



EXCELLENCE IN PUBLIC SECTOR AUDITING

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# REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

**Volume 4     Audit Report on Government Ministries  
and Departments - 2013**

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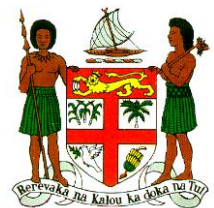
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Volume 4      Audit      Report      on      Government  
Ministries and Departments – 2013

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# OFFICE OF THE AUDITOR GENERAL

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File: 102

30 September 2014

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

Dear Dr. Luveni

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## AUDIT REPORT ON GOVERNMENT MINISTRIES AND DEPARTMENTS 2013

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In accordance with section 152 (13) of the Constitution, I am pleased to transmit to you my report on the audit of the Whole of Government Financial Statements and the Annual Appropriation Statement of the Republic of Fiji for the year ended 31 December 2013.

A copy of the report has been submitted to the Minister for Finance who as required under section 152 (14) of the Constitution will lay the report before Parliament within 30 days of receipt, or if Parliament is not sitting, on the first day after the end of that period.

Tevita Bolanavanua  
**AUDITOR-GENERAL**



## FOREWORD

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This report covers the results of my audit of the Whole of Government (WOG) Financial Statements and the Annual Appropriation Statement for 2013 and its 38 ministries and departments in the 2013 Appropriation Decree.

The purposes of this report are to:

- report on the audit of the WOG Financial Statements as at 31 December 2013, covered under volume 1 of the report;
- report on the audit of financial statements of ministries and departments as at 31 December 2013, covered under volume 2-4 of the report;
- report on the results of and matters arising from the 2013 audits of ministries and departments, also covered under volume 2-4; and
- raise others matters that warrant consideration by Parliament.

The WOG Financial Statements for 2013 have been presented in accordance with section 46 of the Financial Management Act and given the nature of Government's quasi cash environment; the financial statements have been prepared on a modified accrual basis of accounting.

A qualified audit opinion was issued on the WOG Financial Statement for 2013. Issues qualified are as follows:

- inadequate systems of internal control over cash at bank which had an impact on cash at bank totaling \$25.5 million.
- accounts receivables balance of \$18.7 million as at 31 December 2013 was not supported with reconciliations; and
- no record was provided to validate \$2.4 million relating to accountable advances for the Department of Agriculture as part of total prepayment and accrued income of \$4.3 million as at 31 December 2013.

The attention of the Ministry of Finance was also drawn to:

- term loan receivable of \$58.4 million includes a negative balance of \$12.7 million and NATCO loan balance of \$1 million is yet to be regularized to equity following a Cabinet Decision in November 2009.
- trust fund account totaling \$79.5 million includes various trust accounts with negative balances totaling \$13.7 million contrary to the nature of the trust;
- inventory totaling \$3.7 million includes Trading and Manufacturing Account (TMA) closing stock of finish goods of \$1,058,578 that could not be validated as no independent stock take was carried out; and
- various ministries and departments did not reconcile their respective expenditure with the Financial Management & Information System (FMIS) records.



All 35 ministries and departments appropriated in the 2013 Appropriation Decree submitted their draft agency financial statements for audit on time as required under section 70 (3). Out of the agency financial statements audited, 18 were issued unqualified audit opinions while 17 were qualified.

Most issues qualified were the same as those highlighted in 2012 but at a lesser extent as some ministries and departments have shown much improvement. There however remains a lot of work to improve the requirements of all stakeholders.

The result of matters arising from my audits of ministries and departments are covered under volumes 2-4 of the report. The report for each ministry and department has 2 parts. Part 1 discusses the audit of the financial statements and Part 2 discusses other matters arising from the audit.



Tevita Bolanavanua  
**AUDITOR-GENERAL**

Suva, Republic of Fiji  
30 September 2014.



## EXECUTIVE SUMMARY

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The WOG Financial Statements and the Annual Appropriation Statement of the Government of the Republic of Fiji for the year ended 31 December 2013 has been audited in accordance with section 152(1) and 152(2) of the 2013 Constitution, Sections 46 & 47 of the Financial Management Act (2004) and Section 6 of the Audit Act.

The audit resulted in the issue of a qualified audit report. The issues qualified are as follows:

- Inadequate systems of internal control for cash at bank included (i) the absence of bank reconciliations for various overseas and domestic bank accounts; (ii) various general ledger cash balances for overseas and domestic balance do not have evidence of cash held; (iii) unrecorded cash relating to domestic bank balances; (iv) overdrawn domestic cash general ledger balances without satisfactory explanations provided during the audit; and (v) those unexplained variances between the drawings account general ledger and the respective board of survey reports. These errors and omission provided a net impact for cash at bank totalling \$25.5 million;
- Accounts receivable balances totaling \$18.7 million as at 31 December 2013 were not supported with reconciliations to be prepared by responsible Ministries/Departments.
- No record was provided to validate \$2.4 million relating to accountable advances for Department of Agriculture as part of total prepayment and accrued income as at 31 December 2013 totaling \$4.3 million as shown in the Statement of Assets and Liabilities.

Management attention was also drawn to the following matters:

- Term Loan Receivable of \$58.4 million includes a negative balance of \$12.7million relating to Public Service Commission (PSC) Scholarship Funds were not fully supported. The NATCO loan balance of \$1million has yet to be regularized to equity following the Cabinet Decision in November 2009. As such, the loan receivable in Note 7 is overstated by the same amount.
- Trust Fund account totalling \$79.5 million includes various trust accounts with negative balances totalling \$13.7 million contrary to the nature of the trust.
- Inventory totalling \$3.7 million includes TMA Closing Stock of Finished Goods of \$1,058,578 could not be validated because of Department of Agriculture did not carry out an independent stock take.
- Various Ministries/Departments did not reconcile their respective expenditure as recorded in the expenditure ledger with the Financial Management & Information System as required under section 15 of Finance Instruction 2010.

The following is a summary of the audit observations:

## **2013 Whole of Government Financial Statements**

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

The Cash at Bank balance increased significantly from \$96.6 million in 2012 to \$206.7 million in 2013. This increase was due to a significant increase in domestic bank balance and trust fund account cash at bank balance by 137% and 20% respectively. There was a decrease in the overseas bank balance and TMA cash at bank balance by 5% and 14% respectively.

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 \$25.5 million.

Unpresented cheques have decreased by \$32.2 million to \$75.5 in 2013 compared to \$107.7 million recorded in 2012. The significant unpresented cheques balances in prior years indicated that spending for these Ministries and Departments were concentrated towards the end of the year. Such spending often results in uneconomical purchases affecting the following year's cash flows.

