revenue as the current treatment does not reflect the correct financial performance of TMA operations.

**Management Comments**

*The Ministry takes note of the Audit recommendation and is currently liaising with the Asset Management Unit of the MOF to clarify on this issue.*

<sup>7</sup> Finance Circular 10/2009

### 29.8.3 Errors in TMA Bank Reconciliations

The account supervisor shall prepare bank reconciliation within 5 days of the end of the month. Details of unpresented 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 accounts supervisor and submitted to the Accounting Head. The Accounting Head must verify balances in the bank reconciliation to the cashbook, bank statements, unpresented cheque list and the previous month's bank reconciliation before certifying it.<sup>8</sup>

Each accounting head shall ensure that:

- revenue is recorded against the correct account
- the recording of revenue is reconciled monthly with the Ministry of Finance
- the Ministry of Finance is advised of any errors or discrepancies within 10 working days after the end of each month<sup>9</sup>

The audit noted variances in the Ministry of Works and Transport TMA cash at bank balance and the General Ledger (FMIS) cash balance as at 31 December 2011. Refer to Table 29.8 below for details:

**Table 29.8: Variance in TMA cash at Bank and FMIS Balance**

Accounts	FMIS Balance (\$)	Department's Balance (\$)	Variance (\$)
Works (Divisional Engineer Central Eastern)	1,386,956.73	481,332.43	905,624.30
Works (Principal Engineer Mechanical Central Eastern)	698,895.80	199,386.14	499,509.66
<b>Total</b>	<b>2,085,852.53</b>	<b>680,718.57</b>	<b>1,405,133.96</b>

Furthermore, our review of the Department's monthly TMA bank reconciliation noted the following discrepancies:

#### Divisional Engineer (Works) Central Eastern

- The Department's TMA cash balance allocation (4-40251-91011-540201) as per FMIS general ledger (GL) was not updated. The Department failed to pass adjustments from 2010 totalling (\$605,817.90) affecting the TMA cash balance as at year end.
- Payments totalling \$255,543 have not been posted into the GL from 2010 hence overstating the cash balance in the financial statements. Refer to Table 29.9 below for details.

**Table 29.9: Details of payments not posted to GL**

Accounts	Variance (\$)
Payments not posted in for Jan and Feb	(7,075.55)
Payments not posted in GL for April	(98.56)
Payments not posted in GL for May	(76,546.69)
Payments not posted in GL for June	(21,605.26)
Payments not posted in GL for August	(150,217.38)
<b>TOTAL</b>	<b>(255,543.44)</b>

- Payments totalling \$44,263 was not updated in the cash book since 2010.

<sup>8</sup> Finance Manual - Ministry of Works and Energy 2005 Section 7.4.7 – 7.4.10

<sup>9</sup> Finance Instructions 2005 - Section 30(1)

- Receipts amounting to \$107,833 have not been lodged in the bank hence reflected as lodgements not yet credited in the bank reconciliation. No action has been taken by the Department from 2010 to recover these amounts as some of the receipts dated back to 2008 and 2009.
- Receipts of \$117,620 received on 21/12/11 were wrongly credited to the Principal Engineers TMA bank account on 23/12/11, and no action has been taken to recover these amounts.
- Direct deposits totalling \$69,993 have been appearing from 2010 bank reconciliations and have been used by the Department to reconcile its cash balances.

#### **Principal Engineer (Works) Mechanical Central Eastern**

- Deposits of \$101,823 and \$117,620 was wrongly credited to the Principal Engineers TMA bank account on 08/12/09 and 23/12/11 respectively, these figures have been appearing in the monthly bank reconciliations merely to reconcile the cash balances for TMA.
- Receipts amounting to \$151,935 have not been lodged in the bank hence reflected as lodgements not yet credited in the bank reconciliation for December 2011. No action has been taken by the Department to recover these amounts as some of the receipts dated back to 2008 and 2009.
- No annual board of survey was conducted to verify the cash balances as at 31 December 2011.

#### **Divisional Engineer (Works) Northern**

- A negative cash balance of \$25,447 was recorded in the GL as at 31 December 2011 which indicated that the department is facing financial constraints.

As a result, audit was not able to substantiate the accuracy of the cash at bank balance for the TMA account as at 31 December 2011.

The Principal Accounts Officer did not ensure that balances in the bank reconciliation to the cashbook, bank statements, unpresented cheque list and the previous month's bank reconciliation are correct before certifying the reconciliations.

There is a high risk of misappropriation of funds and fraud if bank reconciliations/cash management are not carried out properly.

#### **Recommendations**

- **The Department should ensure that proper reconciliations are carried out and any error arising out of the reconciliation is adjusted accordingly.**
- **Disciplinary actions should be instigated against the responsible officers for failing to carry out proper checks and verification on the bank reconciliation balances.**
- **Since cash management is a high risk area, the Department should ensure that accounting of cash and maintenance of cash records are properly carried out.**

#### **Management Comments**

*The Ministry takes note of the audit recommendations and will ensure that proper accounting procedures are adhered to in maintaining TMA financial data and records. The deposits of \$101,823 and \$117,620 had been cleared and credited to the correct TMA Bank Account and it's now reflected in the Bank Statement for the month of February 2012.*

*The unreconciled differences as shown in the reconciliations are all awaiting completion of investigations as still underway by the Fiji Independent Commission against Corruption.*

*The Ministry would not be able to clear these variances since all relevant documents in regards to the above are being used by FICAC and the matter is before the courts.*

## 29.9 Expatriates Accommodation

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>10</sup>

The Department paid a sum of \$92,012.34 in 2010 and \$30,043.92 in 2011 to Tropic Towers Hotel for the accommodation of eight expatriate engineers before they were moved to government quarters from August 2011. This was due to the unavailability of government quarters to accommodate the Officers.

The expatriates' accommodation was paid from the capital allocation (140502-99211-080429) and this expenditure was not included in the approved requisition to incur expenditure (RIE).

The costs of accommodating the officers at Tropic Towers for the above period appeared excessive. Lack of proper planning, consultation and decision making is also evident as the Department failed to arrange for suitable alternative such as government/rented quarters at reasonable costs.

### Recommendations

- **The Department should have made prior arrangement with PSC regarding the allocation of quarters to above mentioned expatriate officers prior to their arrival.**
- **In the absence of suitable government quarters, the Ministry should consider paying the officers reasonable housing allowances instead of hotel accommodation.**

### Management Comments

*Ministry of Works Transport & Public Utilities requested PSC for provision of quarters for the expatriate engineers and this was through Memorandum referenced PWD 19/1/6/1 dated 23/07/10. We requested PSC to consider us moving them to rented flats while they are provided housing allowances, however, this was rejected. We received confirmation of allocation of the following quarters in December 2010:-*

*Quarters 261 at Barker Place, Muanikau;  
Quarters 254 at Barker Place, Muanikau;  
Quarters 371 at Nicoll Street, Muanikau;  
Quarters 135 at Imthurn Road, Domain;  
Quarters 138 at Domain Road, Domain;  
Quarters 173 at Veiuto Road, Veiuto; and  
Quarters 195 at Veiuto Road, Veiuto.*

*When the quarters were handed over to Ministry of Works, some had considerable amount of repairs and renovations required. Repairs and renovations during December was difficult to arrange because all books of accounts were closed, thus, purchase of materials was not possible and at the same time, PWD workmen required to carry out repairs and renovations had been sent on compulsory Christmas stand down; therefore, the quarters were left vacant until the New Year 2011. We were left with no other option but to keep the expatriate engineers in the hotel until their quarters were repaired to livable standards. All officers are now in their official Government Quarters.*

*As mentioned earlier, we had also requested PSC to consider paying housing allowance to the expatriate engineers so that they find affordable flats for temporary accommodation; but this was rejected.*

<sup>10</sup> Finance Manual Part 2 Expenditure

## 29.10 Unauthorized expenditures

Expenditure shall be classified and every vote shall be applied for the purpose for which it is approved.

A sum of \$12,961 was approved<sup>11</sup> to purchase tools in the request to incur expenditure (RIE) for Apprentice in 2011.

The Department failed to purchase tools as approved but instead, paid \$14,104.98 from the Apprentice budget allocation to Chief Engineer Mechanical Electrical to cater for wages, plant hire and fuel. Refer to Table 29.10 below for details.

**Table 29.10: Showing unauthorized expenditures**

Date	Cheque No.	Description	Amount (\$)
24/8/11	874373	Wages	2,928.00
		Plant Hire	3,027.42
25/8/11	874374	Wages	2,478.26
		Fuel	276.91
		Plant Hire	5,394.39
<b>Total</b>			<b>14,104.98</b>

The following anomalies were noted:

- No independent check was done to ensure accuracy of the abovementioned payments.
- Responsible officers did not verify the wages and plant hire from the time cards and running sheets respectively.
- VAT was charged on wages.

The above payment is unauthorised as proper authority was not obtained in the utilisation of the apprentice budget allocation for plant hire.

### Recommendations

- Funds should be used for the purposes they were provided and prior approval should be obtained from Ministry of Finance for any diversion of funds.
- Expenditures incurred should be correctly charged to the relevant expenditure allocations.

### Management Comments

*We actually made payments for plant hire to CEME Plant Pool as per cheques #s 874373 of 24/8/2011 and 874374 of 25/8/2011.*

*This payment was made from Apprentice (14050183999050499) instead of Plant Hire Vote (14050199991059113) as there was an urgent need to make payment to Mechanical section since they operate on TMA Account.*

*This was done on the understanding that journal vouchers would be raised to regularize these mispostings once we have funds in the Plant Hire Vote but unfortunately this was being over-looked by the officer responsible.*

*We have also put in place various measures of checking and verifying payments made to this effect. Errors made were noted and ensure that this does not happen in future.*

<sup>11</sup> 1<sup>st</sup> and 2<sup>nd</sup> quarter RIE

## 29.11 Plant Hire

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

- i. it is in accordance with an LPO, indent, contract, invoice or other authorisation;
- ii. there is documentation that the goods, services or works have been received;
- iii. sufficient uncommitted funds are available for payment of the account;
- iv. the account is not fraudulent and has not been previously paid;
- v. the expenditure account it is charged to is correct.<sup>12</sup>

The Department engages vehicles from plant pool for their daily runs. All weekly runs are entered into plant suspense account and a debit note is attached. This is then submitted to accounts department for payment.

The Department paid a total of \$141,101.28 in 2011 to Chief Engineer Mechanical Electrical for plant hire charges. Refer to Table 29.11 below for details.

**Table 29.11: Payments to CEME for plant hire charges**

Date	Cheque No.	Amount (\$)
25/2/11	873291	15,997.61
17/2/11	873758	23,449.81
10/6/11	873886	48,110.42
29/6/11	874012	10,975.26
18/7/11	874123	22,429.16
3/10/11	874611	20,139.02
	<b>Total</b>	<b>141,101.28</b>

The following anomalies were noted:

- No independent check was done by accounts department to ensure that rates charged and hours claimed by plant pool are correct. Copies of running sheets were not attached to debit notes submitted for payment.
- There was also a possibility of unofficial runs being made in the absence of proper verification by accounts department.
- Fuel for Department of Transport vehicle Registration GN683 was paid from Department of Works vote.
- Disciplinary Unit used most plant hire amounting to \$30,896.98 from January 2011 to June 2011.

Plant hire charges were mostly for Disciplinary Unit, Director Administration and Finance, Deputy Secretary Operations, Accounts, Registry, Training, Personal Staff Officer and Call Centre.

The risk of mismanagement and abuse of funds will increase if plant hire charges are not properly verified before making payments.

<sup>12</sup> Finance Manual 2011 Section 2.8.3



### **Recommendations**

- The accounts department should ensure that payments are verified with relevant supporting documents before payments are made.
- The Department should plan vehicle runs to minimize excessive runs.
- Supervisory checks in the Accounts Section should be improved.

### **Management Comments**

*When charges received from Chief Engineer Mechanical it is then checked and verified by the Payment Section.*

*We have put in place few measures which need adhered to ensure that all are in order and correct in every aspect as highlighted by the Office of the Auditor General.*

*Steps are as follows:-*

- 1) *When charges are received first we should checked that all supporting documents are attached e.g. debit notes, list of runs, instruction sheet etc*
- 2) *Rates used should be accurate*
- 3) *Total number of runs should be tally with the running sheets submitted*
- 4) *Daily instructions sheet should be attached with the claims at all times*
- 5) *Allocations where fund is paid out from should be the correct one*

*Lastly all runs should be monitored daily to avoid excessive runs which could also lead to increase in payment of Plant Hire to the Approved Contractors.*

## **DIVISIONAL ENGINEER CENTRAL EASTERN - WORKS**

### **29.12 Advance Payment**

The Accounting Head or accounts supervisor must not certify a payment correct unless they are satisfied that:

- (i) it is in accordance with an LPO, indent, invoice or other authorisation;
- (ii) there is documentation that the goods, services or works have been received.<sup>13</sup>

There were a number of issues of concern raised then and so as the mechanism to ensure sufficient control of finances. One of which, is that payments are to be processed on Original Invoice Only and not through Pro-forma Invoice or a Statement<sup>14</sup>.

The requests for the purchase of goods within the Division are prepared by the respective sections and are passed for payment by the Accounts Section. Goods are directly delivered to the work site and payments made by the Accounts Officer at the Divisions to the suppliers.

Standard Concrete Industries Limited (SCIL) was contracted for two years effective from 03/01/2010 for the supply of road making materials and concrete products.

The Division on 15/12/11 made an advance payment of \$66,864.80 to SCIL for the supply of ready mix concrete and gravel for the construction of Wainiyavu Irish Crossing. Refer to Table 29.12 below for details.

<sup>13</sup> Finance Manual 2011 section 2.8.3 (ii)

<sup>14</sup> Finance Circular No: 13/2011

**Table 29.12: Materials paid in advance**

Date	Cheque No:	LPO No:	LPO Date	Description	Amount (\$)
15/12/11	847186	PO95991-010216	15/11/11	25mmpa Ready-Mix Concrete & haulage	29,660.00
		PO95991-010296	21/11/11	25mmpa Ready-Mix Concrete (Pump Mix) & haulage	14,922.40
		PO95991-010357	1/12/11	20mm Aggregates Gravel	7,360.00
		PO95991-010391	1/12/11	25mmpa Ready-Mix Concrete (Pump Mix) & haulage	14,922.40
<b>Total</b>					<b>66,864.80</b>

The following anomalies were noted:

- the payments were based on the Performa Invoices.
- the Storeman, Mr. Kamenieli Tamani, certified the Local Purchase Orders that materials have been received although the materials have not been supplied by SCIL.
- No record was maintained by the Division to certify that all concrete products purchased above had been received.

Proper control was not excised when undertaking the above payment and the action by the Storeman and the Supervisor is perceived to facilitate a payment which is tantamount to fraud.

Value for money may not be obtained for goods paid in advance as there is a risk that goods may be short-supplied or not supplied at all.

### **Recommendations**

- **The Department should ensure that payments are only made for goods that have already been supplied unless approval is given by Ministry of Finance.**
- **The Department must follow up with SCIL on the delivery of the outstanding materials.**

### **Management Comments**

*The Department began with the Wainiyavu Irish Crossing in November 2011 and due to its remote location SCIL had proposed via their letter dated 24/12/11 that upfront payment be done.*

*So far the Division has been following up with SCIL regarding the balance of fund paid in advance to them. Supervisor of the project has also been tasked to properly and constantly follow up with SCIL.*

*Tally cards have also been opened to ensure that value of money is obtained and to record the receipt of balance of supply.*

## **29.13 Unauthorised payment of Standby Hours – Private Hire**

On 5/10/09, the Major Tender Board approved the Hire of Plants and Vehicles for the Divisional Engineer Central Eastern<sup>15</sup>.

For goods and services subject to contracts or agreements, the receiving officer shall verify that claims for payments are in order and delivered in accordance with the contract of agreement<sup>16</sup>.

<sup>15</sup> CTN 216/08

If the accumulated standby hours exceeded an hour in a day the department pays tendered hourly rates for standby hours.

The audit noted that the Department paid for standby hours for vehicles which were not approved by the Tender Board. Refer to Table 29.13 below for details:

**Table 29.13: Overpayment to Contractors**

Cheque Date	Cheque NO:	Company	Standby Payment Amount (\$)
16/12/11	847226	Harmindar Singh & Sunil Nath Transport	280.00
05/08/11	844445	Adarsh Hire Services	150.00
25/10/11	657854	Adarsh Hire Services	92.00
25/10/11	657854	Adarsh Hire Services	76.00
25/10/11	657859	Adarsh Hire Services	174.00
11/08/11	844573	Adarsh Hire Services	228.00
03/03/11	841900	Rajendra Singh Transport	75.00
14/10/11	845757	Manju's Transport	183.00
14/10/11	845758	Rajendra Singh Transport	234.50
27/04/11	657643	Adarsh Hire Services	246.00
29/12/11	847602	Adarsh Hire Services	144.00
<b>Total</b>			<b>1,882.50</b>

Lack of control over payment of plant hire was evident as vehicle hire payments were not properly verified to ensure that correct tendered rates are paid.

### **Recommendations**

- All vehicle hire contract claims should be properly verified against approved tendered rates before payments are made.
- The Division should review all payments made to Private Hire and recover the overpayments.

### **Management Comments**

*The circulation of the said content of the contract was not made available to incoming officers thus resulting in the overpayment of standby hours. Recovery will be done accordingly from contractors as mentioned above.*

## **29.14 Plant Hire**

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

- it is in accordance with an LPO, indent, contract, invoice 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.<sup>17</sup>

<sup>16</sup> Finance Manual Section 2.6.18

<sup>17</sup> PWD 2011 Finance Manual Section 2.8.3

The Division paid a total of \$19,173.75 in 2011 to Chief Engineer Mechanical Electrical for plant hire charges. Refer to Table 29.14 below for details.

**Table 29.14: Payments to CEME for plant hire charges**

Date	Chq #	Amount (\$)
13/5/11	842980	2,970.89
13/5/11	842980	3,985.65
17/6/11	843594	10,196.36
2/11/11	846132	2,020.85
<b>Total</b>		<b>19,173.75</b>

The following anomalies were noted:

- No independent check was done by the accounting officers to ensure that rates charged and hours claimed for plant hire were correct. Copies of running sheets were also not attached to debit notes submitted for payment.
- There was a possibility of unofficial runs being made in the absence of proper verification by accounts department.

The payments were not properly verified by the accounts department to ensure that all supporting documents are verified before making payments. There is a risk of mismanagement and abuse of funds when plant hire charges are not properly verified.

#### **Recommendations**

- The accounts department should ensure that payments are verified with relevant supporting documents before making payments.
- Supervisory checks in the Accounts Section should be improved.

#### **Management Comments**

*Comments are duly noted. Furthermore the Division has appointed a Compliance Officer to thoroughly scrutinize those documents before handing over for processing.*

### **29.15 Variance in TMA Ledger and FMIS Figures – Plumber Shop**

The TMA accounts officer must maintain up-to-date and accurate ledgers which record:

- Administrative and overhead expenditures incurred in operating the TMA;
- Inventory items bought, processed and sold;
- Sales & debtors;
- Creditors and commitments;
- Cash payments and receipts<sup>18</sup>

There were variances between the Plumber Shop weekly advice of cost for the year ending 31/12/11 and the Ministry of Finance, Financial Management Information System (FMIS) records. Refer to Table 29.15 below for details.

<sup>18</sup> Finance Manual 2011 Section 6.2.5

**Table 29.15: Variances between final weekly advice and FMIS**

	FMIS on 31.01.12	Weekly Advice as at 31.12.11	Variance
Sales	(293,664.21)	(445,659.49)	151,995.28
Direct Material Purchased	89,054.57	149,082.01	60,027.47
Personal Emoluments	215,307.22	244,854.71	29,547.49
Domestic Travel	33,301.88	57,487.53	24,185.65
Subsistence	468.00	666.00	198.00
Telecommunication	698.51	1,001.73	303.22
Maintenance & Operation	704.61	692.40	12.21
Fuel & Oil	213.41	91.54	121.87
Office upkeep & Supplies	3,733.19	3,735.25	2.06
Power Supplies (FEA)	2,861.93	1,104.15	1,757.78
VAT – Input tax	20,158.40	0	20,158.40
Department of Works	16,304.07	0	16,304.07
OPR in Previous years	(8,454.07)	0	(8,454.07)
<b>Loss</b>	<b>80,687.51</b>	<b>13,055.83</b>	

Moreover, the expenditure ledger maintained by the Chief Clerk did not show the total cost incurred for individual projects and list of expenses incurred did not have any details of cheque numbers.

Proper checks and supervision were not done to ensure that necessary reconciliations were carried out between the FMIS records and the weekly advice prepared by the Chief Clerks.

### **Recommendations**

- The Department should ensure that monthly reconciliations are carried out with the records kept by the Chief Clerk and any variance noted is investigated and rectified immediately.
- The expenditure ledger should be updated with cheque numbers and total cost of each project.

### **Management Comments**

*Monthly reconciliations are now being carried out by the Chief Clerk to ensure that accurate monthly reports are submitted to Management.*

## **29.16 Variance in TMA Ledger and FMIS Figures – Joinery**

The TMA accounts officer must maintain up-to-date and accurate ledgers which record:

- Administrative and overhead expenditures incurred in operating the TMA;
- Inventory items bought, processed and sold;
- Sales & debtors;
- Creditors and commitments;
- Cash payments and receipts<sup>19</sup>

There were variances between the Joinery Section weekly advice of cost for the year ending 31/12/11 and the Ministry of Finance, Financial Management Information System (FMIS) records. Refer to Table 29.16 below for details.

<sup>19</sup> Finance Manual 2011 Section 6.2.5

**Table 29.16: Variances between final weekly advice and FMIS**

	FMIS on 01.02.12	Weekly Advice as at 31.12.11	Variance
Sales	(415,348.87)	(395,396.45)	(19,952.42)
Direct Material Purchased	183,990.39	217,216.44	(-33,226.05)
Personal Emoluments	257,253.20	154,393.93	102,859.27
Domestic Travel	29,934.32	22,381.94	7,552.38
Subsistence	1,125.00	855.00	270.00
Telecommunication	861.60	597.12	264.48
Fuel & Oil	637.05	-	637.05
Cost overheads	6.00	-	6.00
Power Supplies (FEA)	9,868.65	8,784.45	1,084.20
Lease and rent payments	675.09	725.24	(50.15)
VAT – Input tax	32,057.80	-	32,057.80
OPR in Previous years	(8,454.07)	-	(8,454.07)
<b>Loss</b>	<b>91,250.77</b>	<b>9,557.67</b>	

The following anomalies were noted:

- Separate records were not maintained by the Chief Clerk to record expenses and receipts. Expenditure ledger was only maintained.
- The Expenditure ledger maintained by the Chief Clerk did not provide balances for individual account balances.
- The Chief Clerk prepared the weekly advice from FMIS whereas the weekly advice should be prepared from the job cards and then reconciled to FMIS.
- The expenditure ledger maintained by the Chief Clerk did not show the total cost incurred for individual projects.

Proper checks and supervision were not done to ensure that necessary reconciliations were carried out between the FMIS records and the weekly advice prepared by the Chief Clerks.

The absence of reconciliation of the variances would lead to inaccurate TMA in the agency financial statements.

### **Recommendations**

The Department should ensure that monthly reconciliations are carried out with the records kept by the chief clerk and any difference noted is investigated and rectified immediately.

### **Management Comments**

*Monthly reconciliations are now being done by the Chief Clerk while individual ledgers have also being opened to accommodate the different job allocated to Joinery.*

## **DIVISIONAL ENGINEER CENTRAL EASTERN (MECHANICAL) - WORKS**

### **29.17 Discrepancies in Fuel and Oil**

The inventory officer shall ensure that the register/ledger is kept up to date at all times<sup>20</sup>.