### ***Accounts Receivables***

Accounts receivables decreased from \$21.2 million in 2012 to \$18.7 million in 2013. The significant decline by 12% or \$2.5 million noted in 2013 is attributed to the write off of dormant accounts in the general ledger amounting to \$3,386,760 as approved by the Minister of Finance.

As at 31 December 2013, a total of \$1,078,793 of accounts receivable showed credit balances which indicate that debtors have overpaid their accounts and there was no evidence of a review to ascertain the reasons for these credit balances.

Numerous Ministries and Departments did not prepare reconciliations nor did they maintain debtors register. There were some instances balances in that reconciliation could not be explained nor supported.

### ***Prepayments and Accrued Income***

Prepayments and accrued income decreased by \$9.4 million or 68.6% from \$13.7 million in 2012 to \$4.3 million in 2013. The significant decrease was noted for unclaimed monies, dishonoured cheques and surcharge balances attributed to a write-off of \$9.9m as approved by the Minister of Finance.

An amount of \$2.4 million or 56% of the total prepayments and accrued income amount in relation to advances for Ministry of Agriculture from prior years could not be substantiated.

### ***Inventory***

The value of inventory held by Government has decreased by \$3.5 million or 49% from \$7.2 million in 2012 to \$3.7 million in 2013. Inventory is measured at cost.

The Ministry of Agriculture's stock certificate report reflected closing stock of \$1.1 million which were carried out by officers who are directly involved in maintaining and accounting the stock.

### ***Term Loans Receivables***

The outstanding loans owed to Government have decreased by \$9.4 million or 14% from \$67.8 million in 2012 to \$58.4 million in 2013. The significant decline is attributed to the write off of dormant accounts in the general ledger amounting to \$5.8 million as approved by the Minister of Finance.

Incorrect accounting entries being passed by the Public Service Commission to record transactions relating to its various scholarship loan accounts resulted in the negative balances of the scholarship accounts amounting to \$12.7 million.

Recurring issues highlighted during the 2012 audits were not resolved by the Ministry in 2013.

### ***Investments***

Government's investments held in 26 companies in 2013 totalled \$495.9 million. This is an increase of \$69.8 million compared to \$426.1 million in 2012. Only 6 entities remitted dividends to Government totalling \$11.98 million in 2013 compared to a forecasted dividend income for year 2013 of \$38.3 million.

The overall average rate of return on investment of 2% was recorded in 2013 which has remained constant over the last 3 years.

Governments' record of shares held in three entities is understated by \$3.97 million.

There were investments totalling \$42.5 million for four entities, for which the share certificates could not be located.

### ***Accounts Payable***

Accounts payable despite being a liability had a debit balance of \$64,339, a decrease of \$42,329 or 40% from (\$106,668) as recorded during the financial year 2012.

Supporting documents to substantiate TMA trade & sundry creditors of \$570,525 and the withholding tax of \$152,417 were not produced for audit verification.

### ***Deferred Income and Accrued Expenses***

Deferred income and accrued expenses had a balance of \$0.3 million, an increase of \$1.6 million or 128% from a debit balance of \$1.3 million in 2012.

The increase resulted from the write off of \$1.8 million of expenses in relation to the Telstat operations carried out by Republic of Fiji Military Forces (RFMF) in 2006 on behalf of Telecom Fiji to set up satellites in rural areas and outer islands. Telecom Fiji was to reimburse the RFMF on the over spending.

### ***Term Loans Payable (Borrowing Fund)***

Public debt owed in 2013 totalled \$3,824.9 million and comprised of domestic borrowings of \$2,641.5 million or 69% of total debt; overseas borrowings of \$1,081.1 million or 28%; and treasury bills \$102.3 million or 3%.

New loans raised in 2013 totalled \$275.1 million of which \$172.8 million were funded through domestic bonds and \$102.3 million in treasury bills.

There were no new overseas loans raised but cash drawdowns from existing loan facilities during 2013 in the form of interest capitalisation and direct payment amounted to \$99.9 million.

### ***Trust Fund***

The trust fund account had a balance of \$79.5 million as at 31/12/13, an increase of \$5.8 million or 7.8% from 2012. The increase is a result of new trust account opened for Ministry of Strategic Planning, National Development and Statistics and an increase in Chinese grants for the Prime Minister's Office and immigration bond.

Trust accounts with debit general ledger balances amounted to \$13.7 million and indicates that these trust accounts has been overdrawn.

A total of \$4.1 million was written off for dormant and unreconciled trust accounts as approved by the Minister of Finance.

### ***Contingent Liabilities***

A total of 14 entities were covered under Government guarantee in 2013, compared to 15 entities in 2012.

The total contingent liabilities as at 31/12/13 amounted to \$2,191.2 million of which domestic loans accounted for \$2,183.6 million or 99.7 % of total contingent liabilities and overseas loans accounted for \$7.6 million or 0.3 %.

### ***Revenue***

The total forecasted revenue by government in 2013 amounted to \$2,507,382,200 comprising of \$1,994,353,600 in operating revenue; \$114,055,200 in investing revenue and \$398,973,400 in borrowing revenue. No forecast was provided for revenue generated from government trading and manufacturing operations.

The actual revenue collections made by government from its normal operations in 2013 totalled \$2,293,114,628 thus recording a shortfall of \$214,267,572 or 9% of the total estimated revenue collection.

A variance of \$399,544,329 was noted between total revenue estimates as per the national budget and total revenue estimates as per the FMIS. The total revenue estimates as per the national budget totalled \$2,507,382,207 whereas the total revenue estimates as per the FMIS amounts to \$2,107,847,871.

A variance of \$19 million exists between Ministry of Finance general ledger balances and the FRCA revenue collection report for the year 2013.

While government recognizes the expenses and liability following loan disbursement, the revenues from the loan proceeds are not recognized hence it does not satisfy the matching principle.

## ***Expenditure***

Government spending for the year ending 31st December 2013 as authorized under the National Budget totalled \$2,315,635,533 an increase of \$49,419,983 or 2% from \$2,266,215,549 spent in 2012.

Government's total expenditure for the last 10 years has been increasing at a steady rate even though there was a marked decrease in 2008, 2010 and 2012.

From 2004 to 2013 the incremental increase for operating expenditure over the 10 years period was \$399.1 million with an average increment of \$39.9 million. Operating expenditure compared to 2012 recorded an incremental increase of \$75.4 million or 5.2% during the year 2013.

TMA expenditure amounting to \$18,921,609 reflected in the financial statements is inclusive of \$1,045,778 which is the overall net loss incurred for the TMA operations of government. Therefore at 31/12/13 the total expenditure is misstated by \$1,045,778.