<sup>20</sup> Finance manual 2011 Section 8.1.4

The officer responsible shall maintain fuel and oil issue book for each product. This book shall be updated as soon as fuels are issued or received.

A stock take<sup>21</sup> during audit revealed that the physical stock of the following fuel products did not match with the balances shown in the fuel and Oil records. Refer to Table 29.17 for details.

**Table 29.17: Discrepancies in stock**

Product	Price Per litre (\$)	Book Balance (L)	Actual Balance (L)	Surplus/ (Deficit)	Deficit Amount (\$)
<i><u>Rewa Depot</u></i>					
Diesel (Gasoline)	1.90	249	139	(119)	226.10
Spirax (HD90)	7.52	180	160	(20)	150.40
<i><u>Plant Pool Bowser</u></i>					
Super (Petrol)	2.16	5,067	5,100	33	
Diesel (Gasoline)	1.90	2,815	2,590	(225)	427.50
Engine Oil (Delvac 1330)	6.50	586.5	580	(6.5)	42.25
Alvania Grease		0	48	48	
<i><u>Korovou Depot</u></i>					
Diesel (Gasoline)		634	750	116	
Engine Oil (Delvac 1330)	6.50	174	151	(23)	149.50
Brake Fluid	11.61	28	4	(24)	278.64
<i><u>Taunovo Depot</u></i>					
Diesel (Gasoline)		289	295	6	
<b>Total Discrepancy</b>					<b>1,274.39</b>

Fuel and oil issue books were not updated when the fuel and oil were received or issued or there could be leakages or thefts of fuels in respective depots. The lack of control over fuel and oil increases the risk of unauthorized sales, thefts and misappropriations.

### **Recommendations**

**The Department should ensure that**

- Fuel and Oil issue books are updated when fuel and oil are received or issued and verified against physical stock.
- Appropriate action should be taken against the responsible officers for the deficiencies noted in the depots.
- Control over the management of fuel and oil at the depots should be improved.

### **Division's Comments**

#### ***Rewa Depot***

*Since 2011, the Rewa Depot storage tank (Diesel) was not being filled as it has some leakages on its run out pipes to the nozzle. Additionally, there was some spillage that was not accounted for. Total has been advised of the leakages*

#### ***Plant Pool Bowser***

*As for the deficit amount, the responsible officer failed to balance the amount issued from the actual stock with daily issue record. The surplus amount has now been taken on charge.*

#### ***Korovou Depot***

*The surplus amount is for the particular depot stock. The deficit amount in the engine oil and brake fluid is due to the transfer of stock to Plant Pool and records not reconciled by the depot.*

<sup>21</sup> 12/01/12 and 16/01/12

**Taunovo Depot**

*The surplus fuel (Diesel) at Taunovo depot has now been taken on charge.*

*The Department;*

- *Will ensure to carryout routine checks [quarterly] on its respective stock of fuel and oil at every station*
- *Will take appropriate disciplinary action against responsible officers for negligence.*
- *Has now undertaken fuel rationing to areas of operations.*

**29.18 Advance Payment**

The Accounting Head or accounts supervisor must not certify a payment correct unless they are satisfied that:

- it is in accordance with an LPO, indent, invoice or other authorisation; and
- there is documentation that the goods, services or works have been received.<sup>22</sup>

The Government Tender Board in its meeting No. 07/2011 held on 29/03/2011 approved the supply of Petroleum products for government of Fiji to Total Fiji Limited.

Each invoice submitted under this contract shall give the Order number, particulars of the services rendered, quantity if applicable, rate and value and shall be sent by the Contractor to the Receiving Officer or as otherwise directed by the Director. Unless otherwise provided, payment shall be made after the services have, in all respects, be performed in accordance with the requirements of the contract.<sup>23</sup>

The audit noted that the Department was making advance payment to Total (Fiji) Ltd to facilitate the supply of fuel and oil. Refer to Table 29.18 below for examples.

**Table 29.18: Advance Payment for Petroleum Products**

Payment Date	Date Fuel & Oil Received	Number of Days Payment In advance	Chq #	Amount (\$)	Details
04/02/11	09/02/11	5 days	809780	20,428.42	45 x 200 litre drums of Diesel
04/02/11	09/02/11	5 days	809781	20,428.42	45 x 200 litre drums of Diesel
04/02/11	07/02/11	3 days	809785	7,361.84	3,750 litres of Diesel
09/02/11	11/02/11	2 days	809835	13,288.94	10 x 200 litres of Azolla ZS46
11/02/11	16/02/11	5 days	809844	7,219.47	5 x 200 litre drums of ATF Dexron
11/02/11	16/02/11	5 days	809845	6,281.07	3,000 litres of Super
11/02/11	16/02/11	5 days	809846	7,264.44	5 x 200 litre drums of Transmission Oil
11/02/11	16/02/11	5 days	809851	6,281.07	2 x 200 litre drums of Rubia S40 – received on 07/02/11 - ok 2 x 200 litre drums of Transmission Oil 1 x 200 litre drum of Azolla ZS 46 1 x 200 litre drum of ATF Dexron
11/02/11	16/02/11	5 days	809852	9,810.08	5,000 litres of Diesel
18/02/11	21/02/11	3 days	809919	9,810.08	5,000 litres of Diesel
18/02/11	21/02/11	3 days	809920	21,595.34	48 x 200 litre drums of Diesel
25/02/11	01/03/11	6 days	810012	6,931.97	5 x 200 litre drums of Rubia S40
08/06/11	10/06/11	2 days	811061	10,719.15	5,000 litres of Diesel 4,300 litres received on 08/06/11 and the other 700 litres on 10/06/11.

<sup>22</sup> Finance Manual 2011 section 2.8.3 (ii)

<sup>23</sup> Contract for – Tender No. 138/2010 – Supply of Petroleum Products for Government of Fiji Section 8



Payment Date	Date Fuel & Oil Received	Number of Days Payment In advance	Chq #	Amount (\$)	Details
09/06/11	10/06/11	1 day	811069	10,719.15	5,000 litres of Diesel
10/06/11	15/06/11	5 days	811074	23,340.77	9,600 litres of Diesel
10/06/11	16/06/11	6 days	811074	23,340.77	9,600 litres of Diesel
15/06/11	17/06/11	2 days	811132	10,719.15	5,000 litres of Diesel
22/06/11	23/06/11	1 day	811189	6,550.06	4 x 200 litres of Azolla ZS46
24/06/11	27/06/11	3 days	811200	10,719.15	5,000 litres of Diesel was supplied as follows: 4,300 litres received on 24/06/11 and 700 litres received on 27/06/11.
09/12/11	19/12/11	10 days	812924	10,317.80	5,000 litres of Diesel
16/12/11	23/12/11	7 days	812921	7,283.99	3,000 litres of Super

Adequate control was lacking in the above payments as the Division failed to comply with the Finance Manual and the terms of the contract with Total (Fiji) Ltd. There was also a risk of petroleum products not supplied when advance payments were being made.

### **Recommendations**

- The Division must ensure that payments are only made for goods that have already been supplied.
- The Division must comply with Finance Manual.

### **Division's Comments**

*The Supplier (Total Fiji Limited) does not accept the Purchase Order. They demand for upfront payment before they supply. However, the Division will ensure to comply with the purchasing requirements in future and the issue will be taken into consideration in the next tendering process as a condition.*

## **DIVISIONAL ENGINEER WESTERN - WORKS**

### **29.19 Carry Over of Project Work Due to Delay in Implementation in 2011**

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>24</sup>

The building section is responsible for constructing building works within the department and as well as for other government ministries and departments.

Our review of the building records revealed that the Division is yet to complete some of the projects earmarked for 2011. Refer to Table 29.19 for details.

<sup>24</sup> 2011 Ministry of Works Finance Manual – Part 2 - Expenditure

**Table 29.19: Details of Delayed Projects**

Description	Allocation (\$)	Actual (\$)	Balance (\$)	Remarks	Projected completion date	Start date	RIE Approved Date	Reason for Delay
Maintenance works @ Quarters 49, Sigatoka	61,581	47,435	14,416	50%	31/12/11	05/12/11	11/11/11	Due to the late allocation of funds
Maintenance works @ Quarters 26, Lawaga	65,712	61,278	4,434	50%	31/12/11	01/12/11	11/11/11	
Group 3A, Tavua	358,533	311,213	47,320	80%	31/12/11	18/08/11	28/06/11	Late allocation of funds and the recruitment approval & adverse weather conditions
Group Maintenance Work at Yalavou GRP 8D	300,479	275,526	24,953	80%	31/12/11	11/10/11	28/06/11	
<b>TOTAL</b>	<b>786,305</b>	<b>695,452</b>	<b>91,123</b>					

Poor planning led to the delay in the completion of the above projects at the end of 2011; hence the building annual work program for 2012 for the division would be affected by the carrying over of 2011 projects.

### **Recommendations**

- The Department should fully utilise the fund that was allocated for the year for the completion of the job as per plan to avoid the return of funds to Ministry of Finance.
- The Department should ensure that all building projects are efficiently carried out as per plan to avoid the carryover of building works.
- Submission of RIE for approval should be made in advance with Ministry of Finance.

### **Department's Comments**

*Recommendation is noted.*

*In 2011 all SEG 8 funds for Group and Special Maintenance Works were allocated to the ministry in a bulk amount by the Ministry of Finance. These funds were utilized on a first come first serve basis.*

*The departments ledger balance showed balances on the jobs stated, however since funds were exhausted from the SEG 8 pool our divisional funds could not be utilized.*

*This year Finance had addressed this issue and funds are now allocated at divisional levels to allow full utilization of funds.*

*The department will ensure that all projects will be completed in the specified time frame. This task has been made possible with the segregation of funds at divisional level;*

*Recommendation noted and the Work Study Section at Headquarters will be informed of our requests for RIE submissions to Finance.*

## 29.20 Number of Project Worker engaged exceed Public Service Commission (PSC) Approval

Appointments of Project workers are made by the authority of the PSC.

The audit noted that the number of project worker engaged by the Division exceeded the number approved by PSC. Refer to Table 29.20 below for details.

**Table 29.20: Details of Excess Project Worker Engaged**

Jobs	PSC Approval	Actual Engaged	Extra Worker Engaged
Maintenance works @ Qtrs 49, Sigatoka	12	30	18
Maintenance works @ Qtrs 26, Lawaqa	12	30	18
Special Maintenance @Qtrs 79, Varadoli, BA	12	14	2

The estimation for these projects was not done properly which has resulted in the Divisions' disregard of PSC approval.

### Recommendation

**The Estimation Section should review its estimation process and provide accurate estimate prior to seeking PSC approval.**

### Management Comments

*The accurate number of workmen was recruited for each job per PSC approval. However in order for the work to be completed on time, extra workmen had to be transferred to the continuing jobs so that the projects could be completed on time.*

*The department understands that the decision to pay extra men from any project is wrong. This was inevitable as materials purchased were received late due to funding constraints in SEG 8.*

*The department will ensure that correct number of workmen will be maintained for each project.*

## 29.21 IDC Jobs Funded from TMA Bank Account

The Divisional Engineer Western TMA bank account was established to be used by TMA only. The IDC jobs are funded under the normal operating budget and do not operate as TMA.

Our review of the TMA records revealed that a cheque totalling to \$9,199.14 was drawn from TMA bank account to fund the IDC jobs carried out at Nakorovou (Ra) and Lawaqa (Sigatoka). Refer to Table 29.21 for details.

**Table 29.21: Details of funds drawn from TMA**

Chq No. (Date)	Payee	Amount (\$)	PO Number (Date)	Invoice Number (Date)	Remarks
827056 (30/12/11)	Classic Buses	4,200.01	PO92011009118 (16/12/11)	4271 (25/11/11)	Hire of one 28 seater bus to transport Building workmen from Nakorovou, Ra to PWD Building Yard, and Lautoka on 25/11/11.
				4272 (28/11/11)	Hire of one 28 seater bus to transport Building workmen from PWD Building Yard,

Chq No. (Date)	Payee	Amount (\$)	PO Number (Date)	Invoice Number (Date)	Remarks
					Lautoka to Nakorovou, and Ra on 28/11/11.
			PO92011009119 (16/12/11)	4517 (21/12/11)	Hire of one 28 seater bus to transport Building workmen from Lawaqa, Sigatoka to PWD Building Yard, Lautoka and return on 21/12/11.
				4518 (23/12/11)	Hire of one 28 seater bus to transport Building workmen from Nakorovou, Ra to PWD Building Yard, Lautoka on 23/12/11.
				4519 (30/12/11)	Hire of one 28 seater bus to transport Building workmen from Nakorovou, Ra to PWD Building Yard, Lautoka on 30/12/11.
				4505 (12/12/11)	Hire of one 28 seater bus to transport Building workmen from PWD Building Yard, Lautoka to Sigatoka on 12/12/11.
				4504 (10/12/11)	Hire of one 28 seater bus to transport Building workmen from Nakorovou, Ra to PWD Building Yard, Lautoka on 10/12/11.
827065 (30/12/11)	Naboutini Transport	4,999.13	PO92011009120 (16/12/11)	0736 (21/11/11)	Hire of excavator for 11 hours (11*\$42) – Diverting river at Nakorovou.
				0737 (22/11/11)	Hire of excavator for 11 hours (11*\$42) – Excavate footing at Nakorovou.
				0738 (23/11/11)	Hire of excavator for 10 hours (10*\$42) – Road Works at Nakorovou.
				0739 (24/11/11)	Hire of excavator for 9 hours (9*\$42) – Moving culverts down to the river at Nakorovou.
				0740 (24/11/11)	Hire of excavator for 6 hours (6*\$42) – Aiding GL 168 climb a steep hill at Nakorovou.
<b>Total</b>		<b>9,199.14</b>			

The above payment did not relate to the TMA operation and could be perceived as a contributing factor to the loss recorded in the TMA. Should the current system of operation continue to be allowed then TMA losses will continue to escalate.

### **Recommendation**

**The Division should refrain from utilising TMA funds for operating purposes and arrangements should be made to reimburse the \$9,199.**

### **Management Comments**

*The department notes the concerns highlighted.*

*The Nakorovou project funds had exhausted at the time of the preparation of the PO's and the department was awaiting additional funds. The funds were received late in the year. The project required civil works to be done and therefore Payments were done from TMA. This job will be completed in 2012.*

*A cheque was received for the amount of \$21208.09 on 16/08/12 for Nakorovou project and that amount will be reimbursed to TMA once the work is complete.*

*Bus Hire for Lawaqa was paid from TMA as the SEG 8 did not allow the department to make payments. This action was inevitable as services had to be provided to ensure work progresses.*

*This year the department has received many special maintenance works and it intends to write to Work Study for virement of balance of funds to reimburse to TMA.*

## 29.22 Inappropriate Maintenance of Stores Records

The inventory officer shall maintain the inventory register/ledger to record incoming and outgoing inventories. The inventory register/ledger shall provide the following information:

- Date of acquisition and order number reference
- Number of items received and cost price,
- Supplier details,
- Date of issue of inventory and nature of issue (for example, transfer or for processing)
- Issue reference (authority such as requisition order)
- Quantity issued.<sup>25</sup>

The inventory officer shall ensure that the register/ledger is kept up to date at all times.<sup>26</sup>

Our review of records maintained for inventories by the respective stores of the different sections revealed the following common anomalies for materials purchased in 2011:

- Inventory ledger cards were not maintained for some of the materials purchased in 2011;
- Variances were noted in quantity while scrutinizing the invoice and stores register maintained by the store men;
- Materials purchased which are to be delivered to the job sites are yet to be supplied as per store men register. Refer below for details of the above anomalies.

The following items were purchased for the Joinery Workshop and the Plumber Shop but were not recorded in the ledger/stock cards. Details are shown in Table 29.22 for details:

**Table 29.22: Items Not Entered in the Ledger/Stock Cards**

Section	Date	LPO Number	Supplier	Invoice Number	Description	Quantity	Valued (\$)
Joinery Workshop	30/12/11	PO92011008964	Padarath Timber & Hardware Ltd	5844	300*25mm J/Grd Kauvula	200	1,234.78
		PO92011008965		5845	200*25mm J/Grd Kauvula	400	1,634.76
					150*25mm J/Grd Kauvula	400	1,175.64
					75*50mm J/Grd Kauvula	400	1,175.64
		PO92011009088	Metro Civil & Electrical	5917	100*100mm J/Grd Mahogany	200	1,826.12
	26/08/11	PO92011008607	Carpenters Hardware	119633	2440*1220*9mm interior ply	25	954.50
Plumber Shop	27/06/11	PO92011008377	Padarath Timber	5639	200*25 FFS Dakua 2004m	200	1,043.48
					300*25 FFS Dakua 2004m	200	1,565.20
					100*50 FFS Dakua 2004m	200	1,043.48

<sup>25</sup> 2011 Ministry of Works Finance Manual - s 8.1.3

<sup>26</sup> 2011 Ministry of Works Finance Manual - s 8.1.4

Section	Date	LPO Number	Supplier	Invoice Number	Description	Quantity	Valued (\$)
		PO92011008376	Padarath Timber	5625	100*50 FFS Kauvula 2004m	200	1,173.96
		PO92011008372		5640	150*50 FFS Dakua 2004m	200	1,565.22
					200*50 FFS Dakua 2004m	200	2,086.98
Urgent Maintenance	18/11/11	PO96211004158	S. K. Davey Ltd	40549	6" Flush Bend	3	65.22
	19/11/11	PO96211004160	Sahay Brothers	25267	1 ¼ " Brass Screws	4	32.00

The audit further noted that the following items purchased for the Joinery Section and the Plumber Shop do not have any ledger/stock cards. Refer to Table 29.23 for details:

**Table 29.23: Items that do not have Ledger/Stock Cards**

Section	Date	Supplier	LPO Number	Item Description	Invoice Number	Quantity	Total Cost (\$)
Plumber Shop	27/06/11	Padarath Timber	PO92011008443	Zinc White Oil Enamel	13142	1	33.91
Joinery Workshop	30/12/11		PO92011008964	50*50mm J/Grd Kauvula	5844	400	782.60
		250*25mm J/Grd Kauvula		400		2,052.16	
		Metro Civil & Electrical	PO92011009084	20mm Dakua Grain Int. Plyboard	5903	40	4,000.00
			PO92011009092	300*25mm J/Grd Dakua		5918	300
				250*25mm J/Grd Dakua	300		1,826.13
			PO92011009027	6" Brass Barrel Bolt	5867	12	40.70
				6" Tower Bolt		12	26.09
			PO92011009087	250*25mm J/Grd Mahogany	5916	200	1,304.38
			PO92011009085	12mm Dakua Grain Int. Ply		5904	50

Further scrutiny of stores records revealed that materials purchased for the Electrical Section had variances as per quantity supplied stated in the store men register and actual invoices. The audit further noted that there were other materials which are yet to be supplied to the job site as per store man register. Refer to Table 29.24 for details

**Table 29.24: Items for the Electrical Stores**

Date	Supplier	LPO Number	Item	Invoice No.	INV Qty	Register Qty	Amount (\$)	Remarks
23/11/11	NZ Trading	PO96211 003909	6mm PVC Single Black	00918	6	2	11.52	The quantity stated in the invoice and the register had a variance of 4
23/11/11	NZ Trading	PO96211 003901	16A ELCB Complete	00922	2	2	165.24	Not yet supplied as stated in the register

The above weaknesses in the internal controls and maintenance of records in the stores could result in misappropriation, abuse and unauthorised usage of inventories.

**Recommendations**

- Inventory stock cards should be maintained for all stock items procured.
- The Department should undertake regular internal inspections for stores to ensure that records are maintained and kept up to date.
- Refresher training courses on how records should be maintained should be undertaken for all store men.

**Management Comments*****Table 29.22: Items not entered in the Stock/Ledger Cards***

*Tally Cards have been updated and the cards are available for verification. The Storeman has been cautioned on the importance of his work and that proper recording is required. Card will be updated on a daily basis. f*

***Table 29.23: Items that did not have ledger/stock Cards***

*These stock cards have also been updated with all details recorded. The department will ensure that proper stores keeping are maintained at all times. The Internal Inspection is also carrying out regular checks on stores and ensure that correct recording and balances are maintained at all times.*

***Table 29.24: Items for Electrical Store***

*A total of 21metres 6mm black wires were delivered to the site on delivery docket number 24629.*

*The breakdown of PO is as follows:*

*PO96211 3901 – 2 metres*

*PO96211 3900 – 15metres*

*The company had supplied 4 metres extra as only 21metres were left in the coil at the shop at the time of supply. Therefore the variance of four was recorded.*

*Verification with stores records and payments indicated that the ELCB were actually not recorded in the stores. However when the PO was sent for payment records showed that the items were received. This was Receipt of stores was acknowledged by the then store man (has been terminated) and since payments were made on the 30th of December checks could not be done. The department will ensure that proper checks are carried out prior to payments.*

**DEPARTMENT OF TRANSPORT****29.23 Non Transfer of Balances**

The Accountant is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports. The chart of accounts of the Whole of Government is structured according to the budget sector agency as approved annually through the Annual Appropriation Decree.

The following anomalies were noted in our review of the general ledger balances under Head 40:

- The Department of the Fiji Islands Maritime Safety Administration was fully corporatized in 2011 and is now established as the Maritime Safety Authority of Fiji.<sup>27</sup> In 2011 their budget is a one line grant, however there are certain charges still appearing under their previous program<sup>28</sup> in 2011. Refer to Table 29.25 for details.

<sup>27</sup> Maritime Safety Authority of Fiji Decree 2009 Section 7(1)

<sup>28</sup> Head 40 Program 3

- The Department of Energy which was formerly under Head 40 is now under Head 41<sup>29</sup>. However there are certain charges still appearing under Head 40<sup>30</sup> in 2011. Refer to Table 29.25 for details.
- The Department of Transport does not have an activity 4, however there were charges appearing under it. Refer to Table 29.25 for details.

**Table 29.25: Charges Still Appearing under Head 40**

Department	Allocation	Amount (\$)
FIMSA	1-40300-00000-520000	2,379,981.88
	1-40300-00000-560000	132,727.00
	1-40300-00000-860000	(39,727.95)
Energy	1-40400-00000-860000	(16,495.84)
	1-40400-00000-910000	(4,889,922.54)
Transport	1-40104-00000-520000	10,785.29
	1-40104-00000-840000	(86,889.77)
	1-40104-00000-860000	(49,126.00)
	1-40104-00000-910000	744.22

The Ministry did not maintain accurate balances in the general ledger in accordance with the annual appropriation act hence amounts reported in the Agency Financial Statements are either under or overstated.

### **Recommendations**

- The Ministry should ensure that the general ledger balances in the FMIS are mapped to their correct allocations as in the 2011 Budget Estimates.
- Proper reconciliation should be carried out for all accounts and any variance to be rectified immediately.
- The above accounts should be adjusted in consultation with Ministry of Finance if they are not utilized.

### **Management Comments**

*The recommendations of the Audit are noted and the Ministry will liaise with Ministry of Finance to rectify the anomalies since only FMIS can make the necessary changes. Ministry had informed FMIS earlier in 2010 & 2011 to rectify the above but the adjustments were not made.*

## **METEOROLOGICAL SERVICES**

### **29.24 Differences in Trust Fund Balances**

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

<sup>29</sup> Ministry of Public Utilities

<sup>30</sup> Head 40 Program 4



The audit noted that the Department's Trust Fund balance as at 31 December 2011 did not reconcile with the General Ledger (FMIS). Refer to the Table 29.26 below for details:

**Table 29.26: Trust Fund Account Balance**

Allocations	Description	Department Figure	FMIS Figure	Variance
1-40200-00000-860000	Deposits & Retention Money	23,156.64	38,347.67	15,191.03
1-40200-00000-890000	Miscellaneous Fund	78,556.00	78,556.00	-
<b>TOTAL</b>		<b>101,712.64</b>	<b>116,903.67</b>	<b>15,191.03</b>

It was obvious that the Accounts Section did not verify balances to the General Ledger to ensure that any variances are rectified.