At Head (Ministry) level, the Ministry of Education, National Heritage, Culture and Arts and the Ministry of Health overspent their total budget appropriation in 2013.

Nineteen Ministries/Departments did not maintain an expenditure ledger to record payments made during the year for reconciliation purposes contrary to the requirements of the Finance Instructions 2010.

## **2013 Accounts of Ministries and Departments**

Major issues noted from the audit of some Ministries and Department include the followings:

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

The Office of the President incurred a total expenditure of \$2,408,051 in 2013. This includes a book entry for a budget carry-over of \$453,070 to be spent in 2014. Consequently the actual 2013 expenditure has been overstated by the same amount.

The Office Revolving Fund Account (RFA) had a credit balance of (\$306,252) as at 31/12/2013. The Office did not prepare any reconciliation for its revolving fund account as at 31/12/2013.

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

An unreconciled variance of \$1,055,236 exists between the FMIS general ledger Trust cash at bank account and the bank reconciliation balance. A further variance of \$32,626 exists between the general ledger cash at bank account and the trust liability account balance. Other anomalies include the non-receipting of direct deposits and overstatement of interest earned. The nature of payments in the 2013 trust fund statement of receipts and payment were also not disclosed appropriately to ensure disclosure consistency and comparability to the 2012 figures.

Some accounting and administrative anomalies noted for the trust fund include poor reconciliations prepared, non-recording of bank charges, interest and non-submission of annual acquittal report to the donor. The bank reconciliation errors resulted in an unreconciled variance of \$9,964 between the bank reconciliation and the general ledger records. Another variance of \$11,797 was noted between the

cash at bank account and the Trust liability account in the general ledger. An independent reconciliation carried out revealed a variance of \$12,087 between the cash book reconciliation and the cash at bank balance

As at 31 December 2013, the Office operating trust fund accounts had overdrawn balances totalling \$194,646. Most of the overdrawn balances were brought forward from previous years.

A variance of \$6,392,023.79 exists in the drawings accounts balance between the Office reconciliation and the FMIS general ledger records. The audit further noted that the Office did not submit the signed board of survey report for the drawings account.

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

There were variances between the FMIS general ledger and the Commission's reconciliation relating to the drawings account.

Verification of the FMIS general ledger records revealed that account allocation 1-02300-00000-560000 – accounts receivable had a debit balance of \$10,689,966.97. However, no reconciliation was provided hence audit could not substantiate the correctness of the above balances.

A variance of (\$112,009.91) exists between the FMIS and the Commission's reconciliation relating to the operating trust fund account.

A variance of \$297,487.74 exists in the TMA cash balance between the FMIS and the Commission's reconciliation.

There were arrears of rent totalling \$83,561.87 in the TMA as at December 2013.

### ***Office of the Attorney General***

The department does not maintain an expenditure ledger. As a result, the department could not reconcile the expenditure in the FMIS general ledger maintained by the Ministry of Finance and its records.

A variance of \$41,075 exists between the drawings account balance of the department's reconciliation and the general ledger (FMIS) records.

### ***Ministry of i-Taukei Affairs***

The revenue recovered from bond monies totalling \$509,934 was not reflected in the Statement of Receipts and Expenditure.

The Statement of Losses failed to disclose other losses as the Ministry failed to prepare a board of survey report contrary to section 49 (2) of the Finance Instructions 2010.

Details were not provided for the dormant trust fund cash at bank balance of \$1,959,998 recorded in the general ledger system.

The Ministry did not reconcile the expenditure in the FMIS general ledger as no expenditure ledger was maintained.

Only \$7.2 million or 74% of the scholarships funds were utilized from the total of \$9.7 million allocated for the year. A total of \$4.56 million is owed by sponsored and bonded students who have absconded.

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

Variances of \$181,505 and \$149,299 exist for the cash receipts and cash payments respectively between the Department of Immigration trust fund account cash book and the FMIS general ledger balances.

There is an un-reconciled difference amounting to \$1,794,695 between the FMIS general ledger cash at bank and bank statement balance.

The Ministry did not reconcile the expenditure in the FMIS general ledger as no expenditure ledger was maintained. The Ministry prepared its financial statements from the FMIS general ledger.

The damaged passport books for 2013 totaled 228 costing \$17,328. More than 50% of the damages resulted from machine errors such as printing problems, improper lamination, overheating and inking problems while some were human errors arising from judgmental errors, typing errors, incorrectly placing the passport books in the machine

The Ministry has poor control over the administration of the permit database where the system data for permit holders of foreigners does not have the issued and expiry dates of applications, the residential addresses in Fiji, and instances were noted where permit system data recorded the name of other countries as the local addresses of permit holders for foreigners in Fiji.

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

A variance of \$485,641 exists between the trust fund account liability and the trust fund bank account balance in the general ledger. In addition, the bank reconciliation balance differed from the general ledger bank balance by \$427,280.

The Ministry's arrears of revenue totalled \$46,183 as at 31/12/14 compared to \$38,592 in 2012.

The Ministry has several workmen's compensation cases pending over the years. An analysis carried out indicated that the largest number of cases was closed in 2010 whereas the following three years after that saw a reduction in the number of closed cases.

#### ***Ministry of Foreign Affairs and International Co-operation***

Board of surveys were not carried out for all Fiji Missions overseas contrary to section 49 (1) of the Finance Instructions 2010. As such, the completeness and accuracy of the statement of losses cannot be ascertained.

An un-reconciled difference of \$469,775 exists for expenditure recorded in the FMIS general ledger and the department expenditure ledger. The Ministry did not perform any reconciliation for expenditure and as a result, the audit was not able to ascertain the accuracy of the amounts stated as expenditure in the Statement of Receipts and Expenditure.

The total expenditure includes a book entry for a budget carry-over of \$1,150,747 to be spent in 2014. Consequently, the actual expenditure in 2013 has been overstated by the same amount.



Established staff allocations have exceeded its allocated budget appropriation by \$765,844.

The Ministry has poor control over payroll where there was overpayment of salary, excessive annual leave and diplomatic appointment contrary to diplomatic consular regulations.

### ***Judicial Department***

The Department had total arrears of revenue of \$11,968,031.00 as at 31/12/13 compared to \$11,341,730 in 2012.

The audit of Court records noted that there is a substantial number of pending cases under each category of Court. The highest number of pending cases was for Magistrates Court (136,634) followed by High Court (4,951) and then Family Court (2,863).

A Contractor Western Builders Limited was overpaid by \$89,786.26 on the contract for the construction of new Tribunal Court 2 & Registry at Government Buildings. There was no evidence of approved variations to the contract provided to audit.

### ***Parliament***

The Department overpaid sitting allowance to the Public Accounts Committee members.