### **Recommendations**

- **The Department should rectify the variance noted between its reconciliation and the General Ledger (FMIS).**
- **The Department should ensure that monthly reconciliations are carried out properly and accurately.**

### **Management Comments**

*Due to the frequent turnover of staff in the department it resulted in three officers looking after the trust reconciliation one after the other in one year. This was one factor that contributed to the variances. The Department takes note of the Audit comments and recommendations to clear the variances. The Department is in the process of clearing the variances.*

## **29.25 Overdrawn Trust Fund Account**

Trust Fund Accounts comprise monies, which are not the property of the state and are not utilized for the purpose of government.

Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Accounts Officer shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement. Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>31</sup>

Our review of the trust fund reconciliation as at 31 December 2011 revealed that the Department's Operating Trust Fund had an overdrawn (debit) balance of \$101,712.64, compared to debit balance of \$96,931 in 2010, an increase of \$4,781.64 or 5%.

Incorrect postings were made to the Trust Fund account and proper reconciliation was not effectively carried out to identify and rectify mispostings of transactions.

### **Recommendations**

- **The Department must ensure that Trust Fund accounts are not overdrawn and that reconciliations are effectively carried out.**
- **It must conduct a thorough review of the overdrawn Trust Fund account and take appropriate action.**

<sup>31</sup> Finance Manual - Ministry of Works and Energy 2005 Section 16.3.3

**Management Comments**

*The Department takes note of the Audit recommendations and is now in the process of clearing these mis-postings through raising journals.*

**29.26 Long Outstanding Trust**

All payments from the trust account shall be adequately supported and made only for the purpose of the trust.<sup>32</sup>

Our review of the Trust Fund reconciliation as at 31 December 2011 revealed that the JICA Trust Account had a debit balance of \$78,556, which had been outstanding since 2006.

The Acting Accounts Officer indicated that payments had been committed under authority MW 08/2005 and MW 09/2005 but Ministry of Finance had refused to accept the postings. Audit verification at Ministry of Finance revealed that the authority quoted was in no relation to the JICA Trust Fund Account. Attempts to obtain relevant copies of authority from the Ministry were unsuccessful.

The Department is in the process of recommending to Ministry of Finance to write off the outstanding balance.

**Recommendation**

**The Department should liaise closely with MOF in settling the outstanding balances.**

**Management Comments**

*The Department has requested Ministry of Finance for the write-off of the outstanding balance which had been recommended by the Auditors during the Audit process.*

**29.27 VAT Arrears**

The proper management of expenditure is fundamental to ensuring value for money in delivering services to the community. As well, having cost effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over expenditures and corruption do not occur.<sup>33</sup>

The department's VAT arrears as at October 2011 stood at \$1,024,925.40, of which \$317,406 was in relation to penalty charges for late lodgements and payments. The arrears had accumulated from 2005.

In December 2011, the department cleared \$600,000 of VAT arrears which was posted to various expenditure allocations other than the VAT allocation. Refer to Table 29.27 for details

**Table 29.27: Allocations to clear VAT Arrears**

Allocation	Description	Amount (\$)
14020181101020101	Wages	1,500
14020181101030401	Telecommunication	3,000

<sup>32</sup> Finance Manual – Ministry of Works 2011 – section 15.2.3

<sup>33</sup> Finance Manual 2011 – Part 2

Allocation	Description	Amount (\$)
14020281201010101	PE Salaries	54,000
14020281201010201	FNPF	1,000
14020281201030101	Travel	1,000
14020281201080421	Upgrading of outer Islands	1,800
14020281201130101	VAT input	1,500
14020381301010101	PE Salaries	249,000
14020381301010201	FNPF	14,000
14020381301010401	Overtime	5,500
14020381301030101	Travel	1,000
14020381301030301	Subsistence	1,000
14020381301030401	Telecommunications	14,000
14020381301040332	R & M Machine	1,000
14020381301040333	R & M Equipment	1,000
14020381301040354	R & M Equip. IT Infrastructure	1,000
14020381301059199	Misc. Operating Expenses	23,000
14020381301070499	Misc. Training Expenses	4,500
14020381301090131	Repl. Of Hydrogen Generator	93,700
14020381301090133	Repl. Of Auto Weather Replacement Parts	11,000
14020381301090153	Weather Radar Replacement Parts	78,000
14020381301130101	VAT input	12,500
14020481401010101	PE Salaries	24,000
14020481401010201	FNPF	2,000
<b>TOTAL</b>		<b>600,000</b>

Furthermore, VAT payment of \$26,419.51 for the month of October 2011 on 29/12/11 was made from the capital purchase allocation.

Accumulation of VAT arrears over a period was due to the Department's inability to correctly prepare and submit its VAT returns and promptly clear outstanding debts. This has unnecessarily exhausted other expenditure allocations in clearance of the debt.

### **Recommendations**

- The Department should ensure that outstanding debts are promptly identified and cleared accordingly in their correct allocations.
- VAT returns should be prepared on a timely basis and payments are made promptly.
- The Department should ensure that VAT payments are made from its correct allocation.

### **Department's Comments**

*FIRCA had served a garnishee order to Airports Fiji Limited in 2006 as a result of VAT short paid on MET claims of 63% reimbursement of its operating costs payable by AFL. Although the Department was billing Airports Fiji Limited based on the approved rate by Cabinet of 63%, AFL had been reimbursing 44% & 34% subsequently from April 1999. FIRCA had claimed that MET is still liable to pay VAT on the amount claimed thus the issue of garnishee order. As a result of this order; AFL had paid the following amount directly to FIRCA.*

*Cabinet vide its approval CP(05)310 of 16<sup>th</sup> August 2005 had approved the reduction of percentage of reimbursement to 50% effective from July 1997. This ruling resulted in the overpayment of VAT by the Department by 13% from this date.*

*On 7<sup>th</sup> of May 2012, the department re visited FIRCA and after consultation with them was advised to fill Amendment return for the following months December, 2004, 2005, 2006, 2007 and November 2008.*

*The previous accountant of the department had made various attempts to reconcile Vat payment with FIRCA in 2005 to 2007 but was to no avail due to the frequent disturbance through staff movement. This left the VAT issue pending for a while until 31<sup>st</sup> of May, 2012 in which the current team visited FIRCA to address in which the department met with the FIRCA team to address the outstanding case and also the VAT payment which was leading to high penalty charges.*

*As at 26<sup>th</sup> June 2012, the Vat statement for the department is NIL after FIRCA decided to waiver the December 2011 penalty.*

## **29.28 Arrears of Revenue**

On 16 August 2005, Cabinet ratified that Civil Aviation Authority of the Fiji (CAAF) and Airports Fiji Limited (AFL) reimburse the Fiji Meteorological Services (FMS) 50% of meteorological aviation costs for Nadi Terminal, Nausori International and En-Route only and backdating the same to 1 July, 199734.

Cabinet also approved that the sum accrued by FMS for domestic aviation charges to 31 May 2005 be written off following the finalisation of audited accounts and approved that a review, to be funded by FMS, of the structure of costs be undertaken. A contract should be entered into between FMS and AFL for the provision of weather services to the aviation industry with effect from 1 January, 2006.

The audit reported in 2010, that the Department had difficulty in recovering the arrears of \$4,565,162 (\$1,894,106 owed by CAAF and \$2,671,056 by AFL), due to the refusal of the relevant agencies to comply with the Cabinet decision made on 16 August 2005 regarding the reimbursement of meteorological costs. It was also reported the department's failure to undertake a review on the structure of costs, as approved by Cabinet, on the provision of weather services to the aviation industry, thus contributing to the delay in resolving the issue with CAAF and AFL. It was revealed that the department had not invoiced AFL on the reimbursement of meteorological aviation costs from 2008 and the arrears of revenue have been carried forward since. However, AFL has been paying \$50,000 per month to FMS.

The Department in responding to the audit report, agreed to undertake a review of the Cost Structure, review the issue with AFL and CAAF and consult with Ministry of Finance to write off the arrears of revenue in accordance with a Cabinet Decision made in 2005.

The audit for 2011 noted that the situation reported in 2010 has not changed.

### **Recommendations**

- **The Department should undertake a review of the cost structure on the provision of meteorological services to the aviation industry and resolve the issue with AFL and CAAF.**
- **The Department should consult the Ministry of Finance to write off the arrears of revenue in accordance with a Cabinet decision made in 2005.**

### **Department's Comments**

*The Fiji Meteorological Service has started in the month of May 2012 to sit down and discuss with AFL and CAFFI on the long outstanding issue on the cost recovery of the provision of meteorological services to the aviation industry. CEO CAFFI Mr. Netava Waqa and General Manager Finance AFL were present in the meeting on Tuesday May 22nd. This has been triggered by the REFORM process of FMS whereby we really want to determine or review the true cost of our products to the aviation sector by working out the cost on the formula agreed upon by the World Meteorological Organization (WMO) and the International Civil Aviation*

<sup>34</sup> Cabinet Decision CP(05)310 dated 16 August 2005

Organization (ICAO) for cost recovery. In the Reform exercise we have arrived into a figure of nearly \$3million per year but this has to be verified with Airports Fiji Limited by sitting. Currently AFL is only paying us \$50,000 per month and not 50% of operating budget as endorsed by Cabinet in 2005.

As per Auditor's recommendation and according to Cabinet approval FMS will now continue to meet with AFL and CAFFI as already started in June to review the cost recovery in aviation products until we reach an agreement to the true value of the revenue to be paid by them.

## DEPARTMENT OF ROADS

### 29.29 Revolving Fund Account - Miscellaneous

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<sup>35</sup>. Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>36</sup>

The audit noted that the Department's Revolving Fund balance as at 31 December 2011 did not reconcile with the General Ledger (FMIS). Refer to Table 29.28 below for details.

**Table 29.28: Revolving Fund Account Balance**

Allocations	Description	Department Figure	FMIS Figure	Variance
1-40600-00000-560000	Accounts Receivable	-	227,391.10	227,391.10
1-40600-00000-840000	Accounts Payable	-	(3,059,027.55)	(3,059,027.55)

Furthermore the audit noted the Department's failure to prepare the reconciliation for Accounts Payable (Standard Liability Group 840000) under the Revolving Fund Account – Miscellaneous.

The Accounts Section did not verify balances to the General Ledger to ensure that variances noted are rectified.

### Recommendations

- The Department should rectify the variance noted between its reconciliation and the General Ledger (FMIS).
- The Department should ensure that monthly reconciliations are carried out properly and accurately.
- The Department should maintain record of all Revolving Fund Account transactions and are made available for audit.

### Management Comments

1. The Department has noted the variances and an amount shown in SEG 56 amounting to \$227,391.10 was a result of an adjustment uploaded in 2005 by the Department of Water which was not adjusted then to the Trust Account.

2. The increase of \$3.2million:-

Account ID	Description	Amount 1	Amount 2	Variance
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<sup>35</sup> Finance Manual - Ministry of Works and Energy 2005 Section 16.3.3

<sup>36</sup> Finance Manual - Ministry of Works and Energy 2005 Section 16.3.4

1406000000840000	Accounts Payable	(3290991.71	-40784.36	-3250209.41
14060199991840101	AP Trade Gov Depts. & agency	-10000.00	10000.00	20000.00
14060199991840101001	Purchase of Rollers	-2570824.51	0.00	-2570824.51
14060199991840101002	Buresala Project	-305000.00	0.00	-305000.00
14060584999840101	Emergency Flood Recovery Cost	-12434.05	0.00	-12434.05
14060191991840104	AP ADB General capital Increase	2315.32	0.00	2315.32
14060199991840601	Vat Payable	0.00	-30784.36	30784.36
14060184999840602	Provincial Tax payable	-415050.53	0.00	-415050.53

Remarks:

- 1) 14060199991840101- The amount of 10,000.00 was adjusted last year batch # 426434 but still appearing as \$20,000.00 debit. Secondly a Credit plus a Debit should zero rise the variance whereas the GL is giving a \$20,000.00 debit.
- 2) 140601999918401001-Purchase of Rollers- this are carried over funds to 2012, rollers to be purchase in Year 2012.
- 3) 140601999918401002-Buresala Project- this are carried over funds to 2012, this project to start in Year 2012.
- 4) 14060584999840101-adjustment overlook, this is the remaining funds to be return to Ministry of Finance
- 5) 14060191991840104-misposting which was overlook however adjustment being made as per Batch # 421034 dated 7/5/2012
- 6) 14060199991840601-This is the vat on revenue which was initially uploaded from ACCPAC on seg 836201. This was supposed to be adjusted to 863201 and was wrongly uploaded to 840601.
- 7) 14060184999840602-Provincial tax 2011 paid out in March 2012

**29.30 Trading and Manufacturing Account – VAT on Revenue**

With effect from September 2009, all Ministries and Departments are advised to remit to FIRCA all fees and charges revenue collected. To facilitate this, a new Standard Liability Group [SLG] with Natural Account Number [863201] has been created, which will replace the current revenue code [220199]. Ministries and Departments are required to create their own appropriation and cost centre codes. This can be applied across all fund types as long as this natural account number is used to capture the VAT earned on providing goods and services.<sup>37</sup>

When receipting revenue, the VAT portion should be credited to the new liability account and the balance to the revenue code. At the end of the month when making VAT returns payment to FIRCA,

<sup>37</sup> Finance Circular 10/2009 – Section 5.0

the VAT portion should be debited to the same liability account thus making it zero, whilst VAT on expenditure will continue to be met from agencies budgetary funds [SEG 13] as is the current practice.

However, VAT expenditure account was debited for VAT payments to FIRCA instead of the liability account, hence overstated expenditure and understated net profit. The liability account had a balance of \$171,788 as at 31/12/11. Refer to Table 29.29 below for details.

**Table 29.29: Details of SLG Account 863201**

Account ID	Description	Amount (\$)
4-40253-92011-863201	15% VAT Receivables (LQ)	19,931.81
4-40253-91071-863201	15% VAT Receivables (NQ)	121,860.47
4-40254-92011-863201	15% VAT Receivables (LQ)	29,995.81
<b>Total</b>		<b>171,788.09</b>

Furthermore, the current treatment of VAT on revenue does not reflect the correct financial performance of TMA operation as revenue was reflected in the financial statement as VAT exclusive while expenditure as VAT inclusive. Therefore, net profit was understated.

### **Recommendation**

- The Department should ensure that VAT returns are prepared and remitted to FIRCA on a monthly basis and VAT payable account is updated accordingly.
- The Department in consultation with Ministry of Finance should review the treatment of VAT on revenue as the current treatment does not reflect the correct financial performance of TMA operations.

### **Management Comments**

*The Ministry takes note of the Audit recommendation and is currently liaising with the Asset Management Unit of the MOF to clarify on this issue.*

## **29.31 IT Officer – Apimeleki V. Ledua**

Physical assets provide a vital resource base that supports the delivery of outputs by the agency. Therefore it is important to ensure that:

- assets are safeguarded and properly maintained;
- assets are used for official purposes only;
- all assets held by the agency are used efficiently.<sup>38</sup>

The audit noted that the IT officer, Mr. Apimeleki V. Ledua (EDP # 271123) deliberately did not return the following computer items under his custody when he resigned<sup>39</sup> from the Department. Refer to Table 29.30 below for the detail list of assets taken by the said person.

**Table 29.30: List of Computer items not returned**

Item	Quantity	User	Cost (\$)
Dell Laptop Vastro '3700	1	Apimeleki Ledua	3,195.56

<sup>38</sup> Ministry Finance Manual – Part 11

<sup>39</sup> Dated : 16/03/12

Item	Quantity	User	Cost (\$)
500 GB External Hard Drive	2	IT Section	370.00
1 TB External Hard Drive	1	IT Section	350.69
USB Mouse / Keyboards	5	IT Section	304.95
<b>Total</b>			<b>4,221.20</b>

The above demonstrated laxity by management in ensuring that proper handover is conducted at the time of resignation particularly in critical areas such as IT.

Furthermore, the officer has absconded to New Zealand with no intention of returning to Fiji thus making recovery impossible.

### **Recommendations**

- **The Department should ensure proper procedures are followed when an employee resigns from the civil service.**
- **Management must ensure that all proper avenues are exhausted so that the safeguard and recovery of the Departments assets is upheld.**

### **Management Comments**

*The officer after resigning has left the country and taking with him the above items worth F\$4,221.20. These items cannot be retrieved but are mindful to look for avenues in trying to get hold of him. Audit recommendations are noted.*

## **29.32 Internet Service Provider – Connect Fiji Ltd**

Internet services shall be accessed only through the ITC Internet connection. All connections to the Internet from a Department shall be implemented under strictly controlled means through the ITC's secure Internet infrastructure.<sup>40</sup>

Each user will have only one personal identification code (user ID). In one work session, users will enter their ID once, regardless of the applications used or the systems on which they run. User will be accountable for all actions performed with their user ID. They will be responsible for preventing any other person from using their user ID.<sup>41</sup>

The audit noted the use of a private internet service provider - Connect Fiji Ltd by various senior management, engineers, sections and depots. These internet connections were open without proper restrictions and approvals from ITC and therefore no monitoring done to ensure that this service is used for only work related purposes. These non work related privileges include;

- Social Networking Sites – Facebook, Social Media sites, etc
- Chat Room facilities
- Pornography Sites
- Downloads – Pirated Information, Movies / TV series, Software, etc

Not only do these privileges affect the productivity of the Department, it has a direct financial impact on the Department as taxpayers funds are used to fund these services.

<sup>40</sup> Fiji Government Information Technology Policy & Principles – Appendix C5

<sup>41</sup> Fiji Government Information Technology Policy & Principles – Section 4.4



There are currently 22 active Connect accounts engaged by the Department with an average bill of \$8,732.40 annually. Refer to Table 29.31 for details of these accounts.

**Table 29.31: Detail List of Connect Fiji Ltd Accounts with the Department**

Account #	Username	Name	Job #	Cost per month April 2012 (\$)
8433612	jvueti	Josefa Vueti	140603999910808990414	35.78
8435539	jega	Chelliah Jegatheeswaran	140603999910808990114	35.78
8434899	manoav	Manoa Vocea	140603999910808990114	39.40
8431887	tokasa	Iliesa Turagacati	14060599991080429114	34.71
	turagacati			35.78
8423965	thillai	Sivaguru Thillainathan	14060599991080429114	29.65
6842066	ripon	Ripon Baral	14060599991080429114	35.78
8434060	fernando	Fernando Amarpala	14060599991080429114	35.78
8436175	materiallab	Samabula Laboratory	1406039999105914414	35.78
6844932	buatoka2011	Vuetasau Buatoka	14060584999840101	34.71
6834889	lvuatalevu	Lesi Vuatalevu	14060584999840101	34.71
8435341	pwdassetunit	Asset Management Unit	140605999910804290514	35.78
8436477	abk1712	Apisai Ketenilagi	14060399991080800	61.28
	apisaik			35.78
6858717	eastwen	Eastern Deport	14060199991050271	-
6858992	laqere	Laqere Depot	14060199991050271	34.50
6858759	sealing	Sealing Depot	14060199991050271	-
6858713	rewa	Rewa Depot	14060199991050271	34.50
6858715	badepart	Ba Depot	14060199991050271	34.50
6858751	rakirakidepart	Rakiraki Depot	14060199991050271	34.50
6858649	sigatoka	Sigatoka Depot	14060199991050271	34.50
6858761	tavuadepart	Tavua Depot	14060199991050271	34.50
<b>Total</b>				<b>727.70</b>

Lack of control may result in the Department incurring unnecessary expenditure for service which can be provided free of charge through the Government ITC Services.

### **Recommendation**

- The Department should review its Internet Service Provider Policy to ensure that Government funds are used in the most cost efficient manner.
- A ceiling should be provided to those officers using Internet Services through Connect Fiji Ltd and bills in excess of the ceiling should be borne by respective officers.

### **Management Comments**

*The Audit finding is appreciated. We are mindful that some of our technical staffs have also moved across to MWH Office, other government agencies, some have either resigned and/or suspended and we would be imposing limits or ceiling for each person or office connect account soon.*

### 29.33 Anomalies in Procurements

A minimum of three [3] competitive quotes, instead of public tenders, may be called for procurements valued at \$100 and more but \$30,000 and less unless the Minister of Finance has approved an exemption in accordance with Procurement Regulation 48-(1).<sup>42</sup>

The following officers are delegated authority to procure goods, services and works up to the following limits specified:

• Permanent Secretary	-	\$30,000.00
• Deputy Secretary	-	\$15,000.00
• Directors, Accounting Head	-	\$10,000.00
• Divisional Heads	-	\$5,000.00
• Senior Accounting Officers	-	\$1,000.00
• Sectional Accounting Heads	-	\$1,000.00
• PMO Mechanical	-	\$1,000.00 <sup>43</sup>

Any officer who authorizes expenditure exceeding his/her procurement limits, including by splitting purchase orders, shall be liable for surcharge to repay the unauthorized amount.<sup>44</sup>

The following anomalies were noted:

**Table 29.32: Procurement Irregularities Details**

Date	Cheque No. LPO No.	Amount (\$)	Details	Anomalies
10/08/11	868199, 99991 - 047/048	9,315.00	Payment to Frincos Hire for the hire of sheds and marquees	The competitive 3 quotes were not taken with regards to the engagement of this vendor.  Senior Accounts Officer, Mr. Navitalai Tamanitoakula approved the LPO payment which was above his authorizing limit.  The payment was made to the vendor with the use of photocopy invoices.
08/11/11	868259, 983850	30,000	Payment to Design Graphics (Fiji) Ltd for 3 billboards for the Road Safety launch.	Three competitive quotes were not obtained.  Principal Economic Planning Officer, Mrs. Sainiana Radrodru approved the manual LPO payment which was clearly above her authorizing limit.
07/12/11	873257, 99991-000377	20,129.28	Payment to Sky Technologies for 8 ISAT satellite phones.	Three competitive quotes were not obtained.  An advance payment was made to the vendor using a photocopied email.

<sup>42</sup> Ministry Finance Manual – Section 2.3.2

<sup>43</sup> Ministry Finance Manual – Section 2.2.1

<sup>44</sup> Ministry Finance Manual – Section 2.2.3

Proper procurement procedures were not followed by the Department and there was a possibility that goods may not be purchase from the most economical source. There was also a risk of abuse of office in the approval of local purchase orders by officers above their authorised limits.

### **Recommendations**

- The Department must ensure that the procedures set out in the Finance Manual are adhered to at all times.
- Authorizing officers need to approve payments which are within their limits as stipulated in the Finance Manual.
- The Department must ensure that all original documents and supporting documents are verified and certified before payments are processed.

### **Management Comments**

*All the Audit findings is noted. All responsible staffs are again ensured to be more vigilant and heedful in carrying out their duties of preparing, checking and passing vouchers for payments with set out procedures laid down in the Ministry Financial Manuals. They are to ensure that supporting payment documents are also attached and approved payment limit are strictly complied with before payments released.*

*As mentioned earlier all the documents in question currently remain in the custody of MWH / FICAC office.*

## **29.34 Stores – Samabula Laboratory**

The inventory officer shall maintain the inventory register/ledger to record incoming and outgoing inventories. The inventory register/ledger shall provide the following information:

- date of acquisition and order number reference;
- number of items received and cost price;
- supplier details;
- date of issue of inventory and nature of issue (eg; transfer or for processing)
- issue reference (authority such as requisition order);
- quantity issued.<sup>45</sup>

The inventory officer shall ensure that the register/ledger is kept up to date at all times.<sup>46</sup>

A review of various items purchased for the maintenance of traffic light management revealed that items listed in Table 29.33 below were not taken on charge in their respective tally cards.

- Date : 10/02/12
- Cheque # : 875396
- Amount (\$) : 70,559.35
- LPO # : 99991-000160
- Allocation : 140603999910808990123

**Table 29.33: Detail List of materials purchased**

Item	Quantity	Rate (\$)	Cost (\$)
Pedestrian Crossing Push Button	10	1,716.82	17,168.20

<sup>45</sup> Ministry's Finance Manual – Section 8.1.3

<sup>46</sup> Ministry's Finance Manual – Section 8.1.4

Item	Quantity	Rate (\$)	Cost (\$)
Lamp Control Cards	2	5,408.63	10,817.26
Processor Plus Cards	2	4,097.73	8,195.46
Power Interface Cards	1	4,428.37	4,428.37
Mother Boards	2	4,647.53	9,295.06
Traffic Lantern 500mm Aspect	5	2,286.20	11,431.00
Site ID Cards	5	1,844.80	9,224.00
<b>Total</b>	<b>27</b>		<b>70,559.35</b>

Furthermore, the audit could not ascertain which particular project was allocated with these items and whether or not proper procedures were followed regarding their issue.

The failure to update inventory records could result in theft and misappropriation of materials.

### **Recommendation**

- The Department should ensure that all purchases and movements of inventory items are properly recorded.
- The Inventory officer must at all times ensure that the inventory records are up-to-date.

### **Management Comments**

*The FRA notes the concerns raised by the audit. All material received by the lab is logged into a tally card so there is a record of what material is present and when it was received by the stores.*

*The materials mentioned above are released when instructed to by an engineer.*

*While some of the information such as date of acquisition, number of items received, number of items issued are kept other information mentioned is not. The FRA will ensure the information requested is recorded in the future.*

## **DIVISIONAL ENGINEER CENTRAL/EASTERN - ROADS**

### **29.35 Over Expenditure**

The proper management of expenditure is fundamental to ensure value-for-money in service delivery to the community. Having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of public funds and over-expenditure do not occur.

The audit noted that the budgetary provisions for the following capital projects were overspent by a total of \$2,341,018.00 (31%) as at 31/12/2011. Refer to Table 29.34 for details:

**Table 29.34: Overspent Capital Projects - DECE**

Description	Allocation (\$)	Actual Expenditure (\$)	Over Expenditure (\$)	Percentage Overspent (%)
<b>Activity 2</b>				
Ratu Dovi / Kings / City Truck	2,250,000.00	2,521,835.00	(271,835.00)	(11)
Kavala / Korolevu Bay	300,000.00	337,338.00	(37,338.00)	(11)
Rewasau	100,000.00	111,824.00	(11,824.00)	(11)
Road Upgrading - Suva / Nausori	2,100,000.00	3,795,246.00	(1,695,246.00)	(45)
New Rewa Bypass	240,000.00	283,682.00	(43,682.00)	(15)

Description	Allocation (\$)	Actual Expenditure (\$)	Over Expenditure (\$)	Percentage Overspent (%)
<b>Activity 3</b>				
Vanuabalavu - Concrete Pavement Safety Improvement	30,000.00	47,748.00	(17,748.00)	(37)
Vanuabalavu - Drainage Works	10,000.00	28,973.00	(18,973.00)	(65)
Vanuabalavu - Rehab Unseal Resheet Works	15,000.00	70,712.00	(55,712.00)	(79)
Miscellaneous Survey & Estimation	87,472.00	106,056.00	(18,584.00)	(18)
Nakalawaca	10,000.00	122,110.00	(112,110.00)	(92)
Toga Rehab Unseal Resheet	10,000.00	55,060.00	(45,060.00)	(82)
Caubati Sub-Division Drainage Contract	20,000.00	32,906.00	(12,906.00)	(39)
<b>Total</b>	<b>5,172,472.00</b>	<b>7,513,490.00</b>	<b>(2,341,018.00)</b>	<b>(31)</b>

Expenditures on the above projects were not properly monitored to ensure that respective budgetary provisions were not exceeded.

### **Recommendation**

**The Department must ensure that expenses incurred are within the approved budget and that excess expenditures are regularized on the approval of the Permanent Secretary of Finance.**

### **Management Comments**

*Our allocations in the past except this year were usually given from Ministry of Finance to our HQ, which later allocated funds for our use in the divisions. FMIS was also introduced in August 2011, and we are concerned as to how these overspendings were initially allowed into the system in the first place. Below are some factors that contributed to the overspending. There are also some variations in the figures endorsed in the Audit Report together with the ones kept in our records.*

### **Activity 2**

Project	Allocation	Actual Expenditure		Remarks.
		Audit Report	Divisional Record	
Kavala / Korolevu Bay	300,000.00	\$337,338.00	\$320,243.82	Work done includes the continuation of gravelling from Kavala towards Namajiu Village. The Earthworks widening and Pilot cut to Namajiu.
Rewa Sau	\$100,000.00	\$111,824.00	\$49,466.87	Construction of a new %km Road from Nagelewai to Rewasau. The Nayali Depot records showed that they committed 97,292.00 in 30/12/11 and there were some charges committed last year but were paid this year.
Rt. Dovi / Kings/ City Trunk	\$2,250,000.00	\$2,521,835.00	\$2,335,015.81	

Road Upgrading Suva/Nausori	3600,00.00	\$3,795,246.00	\$3,600,000.00	The Audit Report only showed a provision of 2,100,000.00
New Rewa Bypass	\$240,000.00	\$283,682.00	\$240,000.00	

**Activity 2**

Project	Allocation	Actual Expenditure		Remarks.
		Audit Report	Divisional Record	
Vanuabalavu Concrete Pavement Safety Improvement	\$30,000.00	\$47,748.00	\$47,748.00	i) Allocation was not given according to the Estimate. ii) Work carried out at Urone and Lomaloma and needed to be completed before the plant resources returned to Suva. iii) Freight cost by boat is indeed high. iv) These projects at Vanuabalavu were approved by the Prime Minister in his Tour visit to Vanuabalavu and work needed to be carried out promptly as per his instructions.
Vanuabalavu Drainage Works	\$10,000.00	\$28,973.00	\$28,973.00	(same comments as above.)
Vanuabalavu Rehab Unseal Resheet Works.	\$15,000.00	\$70,712.00	\$70,712.00	(same comments as above.)
Miscellaneous : Survey and Estimate.	\$87,472.04	\$106,056.00	\$108,675.00	These cost encompasses the Wages Costs/ Allowances for the ten (10) employees who were in that unit last year. The cost also included the Plant Hire Costs. Survey work were needed mostly in Islands as well as Contract Supervision errands at Ovalau, Kadavu, Caubati/ Navosai  Note: Provisions for Contract Supervision work is always funded by HQ but nothing received last year.

<i>Project</i>	<i>Allocation</i>	<i>Actual Expenditure</i>		<i>Remarks.</i>
		<i>Audit Report</i>	<i>Divisional Record</i>	
<i>Nakalawaca (140603 - 91821 - 080899 - 19(01-06)</i>	<i>\$10,000.00</i>	<i>\$122,110.00</i>	<i>\$8,984.00</i>	<i>This is not our road but instructions were given by Prime Minister's Office via our Minister to upgrade this 4km road. The Road was originally built by PA Tailevu (Provincial Development) and left unattended for so many years and we were instructed to complete this road last year. A credit adjustment of \$113,126.00 was done in Dec 2011 leaving a revised expenditure of \$8984.00. Another job number (140603 - 91821 - 080899 - 19(01-06) for Nakalawaca was opened in the system showing these particulars:- *provision - \$120,000.00 Actual Expenditure - \$112,110.00 Balance - \$7890.00</i>
<i>Toga Rehab Unseal Resheet</i>	<i>\$10,000.00</i>	<i>\$55,060.00</i>	<i>\$55,056.00</i>	<i>Work Done: 1) Drainage, Grading, Resheeting of about 5km. 2) Opening Culvert out lets for about 6km. 3) Purchase of Gravel costs = \$37,000.00</i>
<i>Caubati Sub-Division Drainage Contract</i>	<i>\$20,000.00</i>	<i>\$32,906.00</i>	<i>\$40,991.00</i>	<i>The Provision initially given for Drainage works at Caubati only but actual work later encompass New Town, Khalsa Road, Navosai and Nadawa.</i>

### 29.36 Kumar's Earthmoving Contractors – Over Payment for Hire of Digger

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

On 5/10/09, the Major Tender Board approved the hire of plants, vehicles & equipments for Central Eastern Division to various companies. The hire of a CAT No. 4.2 Excavator (15 Ton - Kato) from Kumar's Earthmoving Contractor, registration number FH410 had a tendered hourly rate of \$60.00<sup>47</sup>

<sup>47</sup> Major Tender Board Approved Contract # CTN 216/08 – Ref. # MJTB16/09

However, the audit noted that the following payments were made to Kumar's Earthmoving Contractors for the hire of the above excavator at an hourly rate of \$88.00. Refer to Tables 29.35 to 29.36 for details of the over-payment.

**Table 29.35: Over payments from LPO # 976340**

LPO # 976340						
Invoice #	Rate Paid (\$)	Hours	Total (\$)	Approved Rate (\$)	Total (\$)	Variance (\$)
2130	88	12.50	1,100	60	750	(350)
2131	88	13.50	1,188	60	810	(378)
2133	88	5.00	440	60	300	(140)
2136	88	5.00	440	60	300	(140)
<b>Total</b>			<b>3,168.00</b>		<b>2,160</b>	<b>(1,008)</b>

**Table 29.36: Over payments from LPO # 976341**

LPO # 976341						
Invoice #	Rate Paid (\$)	Hours	Total (\$)	Approved Rate (\$)	Total (\$)	Variance (\$)
2132	88	8.50	748	60	510	(238)
2134	88	8.00	704	60	480	(224)
2135	88	7.00	616	60	420	(196)
<b>Total</b>			<b>2,068</b>		<b>1,410</b>	<b>(658)</b>

**Table 29.37: Over payments from LPO # 986143**

LPO # 986143						
Invoice #	Rate Paid (\$)	Hours	Total (\$)	Approved Rate (\$)	Total (\$)	Variance (\$)
3677	88	8.50	748.00	60	510	(238)
3685	88	8.50	748.00	60	510	(238)
3686	88	8.50	748.00	60	510	(238)
<b>Total</b>			<b>2,244.00</b>		<b>1,530</b>	<b>(714)</b>

**Table 29.38: Over payments from LPO # 986804**

LPO # 986804						
Invoice #	Rate Paid (\$)	Hours	Total (\$)	Approved Rate (\$)	Total (\$)	Variance (\$)
3678	88	3.00	264	60	180	(84)
3679	88	12.00	1,056	60	720	(336)
3681	88	1.00	88	60	60	(28)
3682	88	11.00	968	60	660	(308)
3683	88	10.50	924	60	630	(294)
3684	88	8.50	748	60	510	(238)
<b>Total</b>			<b>4,048.00</b>		<b>2,760</b>	<b>(1,288)</b>

**Table 29.39: Total over-payments paid to Kumar's Earthmoving Contractors**

Total Over Payment	
LPO #	Amount Over-Paid (\$)
976340	1,008
976341	658



Total Over Payment	
LPO #	Amount Over Paid (\$)
986143	714
986804	1,288
<b>Total</b>	<b>3,668</b>

Supervisors did not excised adequate checks to ensure that contractors were paid within the approved rates. This could result in unnecessary expenditure and subsequently lead to over-expenditure.

### **Recommendations**

**The Division should recover the above overpayments and ensure that contractors are paid their approved rates as per tender agreement.**

### **Management Comments**

*No comment received from management.*

## **DIVISIONAL ENGINEER WESTERN – ROADS**

### **29.37 Lomolomo Quarry Electrical Works**

Electrical Section is to complete and handover the construction of the Lomolomo Crusher project by 09 February, 2012.<sup>48</sup>

On 01/11/2011, the Division paid \$112,567.20<sup>49</sup> to Principal Engineer Electrical (Divisional Engineer Central Eastern – DECE) for rehabilitation works at Lomolomo Quarry. Electrical Section of Divisional Engineer Works Central/Eastern was required to rehabilitate the Lomolomo Crusher. Works included installation of new switch board, installation of new control board and servicing of all 15 motors.

Audit site visit on 22/03/12 established that rehabilitation works were yet to be completed as neither the motors nor the new switchboard and control board were installed. There was no evidence of follow up with DECE by the Division.

Subsequently, the Quarry has ceased operations from 25/11/11 due to the rehabilitation works to be carried out.

Furthermore, it was noted that the balance of funds remaining at 31/12/11 amounting to \$34,102.04 was not returned to TMA Roads (Western) but transferred to the Ministry of Health.

### **Recommendations**

- **The Division must immediately follow up with Electrical Section – DECE on the rehabilitation works and take necessary action as soon as possible.**
- **The Division's Accountant should follow up with DECE to recover the balance of funds which was incorrectly posted to Ministry of Health.**

<sup>48</sup> Memorandum of Understanding between Divisional Engineer Works Central Eastern and Divisional Engineer Roads Western Clause 3.4

<sup>49</sup> Cheque number 707254 dated 01/11/11

**Management Comments**

*Repair works to the Lomolomo Crusher is still progress and the balance of \$34,102.04 was reallocated again to Electrical Section DECE to complete this year 2012.*

**29.38 Anomalies in Purchase of Parts for Lomolomo Crusher**

Any payments in excess of \$30,000 are to be referred to Permanent Secretary for Finance for vetting and approval.<sup>50</sup>

Public tenders must be called for any procurement of goods, services or works valued at \$30,001 or more.<sup>51</sup> The officer authorizing a purchase order must ensure that a purchase is not artificially split to bring it within the limits.<sup>52</sup>

One of the controls put in place under Advance payment on Pro-forma Invoice is the need to ensure that payments are processed using invoices only and not through Pro-forma invoices or statements. However, where invoices cannot be obtained, all requests for payments through Pro-forma invoice shall be referred to Ministry of Finance.<sup>53</sup>

The Division paid \$48,653.90<sup>54</sup> to Genexis Ltd for purchase of parts for Lomolomo Crusher. Refer to Table 29.40 below for details:

**Table 29.40: Details on Purchase of Parts for Crusher**

Purchase Order (PO) No.	PO Date	PO Authorized by	Purchase Details	Amount (\$)
PO92011-000566	23/12/11	Francis Kean (PS)	Conveyor rollers x 30 nos.	2,073.00
PO92011-000550	23/12/11	Francis Kean (PS)	Return rollers x 12 nos.	1,665.84
PO92011-000417	13/12/11	Francis Kean (PS)	Conveyor belt 900mm x 100m	15,215.01
PO92011-000418	02/12/11	Francis Kean (PS)	Conveyor belt 1000mm x 100m	16,910.01
PO92011-000482	16/12/11	Francis Kean (PS)	Conveyor belt 750mm x 100m	12,790.01
<b>Total</b>				<b>48,653.87</b>

The following anomalies were noted:

- Ministry of Finance approval was not obtained for payment in excess of \$30,000.
- Public tender was not called for procurement of crusher parts as total payment was more than \$30,000.
- Purchase orders were split to avoid approval from higher authorities.
- Ministry of Finance approval was not obtained for processing payment on pro-forma invoices for the following items:

**Table 29.41: Payments made on Pro-forma Invoices**

PO No.	Proforma Invoice No.	Proforma Invoice Date	Purchase Details	Amount (\$)
PO92011-000417	11/DEC/065	19/12/11	Conveyor belt 900mm x 100m	15,215.01
PO92011-000418	11/DEC/066	19/12/11	Conveyor belt 1000mm x 100m	16,910.01
PO92011-000482	11/DEC/064	19/12/11	Conveyor belt 750mm x 100m	12,790.01

<sup>50</sup> Finance Circular No. 04/2010 Section 2.2

<sup>51</sup> Ministry of Works, Transport and Public Utilities Finance Manual 2011 Section 2.3.1

<sup>52</sup> Ministry of Works, Transport and Public Utilities Finance Manual 2011 Section 2.2.2

<sup>53</sup> Finance Circular No. 15/2010

<sup>54</sup> Cheque number 707348 dated 29/12/11

PO No.	Proforma Invoice No.	Proforma Invoice Date	Purchase Details	Amount (\$)
Total				44,915.03

Levels of authority over purchase orders are put in place to ensure adequate control over purchases made by Department and Divisions. The failure to comply with the requirement could lead to unauthorised and uneconomical usage of funds.

### Recommendations

- All payments in excess of \$30,000 and payments processed through pro-forma invoices should require prior approval from Ministry of Finance.
- Tender board approval must be obtained for procurement of goods and services in excess of \$30,000.
- Appropriate actions should be taken against officers responsible for the above anomalies.

### Management Comments

*There were five different PO's with different figures for five different item. These PO's obviously run on the same day 29/12 but were from different SOB's. The system picks out all payments going to the same vendor and collates all into one cheque, thus the cheque amounting to \$48653.87. Each individual SOB were less than \$30,000.00. Therefore, no MOF approval was to be obtained.*

12,790.01

15,215.01

16,910.01

1,665.84

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\$48,653.87

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## 29.39 Unsubstantiated Adjustment in TMA – Starmix

Under the accrual basis of accounting, transactions and events are recognized when they occur (and not as cash or its equivalent is received or paid) and they are recorded in the accounting periods and reported in the financial statements of the periods to which they relate.<sup>55</sup>

On February 2012 the Division posted adjustments in the 2011 TMA to include payments made in September 2009 which were not posted to the General Ledger. Refer to Table 29.42 below for details:

**Table 29.42: TMA Adjustment 2011**

Allocation	Debit (\$)	Credit (\$)
4-40254-92011-260403 (Repair and Maintenance)	9,490.73	
4-40254-92011-260201 (PE)	221,400.72	
4-40254-92011-540201 (Cash)		230,891.45

The audit could not verify the details of these adjustments as no detail was provided during audit hence, it could not ascertain the correctness of the adjustments.

Also personnel emolument and cash would not be fairly stated in the TMA financial statements.

<sup>55</sup> Fiji Accounting Standards 1 Section 26  
Ministry of Works and Transport

**Recommendations**

- The Division should provide audit with the details for these adjustments.
- All adjustments should be properly justified and documented.

**Management Comments**

The adjustment is due to non-reconciliation of TMA. Bank reconciliation was carried out in 2011 and the detail of cheque that was supposed to be posted to GL is stated below.

JV1

<i>Cheque No</i>	<i>Amount</i>	<i>Date</i>
699223	480.00	30/09/09
699224	820.00	30/09/09
699225	7,289.73	30/09/09
699226	5,326.40	30/09/09
699227	38,632.40	30/09/09
699228	108,317.96	30/09/09
699229	5,720.39	30/09/09
699230	8,905.68	30/09/09
699231	25,528.67	30/09/09
699232	27,038.45	30/09/09
699233	2,140.49	30/09/09
699206	264.00	30/09/09
699207	427.50	30/09/09

**\$230,891.47**

<i>Allocation</i>	<i>Debit (\$)</i>	<i>Credit (\$)</i>
4-40254-92011-260403 (Repair and Maintenance)	9,490.73	
4-40254-92011-260201 (PE)	221,400.72	
4-40254-92011-540201 (Cash)		230,891.45



## Section 30 Ministry of Public Utilities & Energy

### Roles and Responsibilities

The Ministry of Public Utilities and Energy is responsible for any policy, planning, coordination, design, construction, operation, maintenance and management of programme or activities related to public water supplies, sewerage services and energy.

### Department of Water and Sewerage

The Department of Water and Sewerage focuses on the creation and establishment of sound policy and regulatory frameworks conducive for the provision of a sustainable water sector. This entails the formulation of a National Water Policy and the review of the Water Act.

### Department of Energy

The Department of Energy focuses 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 and gasifier power systems and implementing Sustainable Energy Financing Program (SEFP) and individual solar home systems.

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## PART A: FINANCIAL STATEMENT

### 30.1. Audit Opinion

The audit of the 2011 accounts of the Ministry of Public Utilities and Energy resulted in the issue of a qualified audit report as it failed to provide the Trust Account Statement of Receipts and Payments for rural electrification projects contrary to Section 71 (1) of the Finance Instructions 2010.

### 30.2. Statement of Receipts and Expenditures

The Ministry of Public Utilities and Energy collected revenue amounting to \$18,714 and incurred total expenditure of \$113,981,010 in 2011.

**Table 30.1: Statement of Receipts and Expenditure for 2011**

Description	2011 (\$)	2010 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Operating Revenue	10,791	0
<b>Total State Revenue</b>	<b>10,791</b>	<b>0</b>
<b>Agency Revenue</b>		
Miscellaneous Revenue	7,923	196,673
License Others		0
<b>Total Agency Revenue</b>	<b>7,923</b>	<b>196,673</b>
<b>TOTAL REVENUE</b>	<b>18,714</b>	<b>196,673</b>
<b>EXPENDITURES</b>		
<b>Operating Expenditure</b>		
Established Staff	1,292,376	1,981,270
Government Wage Earners	105,423	266,477
Travel & Communication	93,666	64,654
Maintenance & Operations	123,070	118,564
Purchase of Goods & Services	218,466	50,048
Operating Grants & Transfers	44,321,055	43,531,304
Special Expenditures	451,018	245,712
<b>Total Operating Expenditure</b>	<b>46,605,074</b>	<b>46,258,029</b>
<b>Capital Expenditure</b>		
Capital Construction	592,205	1,076,365
Capital Purchases	0	0
Capital Grants & Transfers	66,537,338	46,601,081
<b>Total Capital Expenditure</b>	<b>67,129,543</b>	<b>47,677,446</b>
Value Added Tax	246,393	171,362
<b>TOTAL EXPENDITURE</b>	<b>113,981,010</b>	<b>94,106,837</b>

- In 2011, the Departments recorded a sum of \$10,791 as State Revenue compared to nil in 2010. These are cancelled cheques receipted back to revenue by the Department.
- Agency Revenue declined by \$188,750 or 96% in 2011 compared to 2010 due to the decline in Rural Water Contribution and reversal of stale cheques for previous years.

- Established Staff costs decreased by \$688,894 or 35% in 2011 compared to 2010. This was mainly due to the some officers made redundant as per Cabinet decision 265 of 2010 thus decreased in 2011 establishment cost.
- Government Wage Earner costs decreased by \$161,054 or 60% in 2011 compared to 2010. This was mainly due to some officers made redundant as per Cabinet decision 265 of 2010. The Department un-established structure was greatly affected.
- Travel and Communication costs increased by \$29,012 or 45% in 2011 compared to 2010. The Department during the year had its officers attending various overseas training and seminars in Sri Lanka, Dubai and the Philippines resulting in the increase in travel and communication costs.
- Purchase of Goods and Services increased by \$168,418 or 337% in 2011 compared to 2010. This was due to increase in promotion for Renewable Energy and Public Outreach Programme. In addition, the expenditures for monitoring of Energy Development and Energy Database Information System are now budgeted and expended under this SEG. In previous years it was budgeted and expended under SEG's 7 and 8. There was also hiring of venues for Water Forums for the newly established Water Regulatory Unit.
- Special Expenditure increased by \$205,306 or 84% in 2011 compared to 2010. This was due to expenditures for the Sustainable Energy Financing Project (SEFP) funded from SLG 84 in 2010 but in 2011 it was funded from SEG 7 as SEFP funds were released by Ministry of Finance.
- Capital Construction decreased by \$484,160 or 45% in 2011 compared to 2010 due to funds not released in full by the Ministry of Finance for Bio Diesel Implementation as in 2010.
- Capital Grants and Transfers increased by \$19,936,257 or 43% in 2011 compared to 2010. This was due to the increase in capital grants and transfers made to Water Authority of Fiji. The grant is fully controlled and administered by the Department of Public Enterprise and Public Sector Reform.

### 30.3. Appropriation Statement

The Ministry incurred actual expenditures totalling \$113,981,010 in 2011 against the revised budget of \$105,551,279 resulting in a deficit of \$8,429,731 or 8%.