### ***Office of the Director of Public Prosecutions***

The Office incurred a total expenditure of \$3,946,975 in 2013 against a revised budget of \$5,109,385 resulting in a saving of \$1,162,410 or 23%.

There is an un-reconciled difference amounting to \$102,465 between the FMIS general ledger expenditure and expenditure as per the cash book. The Office did not reconcile the expenditure in FMIS general ledger to the cash book or any other separate record.

### ***Ministry of Justice and Anti-Corruption***

There is an unreconciled difference of \$892,480 between the FMIS general ledger expenditure and expenditure as per cash book. The Department did not reconcile the expenditure in the general ledger (FMIS) to the cash book or any other separate record.

A variance of \$41,979 exists between the FMIS general ledger and the Department's reconciliation relating to the drawings account.

The Department's RFA as at 31/12/13 had a balance of \$52,337 out of which \$47,973 was carried forward from previous years.

Record keeping in the Titles office needs to be improved. The Office lacked a Disaster Recovery Plan and there was no certificate of fire proof by the National Fire Authority.

The Office current computer system (Titles, Deeds Registration System - TDRS) is very slow and cannot cater for the high day to day demand from customers. No offsite storage or system generated backup is available for the TDRS.

For the 820 moneylenders on record who have been issued licenses up to 2012, 423 (or 52%) have yet to renew their licenses. The department did not take any action or follow up on defaulting moneylenders.

The Registrar General did not have a Disaster Recovery Plan or a backup system for the BDM records. Records prior 1910 were also not available the issue of blank certificates to Post Fiji was not reconciled.

### ***Fiji Prisons and Correction Services***

The Ministry of Finance approved the carry-over of \$431,039.73 for completion of CCTV installation for the Fiji Corrections Service to be utilized in year 2014. The Ministry of Finance recorded expenditure under allocation of Fiji Corrections Service of \$431,039.73 2013 contrary to the carry-over policy.

A variance of \$21,442.62 exists in the sales figure between the FMIS general ledger and the Department's records.

A variance of \$63,394 exists in the bank balance between the Department records and the FMIS general ledger balance.

There is an un-reconciled difference of \$928,393 between the FMIS general ledger expenditure and expenditure as per the cash book. Fiji Corrections Service did not reconcile the expenditure in the FMIS general ledger to the cash book or any other separate record.

Prison officers were not surcharged for motor vehicle accidents caused by their own negligent. In addition, the transport section did not properly maintain documents relating to the accident, such as motor vehicle accident report, the Police report and the records that surcharge have been imposed. Instances has been noted where officers have been surcharged one or two years back but no deductions have been initiated to date.

### ***Department of Communications***

The department does not maintain an expenditure ledger. As a result, it could not reconcile the expenditure in the general ledger system maintained by the Ministry of Finance.

A variance of \$13,523,173 was noted between the department's cash at bank balance and the cash balance reported in the FMIS general ledger as at 31 December 2013.

The audit noted a variance of \$10,198 between the trust fund cash at bank recorded in general ledger (\$2,906,717) and the trust fund liability account balance (\$2,896,519).

No Tender and no contract agreement signed for the engagement of City Security Services. A total payment of \$93,628 was made to the company in 2013.

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

The Ministry did not maintain an expenditure ledger. As a result, the Ministry could not reconcile its expenditure with the FMIS general ledger maintained by the Ministry of Finance. The audit was also not able to ascertain the accuracy of the amounts stated in the Statement of Receipts and Expenditure.

### ***Ministry of Rural and Maritime Development and National Disaster Management***

A variance of \$3.7 million exists between the trust fund cash at bank recorded in the FMIS general ledger (\$6.2 million) and the trust fund liability account balance (\$2.5 million) contrary to section 58

(3) of Finance Instructions 2010. Therefore, the *Trust Fund Account Statement of Receipts and Expenditures* cannot be ascertained to be fairly stated.

A variance of \$3.1 million exists between the *Provincial Development* trust fund cash at bank recorded in the general ledger (\$5 million) and the *Provincial Development* bank statement balance (\$1.9 million) contrary to section 32(6) of Finance Instructions 2010. As such, the audit was not able to ascertain that all receipts and payments have been accurately accounted and disclosed in the main trust fund account.

In accordance with the government cash basis of accounting, total expenditure includes a book entry for a budget carry-over of \$16,983,073 million to be spent in 2014. Consequently the actual 2013 expenditure has been overstated by the same amount.

The Ministry did not reconcile its expenditure with the FMIS general ledger as no expenditure ledger was maintained. The Ministry prepared its financial statements from the FMIS general ledger.

The Ministry did not reconcile the *Prime Minister's National Disaster Relief and Rehabilitation (PMNDRR)* Trust Fund receipt and expenditure in the FMIS general ledger as no expenditure ledger was maintained. The Ministry prepared its Statements of Trust Fund Receipt and Expenditure from the FMIS general ledger.

Projects were not yet initiated for individual and communities that have given their one third deposits for various programmes which were recorded on the *Provincial Development* Trust Fund Account totalling \$359,139. This comprise of seventy (70) Rural Housing Assistance Scheme II totaling \$280,229, nine (9) Prime Ministers Relief and Rehabilitation Project totaling \$77,230 and five (5) self-help project for individuals and communities totaling \$1,680. The audit further noted that some contributions dated back to year 2003 hence a delay in project implementation of ten years.

The Commissioner Eastern Division was able to facilitate only thirty percent (30%) payment from the two million allocated to the Eastern Division to facilitate the implementation of the various project appropriated under the Public Sector Investment Program of the 2013 budget.

Poor record keeping for the Division regarding Public Sector Investment Program (PSIP) and other capital project undertaken were noted as project files were not maintained. As such the status of the project cannot be ascertained.

The inspection of the stores held at Top-Yard, Walu Bay reveal that unaccounted project building materials and other items were stacked outside the yard which have been there for some years and are deteriorating due to wear and tear. The items and materials declared unserviceable were still good and useable condition. The Tropical Cyclone Tomas Rehabilitation materials that were received in 2011 were still stacked and stored at the top yard store and were not delivered to those affected by the cyclone in the Northern Division.

The Ministry has poor control over the administration and implementation of the Tropical Cyclone Evans Housing Rehabilitation operation in the Western Division where Purchase Orders (PO) were not issued however blanket approvals were issued to the suppliers to deliver materials. The blanket approvals issued to the supplier did not contain any ceiling amount for the cost of building materials to be supplied. A total of \$227,028 was paid to Kasabia Ltd base on the invoice received for the thirty one (31) house material delivered and \$543,251 was paid to R.C. Manubhai for the forty four (44) house material delivered and \$46,272 for the eleven (11) house material delivered. The materials

purchased as recorded in the supplier's invoice were not fully delivered to recipients. The recipients of the assistance could not commence with the rehabilitation works due to part supply of materials from the supplier despite payment already made.

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

The Force did not maintain an expenditure ledger for 2013. As a result, the Force could not reconcile its expenditure with the FMIS general ledger maintained by the Ministry of Finance.

A sum of \$3,900,342 from the 2013 Force budget allocation was approved by the Ministry of Finance as carry-over funds to be utilized in 2014. The amount was disclosed in the FMIS general ledger and the Agency Financial Statement as actual expenditure incurred for 2013 resulting in total the expenditure being overstated by \$3,900,342.

As at 31 December 2013, a total of \$2.6 million is held in a bank account with the Bank of South Pacific (BSP) under the RFMF Engineers Project Fund Account.<sup>1</sup> These are funds received from Ministries/Departments for capital works to be undertaken by the RFMF engineers. The fund was not included in the Agency Financial Statements of the Force and proper records were not maintained.

An un-reconciled variance of \$31,557 exists between the December reconciliation statement prepared by the Force (\$2,139,824.87) and the general ledger balance (\$2,171,381.79). Reconciliation was not carried out on a monthly basis. Instead, a three months reconciliation was prepared for the months of February, March and April and 2 months reconciliation were prepared for September to October and another for the months of November to December.

The advance account had a credit balance of \$403,951 which had been carried forward from previous years. No action had been taken by the accounting officers to clear this credit balance.

As at 31 December 2013, the Force Operating Trust Fund Accounts had overdrawn balances totalling \$6,004,162 compared to \$5,784,111 in 2012.

The Force did not include the labour cost and the cost of its plant and vehicles in its TMA for the year ended 31 December 2013. A sum of \$42,488 was disclosed as Direct Labour in the TMA for Plant Pool. However, this does not relate to Labour but includes expenditure such as freight cartage for plants to outer islands, passage for machine operators, accommodation, meals and fuel cost.

Some RFMF Engineers projects lacked a MOU between the RMF Engineers unit and the Prime Minister's Office regarding the Capital projects that was to be undertaken.

Despite budgetary provisions for the Sukanaivalu Barracks upgrade, no work was carried out as at 31 December 2013 on married quarters (26 and 54) and the mess hall. Other anomalies noted include divergence of funds for other purposes, prepayments for building materials and lack of manpower to carry out the project. Administration and accounting procedures were also not followed.

A sum of \$1,841,166 was charged for the above programme in 2013, out of which \$1,058,895 was rolled over to be utilized in 2014. Only \$212,256 was utilized from the rolled over sum of \$1,058,895 leaving a balance of \$846,639 as at 31/12/13.

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<sup>1</sup> BSP Bank Account Number 6652519

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

A variance of \$872,812 exists between the Force's Drawings bank account reconciliation and the FMIS general ledger balance. The Drawings bank account reconciliation was not performed properly to account for the cheques issued, cheques presented and the un-presented cheques as at 31/12/13. As such the completeness and accuracy of payments made and recorded in the Statement of Receipts and Expenditure could not be determined.

The Board of Survey was not carried out contrary to section 49 (1) and (2) of the Finance Instructions 2010. As such the completeness and accuracy of the Statement of Losses cannot be ascertained.

The Force did not reconcile the expenditure in the FMIS general ledger as no expenditure ledger was maintained. The Ministry prepared its financial statements from the FMIS general ledger.

A total of \$423,966 was written off for account balances of the Force deemed irrecoverable and unverifiable. These include drawings, inter departmental clearing accounts, accounts receivables and trust fund accounts. Yet despite the designated authorization provided by the Minister of Finance, there was no supporting documents produced to audit to consider the completeness of adjustments and the validity of the accounts in the financial statements

A total of \$2,720,509 in un-presented cheques were over six month old which were considered to be stale cheques however the force did not clear this stale cheques at the end of the year.

The Force has poor control over payroll where the audit could not ascertain salaries and wages totaling \$3.45 million for Special Constables (SC) as certified salary and wages reconciliations were not maintained and provided for audit verification upon audit request. In addition salaries totaling \$10.1 million for established staff, \$1.4 million for special constables and \$266,525 wages were not reconciled on time. The audit established that some salaries and wages were reconciled after one year. The Force engaged excessive new recruits (PL08) and some contract workers contrary to the Public Service Commission approved staff establishment.

The Force has poor control over recruitment as application forms, supporting police clearance forms medical clearance forms and other supporting documents such as birth certificates and examination transcripts were not produce to audit.

The Fiji Police Force had unidentified contribution of \$15,151 with FNPF as at 31/12/2013.

The Force did not provided payment vouchers and supporting documents for expenditures totaling \$1,014,052.

The Force did not put in place a contract for the procurements of footwear worth \$374,225 as per required by the Government Tender Board.

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

The general ledger balances totalling \$8,149,574 in relation to TMA equity were not provided for audit and is a recurring audit issues in prior audit years.

A variance of \$18,422,688 was noted in the drawings account with the Ministry and the general ledger (FMIS) balance.

A variance of \$665,380 was noted in the trust fund account between the general ledger balance and bank statement balance as at 31/12/13.

The Ministry's operating trust fund account had a variance between FMIS records and the Ministry's record due to various postings to FMIS allocations which were not included by the Ministry's reconciliations.

The Ministry did not have any acquittal guideline for the payment of the salaries to Cabinet Ministers. The acquittal reports provided by the Ministry were not fully supported with supporting documents to be in agreement with Head 50 funds released by the Ministry of Finance.

Ministries/departments do not submit competitive quotes to the Ministry of Finance in their submission for request of Head 50 funds for the payment of airfares for the Ministers during 2013.

The ministry had incurred over-expenditure amounting to \$2,393,242 during the year relating to Pensions, Gratuities & Compassionate Allowance from Head 51.

Payments made from Head 51 totaling \$6,102,817 without any check or verification by the paying offices which include Judicial Department, Prime Minister's Office and Fiji Military Forces. These checks and verification would provide an assurance to Pension Office that payments have been made to bona fide recipients.

The first and second quarter reports for 2013 showed overpayment to pensioners for amount totaling \$52,299. Moreover, internal audit report highlighted overpaid pensioners during the year 2011 and 2012 which have not been recovered by the pension's office at the time of the audit.

There was no internal audit review carried out for the Debt Unit in 2013.

The Ministry of Finance did not utilize the amount set aside for repayment for various loan accounts totaling \$3,255,000 and \$1,169,506 for the year ended 2012 and 2013 respectively.

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

The Department outsourced its printing services without any evidence of the approval of the Minister as required under section 32 of the Procurement Regulation 2010.