**Table 30.2: Appropriation Statement for 2011**

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Carry – Over	Lapsed Appropriation
		\$	\$	\$	\$	\$	\$
1	Established Staff	1,393,706	(14,503)	1,379,203	1,292,376	---	86,827
2	Government Wage Earners	93,842	14,503	108,345	105,423	---	2,922
3	Travel & Communication	96,000	---	96,000	93,666	---	2,334
4	Maintenance & Operations	118,884	12,250	131,134	123,070	---	8,064
5	Purchase of Goods & Services	390,600	(2,800)	387,800	218,466	---	169,334
6	Operating Grants & Transfers	37,878,574	6,442,644	44,321,218	44,321,055	---	163
7	Special Expenditure	1,241,529	(59,450)	1,182,079	451,018	---	731,061
	<b>Total Operating Costs</b>	<b>41,213,135</b>	<b>6,392,644</b>	<b>47,605,779</b>	<b>46,605,074</b>	<b>---</b>	<b>1,000,705</b>
	<b>Capital Expenditure</b>						
8	Capital Construction	1,550,000	(857,991)	692,009	592,205	---	99,804



SEG	Item	Budget Estimate \$	Changes \$	Revised Estimate \$	Actual Expenditure \$	Carry – Over \$	Lapsed Appropriation \$
9	Capital Purchases	1,700,000	(1,700,000)	---	---	---	---
10	Capital Grants and Transfers	54,030,000	2,607,991	56,637,991	66,537,338	---	(9,899,347)
	<b>Total Capital Expenditure</b>	<b>57,280,000</b>	<b>50,000</b>	<b>57,330,000</b>	<b>67,129,543</b>	<b>---</b>	<b>(9,799,547)</b>
13	Value Added Tax	615,500	---	615,500	246,393	---	369,107
	<b>TOTAL EXPENDITURE</b>	<b>99,108,635</b>	<b>6,442,644</b>	<b>105,551,279</b>	<b>113,981,010</b>	<b>---</b>	<b>(8,429,731)</b>

### 30.4. Statement of Losses

The Ministry did not record any losses in either cash or assets in 2011.

### 30.5. Department of Water and Sewerage

#### 30.5.1 Separate Trust Fund Account for Security and Retention Deposit

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 officers authorised to operate with it.<sup>2</sup>

The Department maintained security deposit received from the contractors engaged in the water and sewerage projects totalling \$1,345,014 together with the Department’s Operating Trust Fund account number 1-41201-85999-860101.

The security deposit received from the contractors engaged in the water and sewerage projects should be kept in the Main Trust Fund Account. This trust account is not maintained by the Department.

The financial statement was not prepared in accordance with the Finance Management Act. In addition the Department’s Operating Trust Fund account was over stated by \$1,345,014.

#### Recommendation

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

#### Ministry’s Comments

*Your recommendation is noted.*

<sup>1</sup> Finance Manual 2005, Part 15.

<sup>2</sup> Finance Instruction 2010, Part 6 Section 32

**30.5.2 Operating Trust Fund Balance**

Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.<sup>3</sup>

The Department had a balance of \$1,416,564 in its operating trust fund account as at 31/12/11. However it was noted that a balance of \$12,754 was still appearing in Appropriation Head 23 which related to years prior to 2007 and was the old Appropriation Head for Department of Water. Refer to Table 30.3 below for details.

**Table 30.3: Uncleared Trust Fund Account Balance**

Account Description	Account ID	Balance as at 31/12/2011 (\$)	Remarks
Deposit and Retention Money	1-23300-00000-860000	12,753.93	Long outstanding balance carried forward over the years. Head 23 was the old Appropriation Head for Department of Water and Sewerage with the Department of Local Govt. & Housing

The existence of these long outstanding trust account balances indicates that no effort was made by the Department for corrective action. This issue was also raised in the previous year's audit report.

This has resulted in the Operating Trust Fund account balance being understated.

**Recommendation**

**The Department must investigate these Trust Fund account balances and take appropriate action.**

**Department's Comments**

*We do not have access to Appropriation Head 23 on the Trust Balance to be able to see this long outstanding balance but will be contacting Ministry of Finance on further clearing of this account 1-23300-00000-860000. Your recommendation is noted.*

**30.5.3 Stagnant Drawings Accounts**

All bank accounts shall be reconciled monthly. The bank reconciliation shall list the outstanding cheques and be signed and dated by the responsible officer.<sup>4</sup>

The audit noted that under the drawings accounts, there were two allocations with debit balances that were carried forward over the year. There was no movement noted in these allocations during 2011.

The Department did not have any records relating to the two accounts available with them. However, the balances were still shown under the Department's Appropriation Head 41 in the general ledger (FMIS). Refer to Table 30.4 for details.

<sup>3</sup> Finance Manual 2005, Part 15.

<sup>4</sup> Section 32(6) – Finance Instruction 2010

**Table 30.4: Stagnant Drawings Account Balance**

Account Description	Account	Balance as at 31/12/2011 (\$)	Remarks
Drawings WBC Suva	1-41201-95991-530201	1,396,308.47	The Department explained that this account allocation is for Ministry of Works
Drawings CNB PWD DECE	1-41201-85999-530381	299,673.13	Department explained that the account allocation was for Wailoku Water Supply balance before the transition to Water Authority of Fiji.

The finding indicates poor reconciliation of drawings accounts by the Departments as debit balances and the balance for Ministry of Works were not investigated and transferred to the correct allocations.

As a result of these debit balances the Department's drawings account had a debit balance of \$1,662,947 as at 31/12/11.

### **Recommendation**

**The Department should liaise with Ministry of Finance to clear the two account balances from its Appropriation Head.**

### **Ministry's Comments**

*We have been liaising with Ministry of Finance – FMIS on the WBC Suva Account and have informed Department of Works on this carried forward since they were operating on Appropriation Head 41 in 2007. The CNB DECE account was a TMA adjustment raised by Ministry of Finance into the Drawings account in 2007 which we have been following up since.*

*Your recommendation is noted.*

### **30.5.4 Revolving Fund Account**

A ledger shall be maintained for advances and revolving fund accounts<sup>5</sup>.

With 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.<sup>6</sup>

The Department's revolving fund account balance stood at \$594,560 as at 31/12/11. Out of this amount, \$524,004 was carried forward balances from previous years.

The amount carried from previous years maybe for payments made but yet to be retired or recorded as expenditure in previous years or cheques receipted which were dishonoured.

This is also attributed to the lack of proper reconciliations, the laxity of the Department to clear long outstanding balances and no follow up on dishonoured cheques.

<sup>5</sup> Section 16.3.1 – Finance Manual 2005

<sup>6</sup> Section 16.3.3 – Finance Manual 2005

**Recommendations**

- The Department should ensure that proper reconciliations of revolving fund account are carried out.
- The Ministry should ensure that the outstanding balances in the revolving fund account are identified and cleared.

**Ministry's Comments**

*Reconciliations have been made and confirmations have been given to Ministry of Finance of these stagnant accounts. Your recommendation is noted.*

**30.6. Department of Energy****30.6.1 Mis-posting of Power Supply**

Each year the Appropriation act and the Budget estimates set out details of the appropriations that Cabinet approves for spending by each agency.<sup>7</sup> The Accounting Head or Account Supervisor must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.<sup>8</sup>

The Permanent Secretaries of agencies may authorise the transfer of budgeted funds as follows:

- a) Into and out of one or more of the following operating SEGs (SEGs 3,4,5,6,7)<sup>9</sup>

The Department was allocated a budget \$24,500 for Power Supply expenses in the 2011 budget under the maintenance and operations SEG 4. On average the Department's monthly power supply expense was expected to be \$2,042 in order to remain within its budget allocation.

However, the audit noted that the Department's power supply expense exceeded expected average monthly forecast. As a result the Department was charging over expenditure in power supply bills to capital expenditure SEG 7, 8 and 10. Refer to table 30.5 below for details.

**Table 30.5: Examples of Electricity Bills Charged to SEG 7, 8 and 10**

Month	Cheque # And date of payment	Total bill VEP (\$)	Amount Charged to SEG 4 (\$)	Balance (\$)	Audit Remarks
December 2010	017767 27/11/11	2,570.17	2,042	528.17	Balance was charged to SEG 8 – Capital Construction
March 2011	017997 16/3/11	2,155.04	1,856.11	298.93	Balance was charged to SEG 8 – Capital Construction
May 2011	018308 10/5/11	5,467.14	3,694.58	1,772.56	Balance was charged to SEG 10 – Capital Grants
October 2011	019206 13/10/11	3,240.72	2,837.17	403.55	Balance was charged to SEG 10 – Capital Grants
December 2011	019775 14/12/11	4,137.00	2,038	2,099	Balance was charged to SEG 7 – Special Expenditure
<b>Total</b>				<b>5,102.21</b>	

<sup>7</sup> Finance Instruction 2010: Part 3, Division 1, Section 7

<sup>8</sup> Finance Manuals 2011

<sup>9</sup> Finance Instruction 2010: Part 3, Division 1, Section 10

The Department as at 31/12/11 has charged power supply expense totalling \$5,194.28 to SEGs 7, 8 and 10 to avoid over expenditure in SEG 4.

It indicated that the over expenditure in the power supply expenses was due to the office relocation to the old Government Supplies Office at Walu Bay from Gaunavou Building at Samabula. The size of the new office was bigger than the old office which increased power consumption.

The Department could have vired into SEG 4 funds from other SEGs in 2011 to avoid excess expenditure. The Department also did not correct the mispostings of power supply expense as it would reflect over expenditure in the power supply allocation.

The finding showed poor financial management and lack of understanding of the Government Financial Procedures and Instructions. It also indicated intentional mispostings by the Department and that it did not follow proper accounting procedures to avoid over expenditure in the power supply allocation.

### **Recommendations**

- The Department should ensure that postings are made to correct SEGs in the general ledger.
- The Department should vire funds from other SEG's if sufficient funds are not available.

### **Ministry's Comments**

*We have noted your recommendation. Unfortunately the Department of Energy has been paying bills for Old Government Supplies Office at Walu Bay for all office.*

### **30.6.2 Submission of Trust Fund Account**

Each Agency must include trust account statement of receipts and payments in its annual financial statements.<sup>10</sup>

The Department of Energy on 1/6/09 was approved to operate the Energy Department Trust account to administer the rural electrification funds. This trust account is in operation to date.

The audit noted that the Department failed to submit its main Trust Fund account statement of receipts and payments contrary to section 71(1) (g) of the 2010 Finance Instructions.

As a result the financial statement was not presented in accordance with the Financial Management Act.

### **Recommendation**

**The Department must ensure compliance with the Finance Instruction with regards to statement provided for audit.**

### **Management Comments**

*A Statement of Receipts and Payments for the True Trust Account is done and submitted accordingly. Your recommendation is noted.*

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<sup>10</sup> Finance Instruction 2010. Section 71(1)

### **30.6.3 Overdrawn Trust Fund Account**

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”.<sup>11</sup>

Review of Department’s Trust Fund Account revealed the following anomalies.

- The Department’s Main Trust Fund account was overdrawn by \$311,255 as per the Main Trust Fund Account reconciliation as at 31/12/11. However, there was cash available in the Trust Fund bank account totalling \$523,992 as at 31/12/11.

The Department’s Main Trust Fund Account may have been overdrawn due to mispostings. It also indicates that proper reconciliations were not carried out by the Department.

- The Department was given approval by Ministry of Finance to operate a separate bank account for the Main Trust Fund Account. However the general ledger account provided by the Ministry of Finance was 9-41101-41039-530201 which is under the Standard Asset Group 53 which is for Drawings. The correct allocation should have been under Standard Asset Group 52 which is for Cash.

The cash ledger balance as at 31/12/11 was in credit indicating that the account was in overdraft even though there was cash balance at the bank amounting to \$523,992.

- The Department had another Trust Fund account with balance of \$70,792 in the general ledger. There was no movement in this account since 2010.

The finding indicated that proper reconciliation was not carried out and corrective action was not taken by the Department.

#### **Recommendations**

- **The Department must ensure that Trust Funds are not overdrawn at any time.**
- **The Department must investigate these overdrawn Trust Funds and take appropriate action.**
- **The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

#### **Management Comments**

*The audit recommendation has been noted and the reconciliation has been submitted for 2011.*

### **30.6.4 Balances in Operating Trust Fund Account**

Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.<sup>12</sup>

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<sup>11</sup> Finance Manual 2011, Part 15.

<sup>12</sup> Finance Manual 2005, Part 15.

The Department had a debit balance of \$832 in its Operating Trust Fund Account as at 31/12/11. However, it was noted that a balance of \$16,496 was still appearing in Appropriation Head 40 since 2007 which was the old Appropriation Head for Department of Energy.

In addition, the Department had another Operating Trust Fund Account with a balance of \$610 as at 31/12/11. There was no movement in this account since 2007. Refer to Table 30.6 below for details.

**Table 30.6: Uncleared Trust Fund Account Balance**

Account Description	Account ID	Balance as at 31/12/2011 (\$)	Remarks
Miscellaneous Fund Open	1-41101-41999-890000	610	No records and reconciliation maintained as it is long outstanding.
Employee Deductions	1-40101-41999-860000	(16,496)	No records and reconciliation maintained. The balance is from the former appropriation head for the Department

The existence of these long outstanding Trust Fund Account balances indicates that no effort was made by the Department to take corrective actions. This issue was raised in the previous year's audit reports.

This has resulted in the operating Trust Fund Account balance for the Department to be understated as at 31/12/11.

#### **Recommendations**

- The Department must investigate these Trust Fund account balances and take appropriate action.
- The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such situation.

#### **Department's Comments**

*The audit recommendation has been noted and proper reconciliation will be carried out for the previous year.*

#### **30.6.5 Drawings Account**

All bank accounts shall be reconciled monthly. The bank reconciliation shall list the outstanding cheques and be signed and dated by the responsible officer.<sup>13</sup>

The audit noted that the Drawings Account balance as at 31/12/11 as per the Department's record did not reconcile with the general ledger (FMIS). A variance of \$5,296 was noted between the two records. Refer to Table 30.7 for details.

**Table 30.7: Variance in Drawings Account Balance**

Account	FMIS (\$)	Department Reconciliation (\$)	Variance (\$)
Drawings	263,801	269,097	5,296

<sup>13</sup> Section 32 (6) – Finance Instruction 2010

The variance above may have resulted from mispostings. This indicated that proper reconciliation was not carried out by the Department.

### **Recommendation**

**The Department should ensure that proper reconciliations are carried out.**

### **Management Comments**

*The bank had made double posting of the stated amount \$5,446.23 and in order to correct its mistake, it had made Reversal of Entry which had appeared in our accounts and affected our bank statement balance. The Department will pass the Journal Vouchers to Auditor General for adjustment. The audit recommendation has been noted.*

## **PART B: AUDIT FINDINGS**

### **30.7. Department of Energy**

#### **30.7.1 Accountable Advance**

Travelling advances must be recouped within 7 days of the completion of travel by submission of a voucher with documents to support the claim.<sup>14</sup> Where a travelling advance is not cleared within 7 working days of the completion of travel, recovery must be made from the concerned officer's salary within 6 fortnights.<sup>15</sup>

In addition, a travel advance for an officer will not be approved if he/she had taken an earlier advance and it has not yet been cleared.<sup>16</sup>

The audit noted that some of the officers failed to clear their advances within the stipulated time period. Refer to Table 30.8 for details.

**Table 30.8: Advances not Cleared/Retired**

<b>Name of Officer</b>	<b>Advance Particulars</b>	<b>Cheque No.</b>	<b>Amount (\$)</b>	<b>Remarks</b>
Frank Rokowaqa	Trip to Lomaviti Group on 15/08/11 to 18/08/11	018827	81.00	Retired after 21days on 08/09/2011
	Trip to Western on 01/09/11 to 03/09/11	018935	241.00	Retired after 37days on 25/10/11
Isireli Rarawa	Trip to Koro Island on 03/06/11 to 05/06/11	018420	457.00	Retired after 6 days on 22/06/11
	Trip to Kadavu on 28/06/11 to 05/07/11	018564	4,676.00	Retired after 11days on 29/07/11
	Trip to Vanualevu on 21/09/11 to 02/10/11	019069	683.00	Retired after 17 days on 19/10/11
Inia Dibi Saula	Trip to Bua on 04/02/11 to 05/02/11	017806	163.00	Retired after 170 days on 25/07/11
	Trip to Buca on 25/02/11 to 27/02/11	017927	272.00	Not retired.
	Trip to Lautoka on 12/08/11 to 13/08/11	018830	432.00	Retired after 48 days on 04/10/11
	Trip to Nalebalebaleba Navosa on 09/02/11 to 10/2/11.	020080	275.00	Not retired
Viliame Finau	Trip to Cicia on 06/05/11 to 08/05/11	018271	252.00	Retired after 20 days on 06/06/11
	Trip to Rotuma on 10/05/11 to 19/05/11	018302	150.00	Retired after 11 days on 05/07/11
	Trip to Lau Group on 13/08/11 to 30/08/11	018829	4,203.00	Retired after 28 days on 04/10/11
	Trip to Cicia on 05/09/11 to 10/09/11	018950	1,554.00	Retired after 16 days on 04/10/11

<sup>14</sup> Finance Instructions 2010, Division 3, Section 44 (3)

<sup>15</sup> Finance Instructions 2010, Division 3, Section 44(5)

<sup>16</sup> Ministry of Works, Transport & Public Utilities Finance Manual 2011, Section 10.1.6



Name of Officer	Advance Particulars	Cheque No.	Amount (\$)	Remarks
	Trip to Vanua Levu on 12/09/11 to 14/09/11	019042	1,006.00	Retired after 17 days on 04/10/11
	Trip to Rotuma, Cicia on 11/07/11 to 22/07/11	018634	2,607.00	Retired after 65 days on 31/10/11
	Trip to Vanua Levu on 01/11/11 to 05/11/11	019344	1,126.00	Retired after 140 days on 25/11/11

The audit also noted that some officers were given further advances even though they did not clear their previous advances. In some cases where advances were retired appropriate sufficient supporting documents were not provided by the officers.

The findings showed the laxity of officers responsible for following up on advances given to staff.

### **Recommendations**

- The Department must ensure that officers clear their advances within 7 working days of the completion of travel.
- The Department must ensure that officers with outstanding advances are not given further advances.
- The Department should take appropriate action to ensure staffs retire their outstanding advances.

### **Department's Comments**

*Your recommendations have been noted and are being adhered to.*

*The Department will resort to interest being charged if not cleared within 7 days of officer's return from duty. For long outstanding advances salary deductions will be carried out.*

*It needs to be noted that;*

*The Department requires staff to submit their field reports before making any overtime or meal claims. With the limitation in our numbers, staffs are often required to make another field trip even before settling their previous claims. And only in exceptional situation they are issued with another advance. However, this is done with the expectation that these advances will be retired when the officers return from the field. Apart from the above we also have cases where receipts are accidentally lost or destroyed that often prevents staff from settling their advances in a timely manner.*

*The Department tries to ensure that advances are not given to officers that have outstanding advances. However, in only in certain circumstances when waivers are made to ensure that important work is attended to.*

*It needs to be noted that even though we do have a few odd cases of unsettled advances, the Department ensures that at the end of the year all advances are cleared.*

### **30.7.2 Accountable Advance Paid for Overseas Trips**

Accountable Advances is paid to Officers on official duty within Fiji. Per Diem allowance is paid to Officers on official duty overseas.

The audit noted that the Department paid Accountable Advance to the Director, Mr. Peceli Nakavulevu for his overseas trips in addition to the Per diem allowance paid to him. It was also noted that Mr. Nakavulevu did not retire the Accountable Advance on three occasions. Refer to Table 30.9 for details.

**Table 30.9: Accountable Advance Given For Overseas Trips**

Country Visited	Date of Visits	Accountable Advance Paid (\$)	Comments
New Caledonia	03/12/11 to 10/12/11	1,924.92	Retired after 20 days on 30/12/11
Abu Dhabi	12/01/12 to 16/01/12	2,496.36	Not retired
Abu Dhabi	12/01/12 to 16/01/12	2,000.00	Not retired
Abu Dhabi	12/01/12 to 16/01/12	5,770.06	Not retired
<b>Total Accountable Advance paid</b>		<b>12,191.34</b>	

The finding showed that Mr. Nakavulevu incorrectly received Accountable Advance for overseas trips.

### **Recommendations**

- The Department should recover the total Accountable Advance paid to Mr. Nakavulevu for overseas trips.
- The Department must ensure that Accountable Advance is only paid to Officers on official duties within Fiji.

### **Department's Comments**

*Your recommendations have been noted. Our response is similar to the above. This trip was taken 12<sup>th</sup> January 2012 for the officer's attendance to the 2nd General Assembly of IRENA. Nonetheless, the three outstanding advances have been cleared as follows:*

*Peceli Nakavulevu-RR# 166156 of 19/03/2012- \$1003.49 and By J/V # 05/04 and J/V # 06/07.*

*On the issue of accountable advance being only valid for local duties, it needs to be noted that when our officers travel abroad for meeting, a security deposit for the hotel accommodation is needed. With the absence of a Departmental credit card, the only other option is to take advances to cater for these security deposits. The per diem is not applicable as most of these visits are funded visits. In certain circumstances, where only hotel accommodation is provided, a 20% per diem is claimable. It needs to be noted that this is grossly insufficient to cater for the above mentioned hotel security deposit.*

### **30.7.3 Annual Leave**

Annual leave shall be taken when due and officers may be allowed to carry over a maximum of ten working days leave entitlement from one leave year to the next.<sup>17</sup>

The audit noted that some of the staff had more than 10 days of annual leave carried forward into the next leave year. Refer to Table 30.10 for details.

**Table 30.10: Excessive Leave Carried Forward**

Staff Name	EDP No.	Leave Carried Forward	Excess Days
Paula Katirewa	63650	28.5 days (2010) 43.5 days (2011)	18.5 days 33.5 days
Inia Saula	61141	12 days (2011) 13 days (2012)	2 days 3 days
Peceli Nakavulevu	56857	46 days (2011)	36 days
Evelyn Sharma	64747	15 days (2011)	5 days

<sup>17</sup> General Orders, Section 705(c)

Staff Name	EDP No.	Leave Carried Forward	Excess Days
Frank Rokowaqa		18.5 days (2011)	8.5 days
Paulini Rakavono Koli	52614	15.5 days (2012) 23 days (2011)	5.5 days 13 days

It is important that scheduling of leave is carried out on a regular basis as an internal control mechanism.

The Department lacked proper administration and management of leaves. This may result in Department compensating for unutilized leave days when officers resign or retire from the service.

### **Recommendations**

- The Department should ensure that officers utilise their leave when it is due and only 10 annual leave days is carried forward to the next leave year.
- The Administrative Officer should ensure that leave records are kept up to date including long service leave.

### **Department's Comments**

*Your recommendation has been noted and is being adhered to. Due to the workload and the severe shortage of staff the Department had no option but to have the above mentioned senior staff continue to work and meet the deadline of most projects, thus could not afford to utilize their leave.*

*A leave plan have also been made for staff. However, because of the limitation in numbers we still have a few cases of outstanding leave. For Mr. Peceli Nakavulevu, with his new contract and the carried over leave he is expected to be proceeding on leave in August 2012.*

### **30.7.4 Overtime Payment**

Overtime work shall be approved only in essential circumstances and on the specific approval of the Permanent Secretary or Head of Department.<sup>18</sup> Overtime worked during normal working days will be remunerated at Rate I or granted time-off as per (b) above.<sup>19</sup> Except for those officers on shift duties, all overtime performed on Saturdays, Sundays and Public Holidays will be remunerated at Rate II or compensated by the grant of time-off as per (b) above.<sup>20</sup>

The audit noted that the Department paid a total of \$42,875.23 as overtime pay and meal claims to its Drivers/Messengers in 2011.