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

TMA creditors for FPO showed debit balance of \$597,668 contrary to the nature of the balance that the account should have.

Numerous agencies failed to submit their Annual Procurement Plan to Procurement Office as required by section 26.1 of the Procurement Regulations 2010.

Contract documents from the 2012 and 2013 approved tenders relating to Ministry of Education, Fiji Police Force, Fiji Navy, and Republic of Fiji Military Forces are not available at the Procurement Office as required under the Finance Circular No. 3/2013.

Numerous instances where the tender process from the advertisement of the tender to the board approval has gone over period of three months which may compromise the fairness and impartiality of the procurement process.

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

Numerous documents or information requested from ITC Steering Committee for audit were not made available.

The Public Private Partnership Agreement between the Government of Fiji and Yalamanchili International PTE Ltd on 28/09/2012. The audit could not establish whether IT Strategy has been put in place as there was no response received from our enquiry.

The Annual Procurement Policy is yet to be in place by the ITC Steering Committee

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

#### **National Planning Office**

The Ministry incurred expenditure totalling \$10,147,496 during 2013 against a revised budget of \$11,452,456 resulting in a savings of \$1,304,960 or 11.4%.

The reconciliation statement for drawings accounts for Strategic Planning and National Development Office was not provided for audit.

The Integrated Human Resources Development Program (IHRDP) Trust Account is understated by \$40,491 as a result of incorrect accounting of the community contributions received in 2012 that is still being reflected in the Consolidated Fund Account and is yet to be refunded into the IHRDP Trust account.

The Strategic Planning and National Development Office did not reconcile the expenditure recorded in the FMIS as no expenditure ledger was maintained and prepared its financial statement from the FMIS general ledger records. As a result, the accuracy of expenditure totalling \$4,012,618 as part of the Ministry's total expenditure reflected in the Statement of Receipts and Expenditure could not be ascertained.

An Economic Planning officer (EDP 91254) who was on attachment with the Commissioner Northern Office was overpaid on the post of Acting Senior Economic Planning officer due to an input recorded in the FS01 form sent to the Ministry of Finance for Pay 04/13.

#### **Bureau of Statistics**

The Bureau of Statistics paid out \$54,743 being the wages and overtime pay owed to project officers for 2013 from the 2014 budgetary allocation under SEG 7 – Special Expenditure due to the Bureau's inability to meet the deadline of 31/12/13 set by the Ministry of Finance for processing of all 2013 payments.

An officer (EDP 90791) who caused damage to the government vehicle was surcharged \$5,629. The Bureau has not activated the salary deduction as the Bureau is awaiting an advice from the Surcharge Unit of the Ministry of Finance on the amount to be deducted. The Officer has only seven years of service left to reach the compulsory retirement age of 55.

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

The ministry recorded \$637,110 as expenditure for 2013 in the FMIS general ledger contrary to the carry-over policy of the Ministry of Finance.

Five of the eleven TMAs under the Ministry are inoperative. TMAs that were still active had continuously been operated at a loss. In addition, accounting records were inadequate to provide sufficient appropriate evidence to substantiate the balances reported in the financial statements.

The effectiveness of the reconciliation process and the reliability of information provided through the reconciliation of accounts were doubtful as there were un-reconciled variances noted between the reconciliations statements for various accounts prepared by the Ministry and the balances reflected in the FMIS general ledger. These also resulted in the qualification of the Ministry's Agency Financial Statement.

Revenue records for TMAs under the Divisional Engineer Central Eastern have been misplaced and other accounting records were not properly maintained and provided for audit, increasing the risk of mismanagement.

Poor inventory management was noted at the Divisional Engineer Western.

Determining the actual costs of projects from the expenditure records and verifying the costs was difficult due to the absence of audit trail and that unrelated costs were charged to any project accounts that had savings.

Adjustments to the general ledger without proper approval have been a recurring issue thus increasing the risk of manipulation of accounting records.

Procurement and payment procedures were being circumvented, increasing the risk of fraud and mismanagement of public funds.

The salary reconciliation process performed was ineffective as it failed to detect numerous incorrect payments of wages and salaries.

### ***Ministry of Agriculture***

The Ministry did not maintain adequate accounting records to provide sufficient and appropriate evidence to substantiate balances reflected in the financial statements for Trading and Manufacturing Accounts (TMA).

The Ministry's stock certificates reflected total closing stock of \$1,058,577. However, reliance on this balance was limited as the stock takes were carried out by officers directly involved in maintaining and accounting for the stock without an independent supervision.

Reconciliations of accounts were not carried out properly and correctly resulting in significant variances between the reconciliation statements and the FMIS general ledger. In addition, balances in the reconciliation statements and the general ledger were not properly supported with relevant documents.

Overall financial performance of the TMAs from previous years has been poor.

Ineffective controls on the management of property, plant and equipment.

\$688,334 or 85% of arrears of revenue have been outstanding for more than 5 years. The arrears are mainly related to the outstanding repayments from farmers for assistance provided to them under different agricultural programs in previous years.

Unavailability of consolidated data/information on assistance provided to farmers/individual/groups under the various agricultural programs over the years and their current status had provided a limitation to the scope of the audit. For the past five years, around \$19.1 million have been utilized for the Demand Driven Approach (DDA) Agricultural programs. In addition, it was difficult to determine



whether the general objectives of the DDA programs were being achieved due to the absence of consolidated data/information on the monitoring and evaluation of individual projects against their objectives.

Common irregularities were identified across 80 farms visited in the Central Division with total assistance valued at over \$1.2 million.

Machines purchased and constructed at the Koronivia Research Station have not been utilized for a number of years.

Procurement and payment procedures were being circumvented, increasing the risk of fraud and mismanagement of public funds.

The salary reconciliation process performed was ineffective as it failed to detect numerous incorrect payments of wages and salaries.

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

The reliability of information provided through the reconciliation of accounts was doubtful as there were un-reconciled variances noted between the various reconciliation statements prepared by the Ministry and the balances reflected in the FMIS general ledger.

Adjustments to the FMIS general ledger without approval and without supporting documentation were prevalent which increases the risk of manipulation of accounting records.

Recovery of arrears of revenue for Crown land lease has been slow as the balances over the past five years have been increasing. The arrears of revenue as at 31/12/13 totalled \$25.2 million, an increase of \$7.2 million or 40% since 2010.

The salary reconciliation process performed was ineffective as it failed to detect numerous incorrect payments of wages and salaries.

Adjustments to the general ledger without proper approval have been a recurring issue thus increasing the risk of manipulation of accounting records.

Procurement and payment procedures were being circumvented, increasing the risk of fraud and mismanagement of public funds.

### ***Ministry of Fisheries and Forests***

Trading Manufacturing Accounts have continuously operated at a loss. Accounting records were inadequate to provide sufficient appropriate evidence to substantiate the balances reported in the financial statements.

The reliability of information provided through the reconciliation of accounts was doubtful as there were un-reconciled variances noted between the various reconciliation statements prepared by the Ministry and the balances reflected in the FMIS general ledger.

The Ministry of Finance approved the carry-over of \$180,704 for funds related to various projects to be utilized in 2014. However, this was recorded as expenditure for 2013 contrary to the carry-over policy of the Ministry of Finance.

Contracts were endorsed by officers whose authorized procurement limits were below the contract sum.

The Department of Forests did not maintain a structured information database to consolidate and capture all information on the types licenses issued and details of licensee for all Divisions, to produce useful information that will aid decision-making. In addition, there is potential risk for revenue leakage.

Officers occupying government quarters had substantial rental arrears as at 31 December 2013.

### ***Ministry of Sugar***

Ineffective controls on the management and accounting of fixed assets (property, plant & equipment).

The reliability of information provided through the reconciliation of accounts was doubtful as there were significant un-reconciled variances noted between the various reconciliation statements prepared by the Ministry and the balances reflected in the FMIS general ledger.

Acquittal reports for government grants and subsidies paid to the Sugar Research Institute of Fiji and the South Pacific Fertilizer Limited were not provided to the Ministry.

### ***Government Shipping Services***

Transactions in the FMIS general ledger totaling \$1,187,178 could not be substantiated to any accounting records maintained by the Department.

There is a lack of records to substantiate the use of fuel and oil. The Department incurred a total expenditure of \$1.2 million on fuel and oil for both vehicles and vessels in 2013.

Procurement and payment procedures were being circumvented, increasing the risk of fraud and mismanagement of public funds.

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

#### **Headquarters**

A variance of \$293,784 existed between the Ministry's gross pay on which FNPF was paid and the audit calculations of gross pay subject to FNPF.

Amounts disclosed in the Appropriation Statement could not be substantiated as the virement files and the virement register was not maintained up to date.

The Ministry did not prepare drawings account reconciliation for the months of November and December 2012, thus audit could not substantiate the opening balance of \$5,524,332 used to prepare drawings account reconciliation for January 2013.

A variance of \$1,131,989 existed between the presented cheques list and the presented cheque amount in the drawing account reconciliation.

A variance of \$4,306,641 existed between the Ministry's drawings account reconciliation and the FMIS general ledger.

The Ministry's un-presented cheques in the drawings account increased by \$4,157,998 or 75% as at 31/12/13 compared to 2012.

A variance of \$5,303,884 existed between the VAT paid to FRCA for the year 2013 and the general ledger.

A variance of \$1,301,426 existed between the total revenue collected by the Ministry as per the bank statement and the FMIS general ledger.

The Ministry did not maintain an expenditure ledger to reconcile its records with the FMIS general ledger.

A variance of \$465,725 existed between the Ministry's main trust account reconciliation for December and the FMIS general ledger.

The main trust account bank reconciliation as at 31/12/13 comprised of \$235,924 from previous years which could not be substantiated as no reconciliation was carried out in the previous years.

A variance of \$131,794 existed between the Ministry's main trust account receipts cash book and the FMIS general ledger.

A variance of \$150,689 existed between the Ministry's main trust account payments cash book and the FMIS general ledger.

The opening balance of \$152,725 in the main trust fund account could not be verified as the main trust fund account for 2012 was not prepared.

The main trust fund was overdrawn by \$77,075.59 as at 31/12/13.

A board of survey for the whole Ministry was not conducted.

A payment of \$434,917 made by the BPS to the Ministry of Finance on 29/1/13 was not reflected in the equity account in the TMA balance sheet.

The TMA balance sheet as at 31/12/13 was not balanced and had a variance of \$384,998. The Ministry of Finance used TMA Surplus Capital Retained to CFA of \$384,998 to balance the TMA balance sheet. The balance of \$384,998 disclosed as TMA Surplus Capital Retained to CFA in the balance sheet could not be substantiated.

The Ministry reported a VAT receivable of \$142,425 in the TMA balance sheet as at 31/12/13. However the VAT calculation performed by audit noted a VAT payable of \$2,592.

The BPS does not hold any inventory stock and does not require a warehouse. However the BPS was paying \$1,500 per month or \$18,000 per annum to FPBS for 44.93 square meters of space for the warehouse.

In several occasions the Ministry charged VAT on zero rated revenue allocations and in other occasions it did not charge VAT on revenue allocations that are not zero rated resulting in loss of government revenue.

Several officers of the Ministry continued to receive salaries and allowances after the effective dates of their resignations, terminations and ceasing of acting allowances. The Ministry did not maintain an up to date OPR registers for the Clinical and the Technical Officers. In addition OPR register was not maintained for the headquarters staffs. • The Ministry was not able to provide the total salaries overpaid during 2013. Out of a total of \$610,345 salaries overpaid for the years 2010 – 2012 the Ministry recovered only \$27,018.91 or 4.4%.

The Ministry did not deduct the insurance excess of \$3,000 from a drivers final pay totalling \$7,188.31 on termination.

The Ministry did not exclude the contingency sum from the total contract price, thus all the contracts were overpriced by the amount of contingency sum. The Ministry paid the contractors the contingency sum without any variations in the project costs.

Retention sums deducted from the contractors claims were not deposited in the Trust Fund account with the Ministry. The retention sums remained in the capital project allocation and were fully utilised.

The Ministry made several progress payments for projects undertaken without progress reports or inspection reports from the Architect/Supervising Officer.

The Ministry was not able to provide minutes of one meeting held on the project site for renovation and refurbishment of St. Giles Hospital.

The Ministry's Clerk of Works were not based at the project site to provide direct supervision on the projects, instead the Clerk of Works were based at the Headquarters. The Ministry did not appoint Clerk of Works to oversee the construction of the Kamikamica Park Hub Centre in Lautoka. The completion of the Kamikamica Park Hub Centre in Lautoka was delayed by 6 months and the contractor was not held liable for the delays as there was no provision in the contract agreement. In addition the Ministry overpaid the contractor by \$2,002.50 in progress payments.

The Ministry made advance payment of \$185,566 to Ministry of Works, Transport and Public Utilities prior to the commencement of the project. The MOU between the Ministry and Ministry of Works, transport and Public Utilities did not state the commencement and completion dates for the project. The project was not completed within 8 weeks of the effective date of Memorandum of Understanding, 19/09/13.

The Ministry paid for further treatment of patients in India since the surgeries conducted by local doctors failed due to their negligence. The Ministry paid for overseas medical treatment costs which were higher than the amount initially quoted by the overseas Hospital. The Ministry did not perform independent verification of the final claim sent by the overseas hospital to justify the variation in costs for patients sent for overseas medical treatment.