It was also noted that some of these Drivers/Messengers were paid overtime and meal claims which were more than their annual gross wages. Refer to Table 30.11 below for details.

**Table 30.11: Overtime Payments**

Post Holder	FNPF	Rate (\$)	Salary (\$)	Actual Paid (\$)	Variance (\$)
Iliesa Nailawa	LR940	4.07	9,312	15,397.33	6,085.33
Jaswant Singh	LM399	4.07	9,312	23,851.83	14,539.83
Samsher Ali	MM765	4.07	9,312	16,849.66	7,537.66

<sup>18</sup> General Orders, Section 418(a)

<sup>19</sup> General Orders, section 418(c)

<sup>20</sup> General Orders, Section 418(d)

Post Holder	FNPF	Rate (\$)	Salary (\$)	Actual Paid (\$)	Variance (\$)
Apenisa Marolevu	NF344	4.07	9,312	14,272.89	4,960.89
Bhup Chand	QR834	4.07	9,312	19,063.52	9,751.52
<b>Totals</b>			<b>46,560</b>	<b>89,435.23</b>	<b>42,875.23</b>

The findings indicate that overtime work for Drivers/Messengers may not have been properly supervised which resulted in excessive overtime payments.

### **Recommendation**

**The Department should ensure that the Drivers/Messengers are properly supervised at all times.**

### **Department's Comment**

*The audit recommendation has been noted. These overtime pay and meals derived from accumulated hours during field trips. Drivers had to work every night during the field trip in order to complete the task given on the specified time. In a day, there would be two (2) teams going out in the field in the Central Division whilst a team would be in the North with the drivers. Therefore overtime was justified since we had to return to station and to continue to serve the public demands.*

### **30.7.5 Overtime Hours Claimed**

Overtime work shall be approved only in essential circumstances and on the specific approval of the Permanent Secretary or Head of Department.<sup>21</sup>

After completing their normal hours of work irrespective of what the normal starting time may be, if required to continue working they will then become eligible for overtime:

- (i) For all hours worked up till midnight at the rate of time and half;
- (ii) For all hours worked between midnight and normal starting time or the finishing time of continuous overtime at rate of double time- unless the terms of sub-clauses (iii), (iv), (v) or (vi) below apply;
- (iii) For all hours worked between mid-day Saturday and midnight Sunday at the rate of double time;
- (iv) For all work performed on paid public holidays at the rate of time and a half (in addition to holiday pay); and
- (v) For any work performed on a Sunday or rostered day off given in lieu (but not for both), or a paid public holiday or between normal starting time and mid-day Saturday, employees will be paid a minimum payment equivalent to three hours work at the appropriate overtime rate<sup>22</sup>.

The audit reviewed the overtime hours for a number of unestablished staffs for certain pay weeks. However, the audit noted that the hours claimed by two of the unestablished staffs, namely, Mr. Bhup Chand and Mr. Iliesa Nailawa were excessive.

Mr. Bhup Chand worked for 209.5 hours for pay week 5. The maximum hours that an unestablished staff can work in a week for seven days is only 168<sup>23</sup> hours. This indicates that Mr. Bhup Chand worked 41.5 hours in excess of 168 hours in that week which is not possible.

<sup>21</sup> General Orders, Section 418(a)

<sup>22</sup> Revised Term & Condition of Employment for GWE's 2010, Section 23

<sup>23</sup> 24 hours multiply by 7 days

Mr. Iliesa Nailawa worked for 131.1 hours for pay week 4. The maximum hours that an unestablished staff can work in a week for seven days is only 168. This indicates that Mr. Iliesa Nailawa only rested for 36.9 hours in that week or on an average only for 5.27 hours per day in that week. Refer to Table 30.12 below for details.

**Table 30.12: Overtime Hours Claimed**

Staff Name	FNPF Number	Pay Number	Hours Paid For	Actual Hours Worked	Total (\$)
Iliesa Nailawa	LR940	4	Normal Time	44.0	1,341.86
			Time and Half	88.0	
			Double Time	57.0	
			<b>Total</b>	<b>189.0</b>	
Bhup Chand	QR834	5	Normal Time	44.0	2,179.47
			Time and Half	172.5	
			Double Time	101.0	
			<b>Total</b>	<b>317.5</b>	

The findings indicated that unestablished staffs maybe submitting incorrect hours worked for payment of wages which were not properly verified by the supervising officer.

### **Recommendations**

- The Department should ensure that all overtime payment is properly reviewed before payments are made.
- The Department should investigate the above cases and take appropriate action.

### **Department's Comment**

*The audit recommendation is noted. The overtime payment was for accumulated time and is payable after the field trip. It was not paid on weekly basis. The drivers were paid on normal hours for Pay 1 and Pay 2 and their overtime hours were accumulated.*

### **30.7.6 Appointments Made Without Contract**

An appointment or promotion may only be made if:

- a) The vacancy in the office or a vacancy in an office with the same duties, was notified in a public service official circular within the last year as open to any citizen of the State;
- b) An assessment has been made of the relative suitability of the candidates for the duties, after an interview or using another competitive selection process; and
- c) The assessment focused on the relative capacity of the candidates to perform the duties.<sup>24</sup>

The PSC at its meeting held on 11/6/09 has agreed and reconfirmed that all new intakes and promotions, in the Public Service are to be on contract.<sup>25</sup>

The audit noted that two officers were employed by the Department as Information Officers with no service contract agreement. Refer to Table 30.13 below for details.

<sup>24</sup> PSC Public Service Regulation 1999, Section 5 (2)

<sup>25</sup> PSC Circular 33/2009

**Table 30.13: Serving Officers with no Service Contract**

EDP/FNPF No.	Name of Officer	Designation	Remarks
QG 639	Moape Waqa	Information Officer	Officer was on 1 year contract in 2009. On 06/01/2010 the Permanent Secretary, Mr. Cama Tuiroma extended his contract for another year ending on 31/12/2010. In 2011, the Officer went on study leave for further studies in Japan with pay and was bonded by PSC without his contract renewed after 31/12/2010 by the Department.
90467	Viliame Vosarogo	Temporary Information Officer	Officer's substantive post was Principal Scientific Officer on ES01 grade. Officers' contract was for 5 months with effect from 07/07/2010 to 06/12/2010. At the expiration of his contract the Officer went on leave. His contract was not renewed. The Department then assigned him to be held against the Information Officers post without any signed contract agreement.

The above practice showed the Department's disregard to the rules and procedures on appointment in the Public Service.

In absence of valid service contract agreement the Officers are not bonafide employees of the Department.

### **Recommendations**

- The Department must ensure that all new appointments in public service have a service contract agreement.
- The Department should investigate the matter and take appropriate action.

### **Department's Comment**

*The audit recommendation has been noted. Moape is currently held against the Information officer's post and has been suspended on half salary since 30.12.2011, but no one was performing the duty of the post. However, Mr. Vosarogo was tagged against the post as per directive from Headquarters to keep him in the Department. He was temporary held against the Petroleum Engineer's post until the post was filled through interview and later tagged against the Information Officers Post.*

### **30.7.7 ITC Recommendation Not Obtained**

Departments should consult the Information Technology and Computing (ITC) Services before purchasing new laptops and computers. ITC Services will help ensure that departments' proposals are aligned to current Fiji Government IT policies and standards. Competitive purchasing practices may also be possible on standard products through ITC Services.<sup>26</sup>

The Department of Energy purchased desktop and laptop computers and printers from various suppliers costing \$9,077 in 2011. However the Department did not consult ITC Services before purchasing new laptops and computers to ensure it was in line with Government's IT policies and standards. Refer to Table 30.14 for details.

**Table 30.14: Details of Laptops and Desktops Purchased**

Item description	Quantity	Unit Price (\$)	Amount (\$)	Remarks
Projector	1	1,385.00	1,385.00	• ITC approval not obtained

<sup>26</sup> Fiji Government IT Policy, Section 10.3.3

Item description	Quantity	Unit Price (\$)	Amount (\$)	Remarks
				<ul style="list-style-type: none"> <li>• Invoice not attached with payment Voucher</li> </ul>
HP Pro 3000 SFF3000 SFF E5700	3	1,899.00	5,696.99	<ul style="list-style-type: none"> <li>• ITC approval not obtained</li> <li>• Purchased from Office Express</li> </ul>
Dell OPTx9905F	1	1,995.00	1,995.00	<ul style="list-style-type: none"> <li>• ITC approval not obtained</li> </ul>
<b>Total</b>			<b>9,076.99</b>	

Failure to consult ITC Services before purchasing IT equipment may result in procurement of inferior quality IT products which may not be in line with Government's IT policies and standards.

### **Recommendation**

**The Department should ensure that it consults ITC Services before purchasing IT equipments in future.**

### **Department's Comments**

*Purchase was done on ITC recommended vendors. Similar equipments had been previously purchased with ITC approvals obtained. Furthermore, all purchases of IT Equipments are being done with ITC approvals.*

*The audit recommendation has been noted.*

### **Further OAG Comments**

Audit verified the Department's comments with the Assistant Accounts Officer – Mr. Jitendra Krishna on 14/8/12 and noted there was no ITC recommended vendors. The Assistant Accounts Officer further informed audit that approval was verbally given by ITC.

Hence the comments provided by the Department were not correct.

## **30.7.8 Rural Electrification Project Contract**

The Department of Energy awarded the contract for new electrical installations to 800 houses in Waidina District, Naitasiri to Power Electric on 2/12/09. The contract was awarded for a total sum of \$463,798.

The specification requirement for electrical works consisted of providing electrical installation in specific houses and providing service connection to the overhead low voltage rural reticulation network. The contract agreement between Power Electric and the Department of Energy comprised the supply, delivery to site, installation, commissioning, testing and guarantee against defects liability to the project.

Review of project documents revealed the following anomalies.

- The project was completed and commissioned on 9/8/11. However, two households were still without power supply.
- No project inspection was carried out by the Department until complaints were received from customers in the respective areas of the Waidina district. The inspection team from the Department of Energy reported many defects in the works carried out by the contractor due to poor quality of materials used for the project.

The findings show lack of review and monitoring of the project works by the Department.

### **Recommendations**

- **The Department must ensure that all project works are properly reviewed and monitored.**
- **The Department should investigate on the households without power supply and take appropriate action.**

### **Department's Comment**

*The Department of Energy Rural Electrification Unit is severely understaffed. In 2010/2011 we had only 8 staff that had to look after diesel and FEA schemes around the nation.*

*In 2008 there was a huge influx in the number of new applications for electrification. This was due to the reduction of communities' contribution from 10% to 5%. As a result our Budget allocation was also increased from \$6m to \$18m. The Unit had to monitor these projects with the same number of staff.*

*Because of the sheer size of the project, inspection works had to be done in stages i.e. village by village. The project was finally fully inspected in 2011 and all those that were in the contract have been wired and connected.*

*All defects that were identified by our inspectors have been rectified by the contractor.*

*In 2012 the Unit has received an additional 7 staff. These would greatly help the Unit in carrying out its role in the monitoring and evaluation of private contractors.*

*Your recommendation is noted.*

### **30.7.9 No Tender Called for Preventative Maintenance Service**

The procurement authorities delegated to the Permanent Secretaries and the Government Tender Board when procuring goods, services or works are as follows.<sup>27</sup>

<b>Responsible Authority</b>	<b>Procurement Limits</b>
Permanent Secretary	\$30,000 and less
Government Tender Board	\$30,001 and more

The contract for the maintenance works on the diesel generators for 44 diesel schemes was awarded to Public Works Department Mechanical Section on 24/3/2011 for \$100,000. The Mechanical Section was to undertake two Plant Preventative Maintenance (PPM) services on generators as listed by the Department of Energy in the identified service areas.

The audit noted that the Department did not call for tenders for Plant Preventative Maintenance services before awarding the contract to Public Works Department Mechanical Section.

The finding showed that proper procurement procedures were not followed by the Department. As a result the Plant Preventative Maintenance Service obtained may not be from most economical source.

### **Recommendations**

- **The Department comply with proper procurement procedures.**
- **The Department must ensure that tenders are called for all purchases of goods and services above \$30,000.**

<sup>27</sup> Finance Instruction 2010, Division 2, Section 11(1)



### **Department's Comment**

*Since the inception of the Rural Electrification Policy in 1974, the Department of Works has been responsible for the Maintenance of Rural generators. This ceased in 2004 when the Government of the day decided that the work be contracted out.*

*In fact the Plant Preventative Maintenance work was tendered out in 2005, 2006 and 2007, and the Department's experiences and findings were not good. The local companies who claim to have knowledge of the generators and the maintenance of the machines did not even have the proper tools and therefore standard and quality of work were NOT up to the Department's expectation.*

*Customers' generators were not being properly serviced because of lack of expertise available in the technical market. Some were not even serviced; the contractors just delivered the "non-genuine filters" at the villages and moved on from place to place.*

*Hence from 2008 to 2010, the Maintenance program was conducted in-house. This was due in part to the increase in the number of villages/communities requesting for Solar, Hydro and other renewable options because of the significant rise in the cost of diesel fuel.*

*In April 2010 the Prime Minister visited Department of Works' Depot at Walu Bay. He saw some generators and when he was briefed that the Department of Energy was looking after the generators under the RE program, he verbally instructed Minister [WTPU] that all generator responsibility and works be given back to Department of Works.*

*1.6 Arrangements were made with Department of Works and PPM Services were awarded to them in 2011.*

*Your recommendation is noted*

## **30.8. Department of Water and Sewerage**

### **30.8.1 Appointment of Principal Technical Officer**

The Department of Water and Sewerage was set up as a regulatory body under Ministry of Works, Transport and Public Utilities following the establishment of Water Authority of Fiji. In its new organisational structure the Department had a provision for a Principal Engineer Regulatory post which was vacant in 2011. The minimum qualification requirement for this position was a Degree in Civil Engineering.

The audit noted that the Department did not have anyone with qualification required to be appointed to the position of Principal Engineer Regulatory. The Department then created a position for Principal Technical Officer (Water) without PSC's approval and appointed Mr. Nistar Mohammed Khan, a Senior Technical Officer (Water) to act on the position from 11/07/11 – 10/10/11, 27/10/11 – 26/01/12 and 27/01/12 – 26/04/12.

The salary scale for the Principal Technical Officer in Government is \$26,505 - \$33,777 in grade ES02. The audit also noted that Mr. Nistar Mohammed Khan while acting as a Principal Technical Officer was paid acting allowance on salary of \$43,109 in grade EP03 with salary scale of \$43,109 - \$56,753. This salary scale was for Principal Engineer Regulatory position.

As a result Mr. Nistar Mohammed Khan was overpaid acting allowance by \$6,803.36 while acting as a Principal Technical Officer. The findings showed that proper procedures were not followed by the Department in creating new positions.

### **Recommendations**

- PSC should investigate and take appropriate action against officers responsible for authorising the acting against position which does not exist at the Department.
- The Department should recover the overpaid acting allowance from the Officer.

### **Department's Comments**

*The PSC approval dated 4th of October 2011, states that an acting appointment for Mr. Nistar Khan was approved on Principal Technical Officer post for 3 months from 11/7/2011 to 10/10/2011. On the Memorandum dated 13/10/2011 from Permanent Secretary for Works, Transport and Public Utilities to Director Water & Sewerage granted the approval for Mr. Nistar Khan to act on the post of Principal Technical Officer Water in the grade EP03 because under the Department of Water & Sewerage structure there is only a Principal Water Engineer Regulatory Water post. That was the basis under which Mr. Khan was paid. Further Mr. Khan had completed 3 years of civil engineering degree and the most close to meet MQR of the post in the department. The post had been advertised three times to date since 2010 but attracted no response from qualified engineers. The Principal Engineer is a very senior position in the department and requires someone to do the work and thus should be compensated accordingly.*

### **30.8.2 Accounts Officer Acting on Principal Engineer Position**

Employment decisions in the public service are made without patronage, favouritism or political influence, and appointments and promotions are made on the basis of the merit after an open, competitive selection process.<sup>28</sup>

Mr. Usaia Daunivalu, EDP number 19301 was an Accounts Officer at Water Rates Office. The Officer was suspended with effect from 20/02/09 following allegations against him for withdrawal of outstanding water charges amounting to \$300,343.94 for meter number KJ2710 without Ministry of Finance approval. The Officer was later reinstated by PSC with effect from 28/10/10.

The audit noted that Mr. Daunivalu's substantive post at the time of his suspension was an Accounts Officer in grade AC03 with salary scale of \$22,799 - \$29,735. However on reinstatement he was posted to the Technical Section of the Department even though the Officer did not have any technical background.

It was also noted that the Department appointed Mr. Daunivalu to act as Principal Engineer from 01/02/11 to 30/07/11 on the grade EP03 with salary of \$43,109 in the salary scale of \$43,109 - \$56,753 even though he did not have any engineering qualifications or experience.

The audit further noted that on upon completion of the term of acting appointment the Officer was employed as Technical Officer at the Department. The salary scale for the Technical Officer was \$16,162 - \$21,023 on salary grade ES05. However Mr. Daunivalu was paid annual salary of \$29,730 on this position.

This issue was also reported in 2010 audit report however no action was taken by the Department. The Department continued to employ Mr. Usaia Daunivalu in the Technical Section as a Technical Officer with annual salary of \$29,730. The Department also failed to take heed of the audit recommendation to seek PSC's assistance to appoint the Officer in other Ministry/Department.

Such appointment affects the government's efficiency and productivity and demoralises other qualified and hard working Officers.

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<sup>28</sup> PSC Act 1999 Part 2, Section 4(1)

### **Recommendations**

- The Department should seek PSC's assistance in appointing Mr. Usaia Daunivalu to other Ministry/Department.
- PSC should investigate the Officers appointment and salaries paid and take appropriate action against those responsible.

### **Department's Comments**

*The department was directed to take on Mr. Usaia Daunivalu for reinstatement in 2010. He was to be held against the vacant Principal Engineer position until a vacant AO position is available. Mr. Daunivalu had more than 25 years of experience and the department was quite fortunate to have him especially on its new role. Collection of water and sanitation data was the main focus of the technical unit in 2010 and early 2011 and the accounting experience of Mr. Daunivalu was sufficient to lead the technical unit during that time in the absence of a Principal Engineer. Data is a very important component of our regulatory role as this will help develop new policies and long term planning. Mr. Daunivalu was very instrumental in setting up our data register through consultations with various government departments and agencies that have water and sanitation data. Through Mr. Daunivalu's network in government, the provision of data from sources was timely and easy. He was therefore made to act on the Principal Engineer post as he was performing the function quite well. The appointment was made by the Permanent Secretary through the powers delegated to him. Mr. Daunivalu will be retiring in October of 2012.*

*Pursuant to the powers vested with Permanent Secretary for Works, Transport and Public Utilities vide Legal notice No. 92/2002 and PSC Circular No. 6/7/2010 granted the approval for acting appointment for Mr. Usaia Daunivalu from 1/2/2011 to 30/7/2011 till PSC advised to ceased his acting.*

### **30.8.3 Studies Sponsored by Department**

Any Officer receiving training at Government expense, including any aid made available by donor countries and organisations, must be bonded before he/she proceeds on training either on pay or without pay to serve in the Public Service or elsewhere for a specified period<sup>29</sup>.

The amount of bond is the actual amount spent on the Officer's training either by the Government or any aid donor together with the salary paid to the Officer while on training.<sup>30</sup> A bond shall apply only for training lasting eight (8) weeks or more.<sup>31</sup>

The Department of Water and Sewerage sponsored Senior Technical Officer, Mr. Mohammed Nistar Khan's third year of studies majoring in Bachelor of Engineering from then Fiji Institute of Technology (FIT) in 2009. As per the Department's recommendations the Officer was to complete 8 courses towards his Degree in year 3.

The Officer completed 6 courses in 2009 and the remaining two courses in semester 1, 2010. The tuition fee for the 8 courses totalling \$19,098 was paid by the Department.

The audit noted that the Department did not obtain PSC's approval before sponsoring Mr. Khan's studies with full pay towards his Bachelor of Engineering Degree programme.

In addition the Department did not provide Mr. Khan's bond documents for review.

<sup>29</sup> General Orders 2011, Section 901 (a) (i)

<sup>30</sup> General Orders 2011, Section 901 (c) (ii)

<sup>31</sup> General Orders 2011, Section 901 (b) (i)

The finding showed that proper procedures were not followed by the Department before funding further studies for its staff.

The Department may not be able to hold back or recover the cost of his studies if the Officer resigns from the civil service to migrate overseas.

### **Recommendations**

- **The Department must ensure that PSC's approval is obtained before Officers are allowed to go for full time studies.**
- **The Department must ensure that bond documents are signed by Officers sponsored for full time studies.**
- **PSC should investigate the matter and take appropriate action against Officer's responsible for authoring further studies without its approval.**

### **Department's Comments**

*Mr. Nistar Khan was identified as one of the candidate to undergo training during the institutional strengthening exercise towards corporatizations reform in 2007 to 2009. There was acute shortage of engineers in the department and it was noted that Mr. Khans had been pursuing his civil engineering degree through his own funding. This was one of the main reasons on the department's funding assistance to his studies. He was still on fulltime work since he was taking classes in the evenings after work. The audit comment is noted and the department will take steps to bond Mr. Khan.*

### **30.8.4 Payments Made for Previous Years Vodafone Expenses**

Wherever possible, an agency must process and pay accounts by the due date so that –

- (a) discounts for prompt payment are not lost;
- (b) interest charges for late payment are not incurred; and
- (c) suppliers do not quote higher prices to Government agencies to compensate for late payments.<sup>32</sup>

The audit noted that the Department paid Vodafone bills totalling \$9,180 for number of its staffs in February 2011. The bills were for the period October 2009 to December 2010 but paid from 2011 budget. Refer to Table 30.15 below for details.

**Table 30.15: Previous Years' Vodafone Bills Paid from 2011 Budget**

Officer	Designation	Mobile Number	Amount (\$)
Reginald Kumar	Senior Accounts Officer	9904680	312.35
Helen Koi	Assistant Accounts Officer	9905160	981.44
Siteri Ravulo	Personal Assistant to Permanent Secretary	9905165	913.02
S Yanuyanurua	Director Water and Sewerage	9905392	3,026.39
Cama Tuiloma	Permanent Secretary	9905685	3,016.02
Susan Wise	Personal Assistant to Director Water and Sewerage	9905871	931.68
<b>Total</b>			<b>9,180.90</b>

Payment of previous years' bills in the current year exhausts the current year budget and cash flows.

<sup>32</sup> Finance Instructions 2010, Section 14(5)

**Recommendation**

**The Department should ensure that all payments are settled within the year the goods and services are acquired.**

**Department's Comments**

*We have noted your comments, in future all payments should be made within 30 days from the date of the invoice and relevant control measures will be implemented to oversee the payments are made within the payment period i.e. through Maintaining LPO and Non LPO register and a close monitoring of budgeted funds for current year's expenditure.*

**30.8.5 Providing Vodafone to Employees without PSC Approval**

The procurement of Vodafone's and their use shall be subject to the following Officers:

- i. Ministers
- ii. Assistant Ministers
- iii. Permanent Secretaries
- iv. Heads of Departments
- v. Essential Services such as Hospitals, Water and Sewerage and Security Forces<sup>33</sup>.

The Public Service Commission reviewed the Vodafone policy issued vide PSC Circular No. 60/2000 dated 14/12/2000 and decided to include Deputy Secretaries in the listing of the category of Officers who are eligible for mobile phones<sup>34</sup>.

The audit noted that the Department issued 4 mobile phones to its employees who were below Deputy Secretary level without approval from the PSC.

The Department had a mobile phone usage limit of \$70 per month for Accounts staff and \$100 per month for Personal Assistant. The audit noted that the Department did not obtain PSC's approval on the mobile phone usage limit. Refer to Table 30.16 below for details.

**Table 30.16: Department's Mobile Phone Usage Limit Not Approved by PSC**

Officer	Designation	Monthly Limit (\$)
Reginald Kumar	Senior Accounts Officer	70.00
Helen Koi	Assistant Accounts Officer	70.00
Siteri Ravulo	Personal Assistant to Permanent Secretary	100.00
Susan Wise	Personal Assistant to Director Water and Sewerage	100.00

The finding showed that the Ministry did not comply with the PSC circular on mobile phone usage.

**Recommendations**

- **PSC should investigate the purchase of mobile phones and take appropriate action.**
- **The Department should cease use of mobile phones by Officer's below Deputy Secretary level.**

<sup>33</sup> PSC Circular 60/2000

<sup>34</sup> PSC Circular 08/2005

**Department's Comments**

*Audit comment is noted; in future the Department of Water & Sewerage will fully comply with PSC Circular dated 14/12/2010. Use of all these mobiles had been ceased and all mobiles had been returned by the officers mentioned in the report.*



## 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.

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## PART A: FINANCIAL STATEMENTS

### 31.1 Audit Opinion

The audit of the 2011 accounts of the Ministry of Lands and Mineral Resources resulted in the issue of a qualified audit report as the consolidated financial statements were not presented in accordance with the Financial Management Act. The Ministry of Lands and Mineral Resources did not provide the



Trust Account Statement of Receipts and Payments contrary to Section 71(1) of the Financial Instructions 2010.

## 31.2 Statement of Receipts and Expenditures

The Ministry collected revenue totalling \$16,077,421 and incurred a total expenditure of \$18,673,976 in 2011. Details are shown on Table 31.1 below.

**Table 31.1: Statement of Receipts and Expenditures for 2011**

Description	2011 (\$)	2010 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Land And Property Rent	12,320,797	11,459,683
Rental for Quarters	243,576	1,250,435
Fees Charges, Fine & Penalties	696,675	709,330
Mining Fees	223,110	238,340
Stamp Duty	183,261	195,083
Miscellaneous	2,410,002	2,340,041
<b>Total State Revenue</b>	<b>16,077,421</b>	<b>16,192,912</b>
<b>EXPENDITURES</b>		
Established Staff	6,657,535	5,686,809
Government Wage Earners	723,244	909,755
Travel & Communication	410,963	206,504
Maintenance & Operations	3,315,386	27,738,724
Purchase of Goods & Services	893,039	310,264
Operating Grants & Transfers	2,523,463	1,625,279
Special Expenditures	784,584	342,538
<b>Total Operating Expenditures</b>	<b>15,308,214</b>	<b>36,819,873</b>
Capital Construction	1,444,317	1,887,956
Capital Purchases	194,021	280,946
Capital Grants and Transfers	146,084	
<b>Total Capital Expenditures</b>	<b>1,784,422</b>	<b>2,168,902</b>
Value Added Tax	1,581,340	4,002,925
<b>TOTAL EXPENDITURES</b>	<b>18,673,976</b>	<b>42,991,700</b>

No significant change was noted in the revenue collected by the Ministry in 2011. The reduction in total expenditure by \$24,317,724 or 56% in 2011 was due to the significant decrease in the Maintenance and Operations (SEG 4) by \$24,423,338 or 88%. Government rented quarters and office accommodation responsibilities were transferred to the Public Service Commission in 2011.

## 31.3 Appropriation Statement

The Ministry incurred expenditures totalling \$18,673,976 in 2011 against a budget of \$21,779,703 resulting in a savings of \$3,105,727. Details of expenditures against the budget estimates are provided in Table 31.2 below.

**Table 31.2: Appropriation Statement for 2011**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	7,326,619	-	7,326,619	6,657,535	669,084
2	Government Wage Earners	931,006	-	931,006	723,244	207,762
3	Travel & Communication	325,633	109,783	435,416	410,963	24,453
4	Maintenance & Operations	4,618,748	(722,640)	3,896,108	3,315,386	580,722
5	Purchase of Goods & Services	1,370,945	(226,571)	1,144,374	893,039	251,335
6	Operating Grants & Transfers	1,844,100	679,428	2,523,528	2,523,463	65
7	Special Expenditures	5,138,953	(3,470,000)	1,668,953	784,584	884,369
	<b>Total Operating Expenditure</b>	<b>21,556,004</b>	<b>(3,630,000)</b>	<b>17,926,004</b>	<b>15,308,214</b>	<b>2,617,790</b>
	<b>Capital Expenditure</b>					
8	Construction	1,840,000	-	1,840,000	1,444,317	395,683
9	Purchases	200,000	-	200,000	194,021	5,979
10	Grants and Transfers	150,000	-	150,000	146,084	3,916
	<b>Total Capital Expenditure</b>	<b>2,190,000</b>	<b>-</b>	<b>2,190,000</b>	<b>1,784,422</b>	<b>405,578</b>
13	Value Added Tax	2,024,200	(360,501)	1,663,699	1,581,340	82,359
	<b>TOTAL EXPENDITURE</b>	<b>25,770,204</b>	<b>(3,990,501)</b>	<b>21,779,703</b>	<b>18,673,976</b>	<b>3,105,727</b>

## PART B: AUDIT FINDINGS

### 31.4 Incomplete Agency Financial Statements

Each agency must include the following statements in its annual financial statements:

- a statement of receipts and expenditures;
- a profit and loss statement for each trading and manufacturing activity;
- an appropriation statement;
- a statement of assets and liabilities for each trading and manufacturing activity (where applicable)
- notes to the statement of assets and liabilities;
- a statement of losses; and
- a trust account statement of receipts and payments<sup>1</sup>

The audit noted that the financial statements submitted were not presented in accordance with the Financial Management Act:

- The Trust Account Statement of Receipts and Payments submitted by the Ministry was not presented in the prescribed Trust Account Statement of Receipts and Payments format contrary to section 71(2) of the Finance Instructions 2010. Our review of the General Ledger through the Financial Management Information System indicated that the Mining and Non Mining Trust Fund Account maintained by the Department of Mineral Resources had balance of \$3,498,895.15.
- The Main Trust Fund Account receipts and payments totalling \$1,897,927.16 and \$506,062.24 respectively, for the year ending 31 December 2011 could not be substantiated.
- The Ministry did not provide a Statement of Losses contrary to Section 71(1) of the Financial Instructions 2010.

Non compliance with Finance Instructions in the preparation of the financial statements has restricted the scope of the audit.

<sup>1</sup> Finance Instruction 2010 - Section 71 (1)

**Recommendation**

**The Ministry should ensure that the requirements of the Finance Instructions are complied with in the preparation of the Agency Financial Statement.**

**Management Comments**

*The recommendation of the Auditor's is duly noted. The Department has now taken appropriate action of maintaining proper accounting records of the trust account and most importantly will now ensure that the requirements of the Finance Instructions are fully complied with in the preparation of the Agency Financial Statements.*

**31.5 Drawings Variance**

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

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

The audit noted that the closing balance of the Department of Lands drawings account reconciliation as at 31 December 2011 did not reconcile with the General Ledger (FMIS). Refer to Table below for details.

**Table 31.3: Variance Detail**

Descriptions	Department's Reconciliation (\$)	MOF Amount (\$)	Variance (\$)
Drawings	979,237.64	(2,010,253.05)	(1,031,015.41)

The above finding indicated that the Accounts Section did not verify balances to the General Ledger to ensure that any variance is rectified and that both records reconcile.

**Recommendations**

- **The Department should investigate and rectify the variances noted between its reconciliation and the General Ledger (FMIS)**
- **The Ministry should ensure that monthly reconciliations are carried out properly and accurately.**

**Management Comments**

*The department had carried out an exercise late last year in trying to verify the big variances between the reconciliation reports and the GL balances which was sitting around \$6.3 million debit balance.*

*During this verification, it has been noted that most of this unbalancing figure had been carried forward since 2009 and by the end of last year the department had managed to reduce the variance figure from \$6,353,236 to \$1,031,015.41.*

*The Department will try its best to continue to pursue this further in ensuring that the variances are rectified. Furthermore, the recommendation of the Auditor's is duly noted.*

<sup>2</sup> Section 39(5) of Finance Instructions

<sup>3</sup> Section 7.4.10 of Finance Manual (Department of Lands and Minerals)

## DEPARTMENT OF LANDS

### 31.6 Crown Lease – general criteria

The rent shall be due and payable by equal half yearly payments not later than 31 January and 31 July in each year and shall be paid to the Director or to any person authorized in writing by him. Any rent due from the date of commencement of the lease up to the following 1 July, as the case maybe, shall be added to and paid with such first half yearly payment to be made by the lessee.<sup>4</sup>

Any application, statement, demand, instrument, notice or other document authorized or required by this Act, or any regulation made there under, maybe served on the person to whom it is to be given either personally or by leaving it for him at his last known place of abode in Fiji or by sending it through the post in a registered letter addressed to him there.<sup>5</sup>

#### 31.6.1 Arrears of Crown Land Lease Rent

The audit noted that the arrears for Crown Land Lease for 2011 has increased by \$5,792,625.64 or 43% compared to 2010. Refer to Table 31.4 for details.

**Table 31.4: Arrears of Crown Land Lease Rent**

2011 (\$)	2010 (\$)	Amount Increase (\$)	Percentage Increase (%)
19,179,473.94	13,386,848.30	5,792,625.64	43

Inspection of lease files showed that the department had been inconsistent in serving notices on debtors owing arrears and there seems to be a general lack of follow up notices by the department indicating that these were not properly enforced. The review of the high arrears debtors also revealed that the highest arrears are owed by business entities within the industrial, foreshore, commercial and special class of leases. Table 31.5 shows the top 10 debtors of the department.

**Table 31.5: Top Ten debtors of the Department**

LD Reference	Lessee	Lease Type	Arrears as at 31/12/11
4/4/2459	Paradise Entertainment Limited	Special	1,073,095.17
4/10/2416	Fiji Plaza Limited	Special	532,337.61
4/7/1046	Carpenters Properties Limited	Commercial	524,283.55
4/16/7201-2	Telecom Fiji Limited	Special	460,394.34
60/240	Larry L. Bortles	Foreshore	492,483.64
4/7/1944	Khan Buses Limited	Industrial	253,341.00
4/16/8246	Kadavu Holdings Limited	Special	223,942.05
4/10/2717	Westmall Limited	Special	106,237.29
4/16/4069	Port Workers and Seafarers Union	Commercial	175,481.75
4/7/3578	Lautoka Land Dev (Fiji) Limited	Industrial	84,937.50

The audit finding indicated weaknesses in the implementation of policies of the department pertaining to lease collection and increases the risk of government losing potential lease revenue. The department could have reduced arrears substantially if it had employed a more pro active approach towards the collection of lease arrears.

<sup>4</sup> Section 6(2) - Crown Lands Act [Cap. 132]

<sup>5</sup> Section 30(1) - Crown Lands Act [Cap. 132]

## **Recommendations**

- The department's policies on recovering Crown Land Lease arrears should be modified to reflect clear and consistent guidelines on the process involved to recover the arrears.
- Concerted efforts should be taken to recover long outstanding arrears, where the department could consider:
  - Establishing a debt recovery unit
  - Engaging the services of a debt collection agency
  - Taking legal action where necessary
- Notices should be served to all lessees and subject to provisos of the Crown Lands Act, appropriate steps taken to repossess land with substantial and irrecoverable arrears.

## **Management Comments**

- *Some of the above leases have been cancelled for non- payment of arrears; for example – Paradise Entertainment Limited. The ministry needs to seek the Ministry of Finance's approval to write off the rental arrears on leases that have been cancelled and the lessees are no longer in operation.*
- *Need to reactivate the Debt – Recovery unit which was disbanded 2009.*
- *The Police Taskforce team that was in place for 2010 and 2011 was not so effective to the level required.*
- *Notices were served to all lessees on arrears of rent but not monitored due to lack of resources.*
- *The ministry will now engage a more proactive approach to rental arrears through the following; entry of defaulters into Data Bureau, publication of defaulters in the newspapers.*
- *Lessees to make an undertaking with the Director of Lands for payment of rental arrears in instalments within a maximum period of 12 months.*
- *The ministry will instigate legal procedures against defaulters if there is no response.*
- *Standard Operating Procedures [SOP] are being developed and also reviewing our policies.*

### **31.6.2 Re-assessment of Lease**

Subject to the provisions of any other written law for the time being in force, leases shall be subject to re-assessment of the rent at each tenth year of the term of the lease<sup>6</sup>. As from 12/08/93, re-assessment is conducted every 5 years. Once the properties are inspected and rentals re-assessed, the valuation Clerk prepares and post reassessed notices to the lessee by registered mail. If there is no response from the lessee, 2 reminder notices are sent at one month's interval. If the lessee fails to accept rentals after the 2 reminders, the file is sent to the Director of Lands for further advice.<sup>7</sup>

Every year, the System Support Centre generates all re-assessments that are due in the following year. This is forwarded to the Valuation Section. The Valuation Section then reassesses the rent on the crown lease and is responsible for sending notices and obtaining lessee's consent. The reassessed rent only becomes effective once the lessee accepts the reassessed rent.

The audit noted that reassessments were not carried out by the Department on crown leases on the due dates specified in the lease conditions. Refer to Table 31.6 for the top 20 'most overdue for reassessment' leases that have not been reassessed by the department.

<sup>6</sup> Section 10 – Crown Lands Act (Cap 132 – Rev.1985) Subsidiary Legislation

<sup>7</sup> Ministry of Lands, Alta and Minerals Resources Manual (Procedure and Policies) 1999, pp 55-56

**Table 31.6: Reassessments Not Made**

Lessee	LD Reference	Type of Lease	Current Annual Rental (\$)	Next Reassessment Date	Period lapsed as at 31/12/11
Methodist Church of Fiji	04/07/2221	Special	0.10	02/07/1918	93 years
Levuka Township Board	4/8/84	Special	0.10	04/06/1922	89 years
Suva City Council	665/12	Special	0.10	19/08/1922	89 years
Mahend Singh	4/16/6916	Residential	115.00	01/10/1936	75 years
Jone Momosewa	4/1/662	Agricultural	0.60	03/05/1944	67 years
Dhanpat f/n Ram Charan	4/9/808	Agricultural	2.00	01/07/1949	62 years
Jag Deo f/n Khusiali Dass	4/9/807	Agricultural	2.80	01/07/1949	62 years
Badri f/n Sanjawan	4/9/5148	Agricultural	15.50	01/07/1949	62 years
Budhu f/n Niranjana	4/9/1760	Agricultural	3.80	01/07/1949	62 years
Mangri f/n Baiju	4/9/805	Agricultural	12.50	01/07/1949	62 years
Budhai f/n Lautan	4/9/805	Agricultural	2.00	01/07/1949	62 years
Jai Narayan f/n Bal Govind	4/9/804	Agricultural	10.00	01/07/1949	62 years
Ramai f/n Kedhu	4/9/809	Agricultural	2.60	01/07/1949	62 years
Ram Lal f/n Jagessar	4/9/808	Agricultural	3.10	01/07/1949	62 years
Jag Deo f/n Khusiali Dass	4/9/811	Agricultural	3.20	01/07/1949	62 years
Ram Dulare f/n Ram Sarup	4/9/811	Agricultural	2.40	01/07/1949	62 years
Ram Lakhan f/n Ram Sarup	4/9/811	Agricultural	2.90	01/07/1949	62 years
Budhu Raghunath f/n Raghunath	4/9/810	Agricultural	2.00	01/07/1949	62 years
Punia f/n Jugha	4/9/890	Agricultural	12.00	01-JAN-1950	61 years
Kausilva f/n Ganeshi	4/9/848	Agricultural	2.39	01-JAN-1950	61 years

Failure in attending to leases that are overdue for reassessment may result in the loss of government revenue since the leases that are due for reassessment have not been adjusted to the current market rate. In addition, there is a risk of retrospective rent, which is not allowed by the Crown Lease Act, being charged by the Department if re-assessment is carried out at a later date hence increasing arrears of crown rent.

### **Recommendations**

- Periodic checks and updates should be implemented as a policy to bring lessee information up-to-date.
- Annual File checks should be made to ensure that re-assessment due is noted for the purpose of serving re-assessment notices.
- Reassessments should be carried out on time for all leases issued by the Department.

### **Management Comments**

*Reassessment is confined to listing provided by FLIS; this is provided to the Valuation Division a year prior to re-assessment date.*

- *Re-assessment Notice to Lessees to be responded to within 3 months failing which Lessees are deemed to have accepted. This is in accordance with the "Amendment to the State Land Leases and Licenses Regulation 1980 Sec 11 (2) of FRG No. 28 of 12/03/2010".*
- *Database is being updated – manual verification is required. It is time consuming and requires resources. This will provide an up to date listing of leases to be re-assessed. Standard Operating Procedures [SOP] are being developed and also reviewing our policies.*

### 31.6.3 Expired Leases

Tenants should be given a period of 24 months before expiry of lease to submit to Director of Lands of their interests on subject land. Failure to do so will be taken that the lessee does not have any further interest on the land and should be officially notified accordingly.<sup>8</sup>

The audit noted that leases which have expired were not renewed on time; however the department continued to charge lease rental and also receive lease rental payments from expired leases. The receipt of lease rental payment after the expiry date deems to bind a new renewal contract with the lessee. Refer to Table 31.7 for examples of expired lease in 2011.

**Table 31.7: Expired Lease in 2011**

Lessee	LD Reference	Type of Lease	Lease Expired WEF	Rent Charged since expiry (\$)	Rent Received since expiry (\$)
Digicel Fiji Ltd	4/16/8292	Special License	30/06/09	4,440.24	4,740
Chandra Dip	4/14/1288	Agricultural	31/12/08	1,830.47	643.60
Zainab Khan	4/16/294	Residential	04/01/11	900	900
Alexander Elliot	4/16/841	Residential	01/07/10	3,148.10	3,778.40
Fiji Ports Corporation Ltd	60/567	Industrial	01/07/10	41,812.50	35,275
Ravin Chand	4/14/1318	Agricultural	31/12/09	1,493.11	-
Mobil Oil Australia Ltd	4/16/3354	Industrial	09/08/10	3,738	2,898

Failure to stop charging lease rental may overstate the department's year end arrears of revenue amount and the continuing receipt of lease payment by the department has put off any inspection of lease land for the breach of agreement and re-assessment before the lease renewal.

### Recommendations

- **Renewal of lease shall be done before the expiry of the lease.**
- **Site inspections shall be made for any breach of lease agreement before the renewal of the lease.**

### Management Comments

- *As per lease condition Lessee should express interest for renewal 12 months before lease expires. Lessees' have not been complying with this.*
- *Inspection is carried out when expression of interest is received.*
- *Database not up to date on expiry of leases - manual verification of files is being done to update database. This would provide an up to date listing of leases that expired and need renewing.*
- *Standard Operating Procedures [SOP] are being developed and also reviewing our policies.*

<sup>8</sup> Ministry of Lands, Policy Statement for Crown Land Administration

### 31.7 Breach of Residential Lease Condition

The lessee shall not use or permit to be used the demised land or any part thereof or any dwelling house or accessory out-building to be erected thereon, for any trade, business, occupation or calling whatsoever; and no act, matter or thing whatsoever shall, during the term of lease, be done in or upon the said land or building or any part thereof, which shall or may be or grow to the annoyance, nuisance, damage or disturbance of the occupier, lessee or owner of the adjoining land.<sup>9</sup> When applying for consent to build, the rent payment should be up to date and a copy of the proposed building plan should be provided to Director of Lands for approval.<sup>10</sup>

It was noted that although the following leases are residential type, commercial and industrial activities were been carried out on them.

#### 31.7.1 Nairs Transport Ltd, 9 Miles, Nakasi (4/16/1226)

**Table 31.8: Details of Lease**

Lessee	Crown Lease No.	Lease Type	Location	Term	Annual Rent (\$)
K. Nair and V. Nair	2064	Residential	Lot 81 Wainibuku Subdivision	75 years with effective from 06/09/1995	115

The following anomalies were noted:

- From the site visit conducted on 24/02/12 audit noted that an office and garage have been constructed on the lease which is fully fenced and being used as Nairs Transport Ltd office and garage for their buses.
- Verification of the Crown lease physical file revealed that no consent was given by the Director of Lands to construct the office, garage and the fence. The lessee has proceeded in applying for the rezoning of their lease from residential to industrial; however they failed to surrender their current lease, which has prolonged the finalisation of their new lease. As of the date of audit, the above lease is still a residential lease.
- The last reassessment was made in 01/01/74 and for the last 37 years, the lessee is still charged a very low residential annual rent of \$115.

Making improvement on the lease prior to the Director of Lands approval and operating a garage prior to the issuance of an industrial lease is deemed illegal and thus liable for cancellation by way of re-entry. The above has also resulted in loss of government revenue as the lessee is paying residential lease rate for industrial operation. Refer to Figure 26.1 illustrated below.

<sup>9</sup> Crown Land Act, ED 1978 Section 41, sub 15 (c) – Condition of lease for Residential Purpose.

<sup>10</sup> Ministry of Lands & Mineral Resources Procedures and Policies Section 13





Figure 26.1: Nair Transport Limited Garage

### 31.7.2 Edwin Kumar – Patton & Stork Limited (4/16/3022)

Table 31.9: Details of lease

Lessee	Crown Lease No.	Lease Type	Location	Term	Annual Rent (\$)
Edwin Kumar f/n Rakesh Kumar	3310	Residential	Lot 81 Wainibuku Subdivision	99 years with effect from 01/06/1960	620

The following anomalies were noted:

- From the site visit conducted on 24/02/12, audit noted that commercial operation in the form of funeral director business (operating under the name: Patton & Stork Limited) has been carried out on the above lease and the dwelling constructed on it has been transformed into a funeral sales office and coffin showroom.
- Our review revealed that consent to rezone the lease has been given by the Director of Lands and Survey, however the lessee has not obtained rezoning approval from the Director of Town and Country Planning and the Suva City Council, therefore the Crown Land Lease System still showed the class of lease as Residential. Refer to Figure 26.2 provided.



Figure 31.2: Edwin Kumar Funeral Services

### 31.7.3 Western Wreckers Limited (4/16/3608)

Table 31.10: Details of lease

Lessee	Crown Lease No.	Lease Type	Location	Term	Annual Rent (\$)
Mohammed Hanif	2645	Residential	Lot 19 Wainimarama Subdivision	99 years with effective from 18/05/1992	800

The following anomalies were noted:

- From the site visit conducted on 24/02/12, the audit noted that the lessee was using the property for industrial purposes. Improvement on the lease includes the construction of a double storey building, where the ground floor is used as their garage and the second floor is used as offices for Western Wreckers Limited and Japanese Truck Parts (Fiji) Limited.
- Inspection of the physical file revealed that no consent was given by the Director of Lands to construct the two storey building and to fence the yard.
- Our review of the Crown Land Lease System revealed that the class of the lease is Residential and the lessees continue to pay \$800 annual rental.
- The Lease has been mortgaged to Habib Bank Ltd for \$2,353,000. There was no inspection carried out on the premises prior to the consent given by the Director to mortgage the lease on 12/07/04.
- The audit also noted that notices of illegal operation was served to the lessee on 08/03/04, 19/07/07 and on 19/04/11, however, the audit noted that the lessee continued to carry on with its commercial operation and pay residential annual rental of \$800 while the department failed to exercise their power by cancelling the lease through re-entry. Refer to Figure 26.3 provided.



Figure 31.3: Western Wreckers Ltd Yard.

#### 31.7.4 James Shambu Lal (4/16/6256)

Table 31.11: Details of lease

Lessee	Crown Lease No:	Lease Type	Location	Term	Annual Rent (\$)
James Shambu Lal	238080	Residential	Lot 5 Matanikorovatu Road, Makoi.	99 years with effective from 01/10/85	78

The following anomalies were noted:

- From the site visit conducted on 24/02/12, the audit noted that the lessee was subletting the ground floor of his double storey residence without the consent of the Director of Lands.
- Our review of the Crown Land Lease System revealed that the class of the lease is Residential and the lessee is charged an annual rental of \$280.00.
- As of the date of audit,<sup>11</sup> the lessee owed rental arrears totalling \$1,198.21, however audit noted that no arrears notice was sent to the lessee in 2011.

<sup>11</sup> 29/02/12

- Inspection of the crown lease physical file revealed that the lessee has not applied for consent and the Department has not taken any action to regularise the above illegal operation. Refer to Figure 31.4 below.

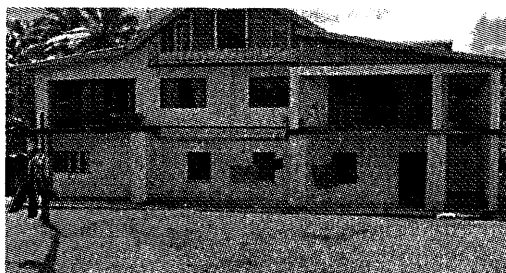


Figure 31.4: James Shambu Lal Residence.

### 31.7.5 Monitesh Kant (4/16/4142)

Table 31.12: Details of lease

Lessee	Crown Lease No.	Lease Type	Location	Term	Annual Rent (\$)
Monitesh Kant	3523	Residential	Lot 2 Makoi West Subdivision	99 years with effect from 04/02/63	130

The following anomalies were noted:

- From the site visit conducted on 24/02/12, audit noted that the residence constructed on the lease has been sublet by the lessee to an internet cafe operator while the compound is been used as a car park.
- Inspection of the crown lease physical file revealed that no prior consent was issued by the Director of Lands to sublet their residence and carry out commercial activities on it. Verification of the physical file revealed, that lessee was issued with a residential lease of 99 years with effective from 04/02/62.
- The last reassessment was made on 01/02/96 and for the last 15 years, the lessee is still charged at an annual rental of \$130.
- Also, the lessee has not applied for rezoning and the department has not taken any action to regularise the above illegal operation. Refer to Figure 31.5 below.

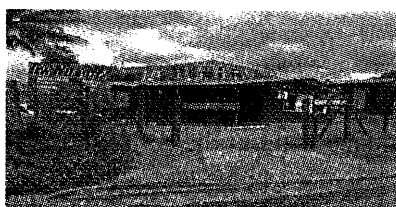


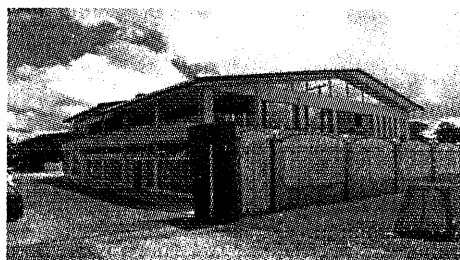
Figure 31.5: Tix Netsurf and Hansons Supermarket Car park.

**31.7.6 Bhan Auto Parts Limited (4/16/2542)****Table 31.13: Details of lease**

Lessee	Crown Lease No.	Lease Type	Location	Term	Annual Rent (\$)
Chandar Bhan	1857	Residential	Lot 7 Wainibuku Subdivision	99 years with effect from 01/01/49	290

The following anomalies were noted:

- From the site visit conducted on 24/02/12, audit noted that a fully fenced two storey building has been constructed on the lease and the lessee is operating an auto parts retail business on the property.
- Our review of the crown land physical file revealed that no consent was obtained from the Direct of Lands to construct the building and the fence on the lease and section 15(c) of the Crown Lands
- Regulations have been breached by the lessee for carrying commercial operations on a residential lease.
- Also, verification of the physical file further revealed that all the conditions for rezoning to commercial lease have been met:
  - On 14 April 2004, consent of the Director of Lands and Survey for rezoning the lease to commercial purposes was granted.
  - The Director of Town and Country Planning and the Nausori Town Council approved the rezoning on 23/06/04 and 21/03/05 respectively.
  - The new survey plan was approved on 12/04/06.
  - Inspection has been conducted and the report has been prepared by the inspectors on 21/05/10.
- Having all the requirements met by 21/05/10, the above lease is still classified as residential because of the delay by the department to follow up on the pending lease files and finalise their proper lease documents.
- As per Crown Land Lease System, the class of the lease for CL: 1857 is still residential.
- The last reassessment was made on 04/03/98, and for the last 13 years, the lessee is charged a very low residential annual rental of \$290. Refer to Figure 31.6 below.



*Figure 31.6: Bhan Autoparts Ltd Yard.*

**31.7.7 Autoworld Trading (Fiji) Limited (4/16/808)****Table 31.14: Details of lease**

Lessee	Crown Lease No.	Lease Type	Location	Term	Annual Rent (\$)
Autoworld Trading (Fiji) Limited	5872	Residential	Lot 84 & 85 Vatuwaqa Industrial Subdivision	99 years with effect from 12/03/85	65

The following anomalies were noted:

- From the site visit conducted on 24/02/12, audit noted that the lessee operates a car dealership business on the leased land, which is a breach of section 15(c) of the Crown Lands Regulations.
- Verification of the crown lease physical file revealed that consent for rezoning the lease for commercial purpose by the Director of Lands was granted, however, no further action has been taken by the lessee in seeking approval from the Director Town and Country Planning and the Municipal Council.
- The Crown Land Lease System, still record the class of the lease as residential.
- The last reassessment of the lease was done on 01/08/73, and for the last 38 years, the lessee is charged a very low residential annual rental of \$65. Refer to Figure 31.7 below.



*Figure 31.7: Auto Trading (Fiji) Ltd*

The commercial or industrial operations on residential lease indicate that leases are not reviewed periodically and adjusted to the current market rates and regular visits have not been carried out. Failure by the Department to appropriately adjust the rent on the above leases has resulted in government being deprived of fair rental income.

The lessees continued to operate their commercial business on the premises under the breach of contract and are paying lease rental at residential rate which is far less than the lease rate for a commercial or industrial lease. The failure of the Department to finalise the commercial lease on time has resulted in government losing potential lease revenue.

### **Recommendations**

- All the cases highlight above should be investigated and rectified.
- The lessees should be advised of the breaches to the lease conditions and follow up actions taken to rectify them
- The department should carry out a review of the annual rental of all leases and ensure that rental is adjusted to current market rates.

**Management Comments**

- Some of the leases have been investigated and appropriate leases e.g. Nair's Transport Company was issued an Industrial lease from 1/1/2010 with an Annual Rental of \$5,000.
- Others are being investigated and due process is being taken to rectify the anomalies
- The Lessees would need to surrender their current residential leases before Industrial or Commercial leases can be issued if everything is in order [ zoning etc;] These new leases will be subject to rent re-assessment and present terms and conditions.
- For those who are reluctant to surrender their leases the Director will cancel the leases by re-entry for breaches of lease conditions
- Standard Operating Procedures [SOP] are being developed and also reviewing our policies.

**31.8 Breach of Agricultural Lease Condition**

All leases other than commercial, residential, industrial or tramway leases shall be subject, in addition to any other conditions which the Director, in the circumstances of any case may see fit to impose, to the condition that only such buildings shall be erected on the land as are necessary for-

(a) a dwelling or dwellings for the lessee;

(b) dwellings for persons *bona fide* employed on the land; such as stockmen, farm, plantation or quarry labourers and supervisors; and

(c) accommodation for implements, vehicles, horses, and other stock used in connection with the farm, plantation or quarry or any building connected with the work of a farm, plantation or quarry, as the case may be.<sup>12</sup>

The audit noted that certain conditions pertaining to the agricultural leases have been breached. Refer to the following issues identified during the site visit on 24/02/12.

**31.8.1 Gulam Hussain, Vuci South, Nausori (4/16/1613)****Table 31.15: Details of lease**

Lessee	Crown Lease No.	Lease Type	Location	Term	Annual Rent (\$)
Gulam Hussain f/n Hasnain	14461	Agricultural	Lot 5 SO204 Vucimaca	30 years with effect from 01/08/00	200

The following anomalies were noted from the site visit:

- There were no farming, grazing or dairying activities taking place on the lease.
- The lessee has passed away and the probate<sup>13</sup> jurisdiction of administering the land was awarded to the eldest son by the High Court of Fiji.
- The agricultural land has been converted into residential area, where a total of 12 houses have been constructed. Information gathered from the residence owners revealed that only three houses constructed on the lease were immediate family members of the lessee.

<sup>12</sup> Crown Lands

<sup>13</sup> Probate is a legal process of administering the estate of a deceased person by resolving all claims and distributing the deceased person property under a valid will.

Refer to Table 31.16 for information obtained from the first five houses.

**Table 31.16: Detail of lease**

House No.	Residence Owner	Relationship to lessee
1	Ahmed Hussain f/n Gulam Hussain	Son
2	Mubarak Hussain f/n Gulam Hussain	Son
3	Hamadum Bibi f/n Gulam Gussain	Daughter
4	Sher Ali f/n Rahmat Ali	No relation
5	Ritesh Lingam f/n Ram Lingam	No relation

- The other 9 residence owners are not related to the lessee and neither were they farm labourers as there were no farming activities on the leased property. Refer Figure 26.8 and 26.9 for illustration.



Figure 31.8: Agricultural lease in Vuci South



Figure 31.9: Agricultural lease in Vuci South

The nature of breach is a result of inadequate regular site inspection, thus it will be a costly exercise for government to rectify the breach.

### **Recommendation**

**Regular inspection should be done on agricultural lease to ensure that activities on the lease are in accordance with the requirements of the Crown Lands Regulations.**

### **Management Comments**

- *Notices of Breaches are being served on defaulters and penal rent being charged for the breaches.*
- *Where appropriate Director may regularize residential house/occupation by proper survey and issuance of proper leases.*
- *Eviction Notices are being served on illegal occupation for which Eviction order is sought from the Court to vacate or Demolition Order for removal of the illegal buildings and structures.*
- *Standard Operating Procedures [SOP] are being developed and also reviewing our policies.*

## **31.9 Crown Lease File Tracking System**

Once an agency is designated as the data custodian for a category of land information, it takes on the obligation of ensuring that data quality standards are met and that the data is efficiently managed and properly maintained. They should be responsible for principles and procedures for accuracy, timeliness, data storage and security of data items and collections.<sup>14</sup>

<sup>14</sup> Ministry of Lands and Mineral Resources Manual Procedures & Policies – Policies on Data Custodianship Part 6

Physical verification of the location of all files marked as taken under the Crown Lease File Tracking System revealed that some files are missing from the registry and even though, the files have been marked to certain officers in the Crown Lease Tracking System, the files have not been returned. Refer to Table 31.17 for examples.

**Table 31.17: Files removed from registry**

Date Moved	File Reference	File Type	Taken By	No. Of Days taken as from date of audit <sup>15</sup>	Comments after physical verification
08/01/10	60/2761	Foreshore	Maureen Kishore	775 days	File missing from registry
25/05/10	60/418	Foreshore	Tomasi Nasipi	638 days	File missing from registry
09/06/09	60/673	Foreshore	Kalivati Ratucicivi	988 days	File missing from registry
18/03/10	60/814	Foreshore	Mosese Tagicakibau	706 days	File missing from registry
30/04/10	60/957	Foreshore	Tomasi Nasipi	663 days	File missing from registry
25/05/10	60/974	Foreshore	Tomasi Nasipi	638 days	File missing from registry
13/05/10	15/3/701	State Land	Joseva Vuniamatana	650 days	File missing from registry
19/01/10	15/3/702	State Land	Joseva Vuniamatana	764 days	File missing from registry
02/04/09	15/3/703	State Land	Kalivati Ratucicivi	1056 days	File missing from registry
05/03/09	15/3/720	State Land	Savenaca Uluivuda	1084 days	File missing from registry
26/03/10	15/3/764	State Land	Joseva Vuniamatana	698 days	File missing from registry
22/01/10	15/3/770	State Land	Joseva Vuniamatana	761 days	File missing from registry
22/01/10	15/3/803	State Land	Joseva Vuniamatana	761 days	File missing from registry
19/05/09	15/3/823	State Land	Kalivati Ratucicivi	1009 days	File missing from registry
28/05/10	15/3/845	State Land	Ratu Jone Lalabalavu	761 days	File missing from registry
19/01/10	15/3/986	State Land	Joseva Vuniamatana	761 days	File missing from registry

The above anomaly shows the department's laxity in properly maintaining and keeping track of the location of the files under their custody. Also, there are no set procedures or policy on the time limit of taking files from the registry.

Furthermore, with the decentralised locations of their Suva office, which involves a lot of out of office movements of files, the risk of misplacing files or the content of a file, is very high.

### **Recommendations**

- The department should commence investigation to locate all the files that have been taken from their registries and data centers.
- The department should set a time limit from when the follow up on the whereabouts of the files should start. e.g. after 10 days.
- Since there are significant legal documents in all the lease files under the department's custody, the department should consider centralizing its office location to ensure that their files are safeguarded within one building.

### **Management Comments**

- File Tracking System has been developed and in place which should improve the file movement
- The scattered locations of our offices do not help in our file management.
- We need to be centralized in one building.
- Standard Operating Procedures [SOP] are being developed and also reviewing our policies.

<sup>15</sup> 20/02/12



### 31.10 Revenue Collection by Post Fiji Limited

The payment of revenue can be made through a third party on behalf of another agency.<sup>16</sup> The senior accounts officer shall inform the responsible agency through the appropriate advice from within one week of collection.<sup>17</sup>

Post Fiji Limited is the only non government department that collects crown lease revenue on behalf of the Department of Lands and Survey. After scrutinising the Post Fiji Limited revenue collection file, the following anomalies were noted:

- There is no service agreement that legally binds and detailed the terms and conditions of the services that Post Fiji Limited provides for the department.
- The monthly revenue reports from Post Fiji Limited were submitted without the receipts.
- The normal practice was that monthly revenue collected is submitted to the department of Lands and Survey at the end of every month; however the audit noted that Post Fiji Limited usually submits their monthly collection two to three months later. Refer Table 31.18 for examples.

**Table 31.18: Revenue Collection from Post Fiji Limited**

Date	Details	Receipt No.	Amounts (\$)
17/10/11	Payment received by Post Fiji Ltd in July 2011 but submitted to Dept of Lands in October 2011	510354	23,698.38
17/10/11	Payment received by Post Fiji Ltd in August 2011 but submitted to Dept of Lands in October 2011	510357	90,409.78
04/01/12	Payment received by Post Fiji Ltd in October 2011 but submitted to Dept of Lands in January 2011	513220	5,391.84
04/04/12	Payment received by Post Fiji Ltd in November 2011 but submitted to Dept of Lands in January 2011	513221	19,691.44

In the absence of supporting receipts, the monthly revenue collection could not be substantiated. Also, late submission of revenue collected may delay the updating of individual lessees' account and as a result unnecessary interest charged may overstate the arrears of revenue account at the end of the year.

#### Recommendations

- A service agreement should be introduced to ensure that the interest of the Department is protected.
- A reminder letter should be sent to Post Fiji Limited within one week before the end of the month to ensure prompt payment from them.

#### Management Comments

*It is believed that Post Fiji Ltd. had been performing this responsibility of collecting crown lease revenue on behalf of the Department for the past decades of which its commencement details and other information is unknown, however, the Department will now try to facilitate appropriate action to have the Auditor's recommendation implemented.*

<sup>16</sup> Finance Instructions 2010 s. 20(3)

<sup>17</sup> Ministry of Lands & Mineral Resources Finance Manual 2010 – Section 5.3.11

### 31.11 Negligent Driving – GP058

In larger Departments, departmental committees should be set up to investigate all cases of accidents and make recommendations to their Heads of Department concerning instances of negligence warranting punitive action.<sup>18</sup>

Physical assets provide a vital resource base that supports the delivery of outputs; therefore it is important to ensure that assets are safeguarded and properly maintained.<sup>19</sup>

The motor vehicle with registration number GP058 was one of the 3 new Toyota Hilux 4wd twin cabs on operating lease that were distributed from the Ministry of Finance on 25/07/11. On 19/12/11, a survey team from the Land Use Unit went up to Nayavu in Wainibuka to pick their camping gears and survey equipment, where they came across a flooded bridge connecting Nayavu village and Colata settlement.

The audit noted that even though the bridge was flooded, the driver still attempt to cross the bridge, of which strong current swept the vehicle down the river. The accident could have been fatal because of the poor decision making and negligence of the driver and the officers on board. Refer to Figures 31.10 and 31.11 for illustrations.



Figure 26.10: Flooded Bridge

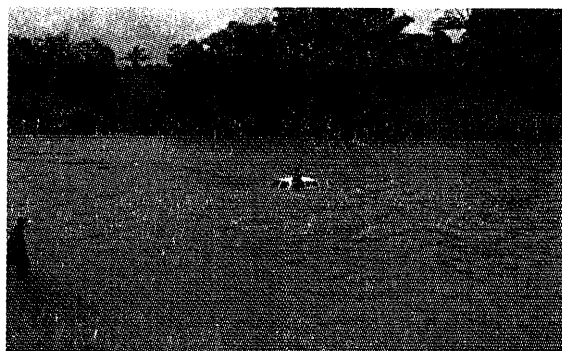


Figure 26.11: Vehicle flooded down the river

Failure to exercise proper care of the government assets during has resulted in the write off of the leased vehicle at the expense of the government which is required to fully indemnify the lessor for the total loss incurred from the accident.

#### **Recommendations**

**Thorough investigation should be conducted by the department to determine the responsible officers to whom disciplinary action and surcharge should be instigated against.**

#### **Department's Comments**

*Investigation had been carried out and the driver has been suspended from driving and also the department is awaiting legal and finance decision of personnel to be surcharged.*

<sup>18</sup> Transport Rules and Instructions (1994) Part IV Clause 22

<sup>19</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 Introductory Paragraph of Part 11

## DEPARTMENT OF MINERAL RESOURCES

### 31.12 Improper Maintenance of the Yautalei Vessel

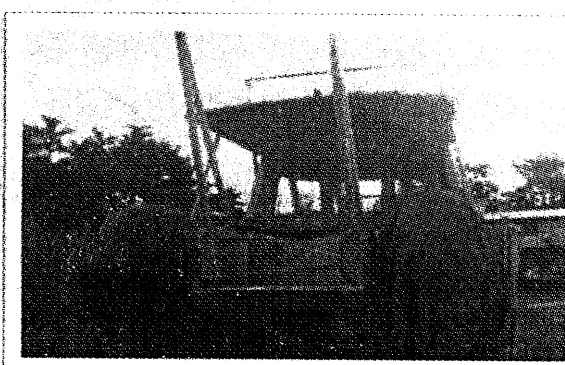
Physical assets provide a vital resource base that supports the delivery of outputs by agency. Therefore, it is important to ensure that Assets are safeguarded and properly maintained.

The department has in its possession a Yamaha 2 x 150 horse power Vessel named RV Yautalei. The following anomalies were noted in the administration of the vessel.

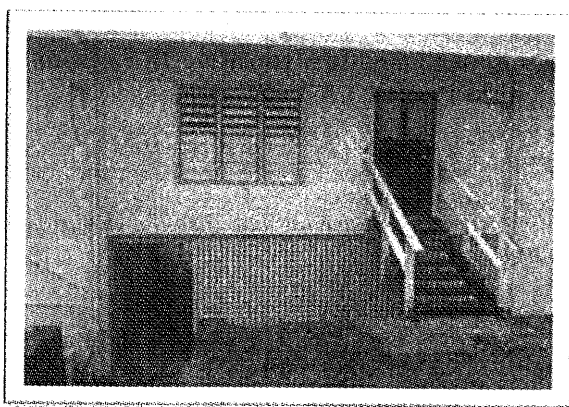
- The vessel is not registered with Fiji Island Maritime Safety Administration (FIMSA).
- The vessel has been under repair since 2009 and for the year ending 31 December 2011, the department spent a total of \$11,298.16 for repairing, refurbishing and test running the vessel. Refer to *Appendix 31.1* for details.
- The boat shed which is used to house the MV Yautalei is now being used by SOPAC. The new boat shed built by SOPAC is located in the drilling yard, which is an area prone to and has past records for theft. The vessel, together with both the engines is currently left in the open with no proper storage facilities. Refer to the illustrations provided.



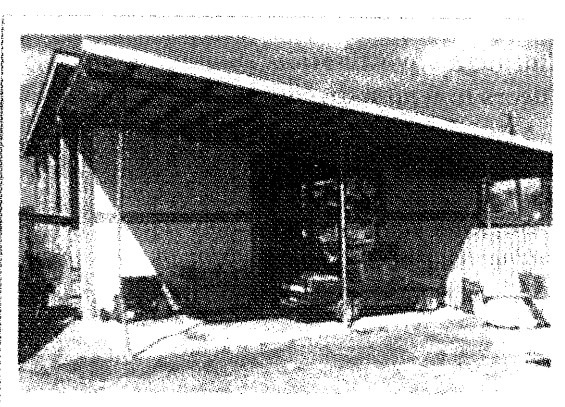
*Figure 31.12: Yautalei Vessel Being Left in the Open*



*Figure 31.13: Yautalei Vessel Being Left in the Open*



*Figure 31.14: Part Of the workshop space given to SOPAC*



*Figure 31.15: Boat Shed space that was given to SOPAC*

The department has not taken any appropriate action to have the vessel repaired and registered with FIMSA which has greatly affected service delivery of the department. Moreover, the condition of the vessel would continue to deteriorate further if immediate action is not taken to complete repairs and build a proper shed to house the vessel.

**Recommendations**

- **The Department should immediately have the vessel repaired and registered with FMISA and maintain a high level of safety at all times.**
- **Discuss with SOPAC for the provision of a proper boat shed.**

**Department's Comments**

*No Comments.*

**APPENDICES****Appendix 31.1: Total cost of repairing MV Yautalei in 2011**

Date	Vendor	Details	Cheque No.	Amount (\$)
14/04/11	Fiji Ships and Heavy Industries	Repairing of the Yautalei	20419	1,999.85
07/03/11	Jim's Enterprises Ltd	Towing of Yautalei to Fiji Ships Yard	20148	150.00
22/03/11	Samabula Auto Traders	Inner wheelbag for Yautalei Outer w/bag	20246	197.98
27/04/11	Total Fiji Ltd	Unleaded Petrol for MV Yautalei	20477	508.00
05/05/11	Fiji Ships and Heavy Industries	Repairing of the Yautalei – final payment	20524	2,000.15
17/05/11	Fiji Ships and Heavy Industries	Repair starboard belt	20616	1,840.00
17/05/11	Tradewinds Marine Ltd	Roller keel and polythene rope items	20625	785.16
25/07/11	Tradewinds Marine Ltd	Trailer coupling for Yautalei	21130	85.85
16/08/11	Tradewinds Marine Ltd	Flusher rubber for Yautalei	21256	48.25
22/08/11	Asco Motors Ltd	12v13 Plate battery	21273	349.07
29/08/11	Tradewinds Marine Ltd	Yamaha fuel line and tank fittings	21340	352.21
02/09/11	Tradewinds Marine Ltd	Filter for Yautalei	21383	106.31
04/11/11	Comm Tech	Servicing of Radio Marine VF for Yautalei	21616	267.49
07/12/11	Comm Tech	EPIRB	22088	1,428.00
24/11/11	Tradewinds Marine Ltd	Barometer plain for Yautalei	21969	475.85
07/12/11	Tradewinds Marine Ltd	Mask and snorkel for Yautalei	22101	366.14
07/12/11	Carpenters Shipping	Chart of Fiji Islands	22083	132.31
07/12/11	Tradewinds Marine Ltd	Extinguisher, life light buoy, solar	22101	205.54
<b>TOTAL</b>				<b>\$11,298.16</b>