The Ministry did not have a Standard Operating Procedures for the charter of aircraft for medical evacuation of patients from maritime islands to CWM Hospital. The Ministry failed to obtain Government Tender Board approval and a service agreement despite paying more than \$50,000 to Northern Air Services, Island Hoppers and Fiji Navy annually.

The Ministry made payments to the charter service providers on photocopied and faxed invoices. The Ministry paid a fuel surcharge to Island Hoppers. However, there was no formal agreement or approval regarding the payment. The Ministry paid 2012 invoices for charter of aircraft in 2013. The invoices were certified by the receptionists, Ms. Alisi Ravosai and Eliza Qereqeretabua at CWM Hospital even though they did not have the authority to do so.

The Ministry paid \$41,400 to Zuriel's Security Services for sponsoring the Uprising 7's even though the payment did not in any way relate to promoting awareness for Non-Communicable Diseases.

Several local purchase orders were raised by the Ministry after the goods and services and invoices were received. The Ministry paid 2012 expenses totalling \$130,597.71 in 2013.

### **Fiji Pharmaceuticals and Biomedical Services**

Stock balances of several drugs and consumables were either overstated or understated in the EPICOR system as opposed to the actual balance in stock as at 31/12/13.

Drugs and consumables worth \$369,328 expired as at 31/12/13. Drugs and consumables purchased by the Ministry were to expire in 1 to 9 months from the date of manufacture.

Items ordered in 2012 and 2013 totalling \$8,911,839 from overseas suppliers were not received as of the date of audit. Several drugs and consumables were out of stock as of the date of audit.

Drugs and consumables totalling \$7,006,293.59 were held in excess of the predetermined maximum stock level. Several drugs and consumables were below the predetermined minimum stock level requirement.

Laundry equipment was purchased at a cost \$2.7million in 2009 however 1 of the equipment was not utilized for 32 months. The ironer of the laundry equipment was damaged in January 2012 due to flooding. This was known after installation was carried out in May 2012. The total cost incurred in installation of the laundry equipment was not provided by the Ministry.

Purchase order PO85101 000864 for the supply of various reagents and consumables for the whole year 2013 worth \$1,051,264 from Medical South Pacific Limited was not monitored by Ministry.

### **Colonial War Memorial Hospital**

Dry goods not stored properly in the storeroom. Waste water pipes at the CWM kitchen were leaking due to poor plumbing works resulting in blocked drains that emit bad odor. Several windows at CWM Hospital's Kitchen had missing louver blades and toilet facilities not properly cleaned. The storeroom had several items that had been written off in 2012. In addition, other items were lying on the floor as there was inadequate space to store the items.

Items written off at CWM Hospital were not disposed by the Manager Administration and Finance. The IT room at CWM Hospital did not have any security control for entry and exist.

### **Nadi Hospital**

Several items that have been boarded were not properly disposed by the Nadi Hospital management. The Nadi Pharmacy was still holding on to expired drugs. There was no proper storage space for the portable x-ray machine after use. The hospital's consumables were stored in the old hospital building which was deteriorated and inhabitable. The hospital stored diesel and kerosene with electrical and other items in the generator room.

### **Lautoka Hospital**

There was no contract agreement between the Ministry and Public Works Department to carry out the associated works for the installation of two new elevators at the Lautoka Hospital. There was no commencement and completion timeline and scope of works identified for installation of the two new elevators and communicated to the Ministry of Works Mechanical section. There was no agreement for the disposal of the old elevators and its accessories. The dismantling work had not been done as at the date of audit despite advance payment of \$40,860. • There was a delay of four months between the government tender board approval to OTIS Elevators on 15/08/12, and the first payment of \$369,085 on 10/12/12.

There was a 6 months delay in the completion of the Kamikamica Park Health Centre which was to be completed on 03/01/13 as per the contract agreement. The Kamikamica Health Centre does not have essential equipment. The staffs at the Kamikamica Park Health Centre do not know how to use the fire extinguisher in case of emergency. The Kamikamica Health Centre gets flooded when it rains due to its low lying floor.

There was no running sheet maintained for 16 of the 17 vehicles allocated to Lautoka Hospital.

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

The Ministry used only \$1,770,702 from the Social Pension Allowances and \$1,208,923 from Care and Protection Allowances thus had a savings of \$1,469,298 or 45.4% in Social Pension Allowances and \$4,781,077 or 79.8% in Care and Protection Allowances.

The Ministry used funds from PBS allocation to pay for the Social Pension Allowances and Care and Protection Allowances. The Ministry was not able to provide the total amount paid for the Social Pension Allowances and Care and Protection Allowances from the PBS allocation.

The Ministry did not maintain appropriate and sufficient details in several PBS recipients case files. The Ministry did not provide certain PBS recipient files for review as the Ministry could not locate the files.

The Ministry did not have any monitoring process in place to effectively monitor the status of recipients under the Social Pension Scheme. The Ministry failed to maintain proper and separate files for the individual recipient of Social Pension Scheme.

The Ministry disbursed funds towards various women's clubs to carry out income generating projects however the Ministry did not require these project owners to submit progress reports. In addition no project inspections were carried out by the Ministry to review how the projects were progressing and assess whether funds were properly utilized.

Several officers of the Ministry who were given advances for official travel in 2013 did not retire their advance within 7 days upon returning from official tours. The days advance not cleared ranged from 186 days to 4 days. However, the Ministry did not commence salary deductions.

The Ministry's budget indicated that aid in kind to be received from various international agencies totalled \$1,204,335. However, the Ministry was not aware of the aid in kind and did not receive such aid in kind during 2013. In addition the Ministry did not follow up with Ministry of Finance on the aid in kind.

The Ministry on several instances allocated same reference numbers to more than one Family Assistance Allowance recipients. Additionally on several instances the recipients of Family Assistance allowance had only their first name included in the list of payments submitted to the banks. There was no evidence to indicate that the Family Assistance Allowance payment list was checked by a Senior Officer before it was loaded for payment. The Ministry submitted to the bank the payment listing of Family Assistance Allowance for several recipients who had dual bank accounts. In addition, the Ministry was paying Family Assistance Allowance to both bank accounts.

The Poverty Benefit System (PBS) system used by the Ministry is not interlinked with all other PC's that has PBS database installed and in all the divisions. All computers or laptops operate on their own as a result the Social Welfare Officer (SWO) has to review the applications on individual computers or laptops. The Poverty Benefit Scheme System could not print the decisions made by the Senior Welfare Officer once the assessment was completed.

The Poverty Benefit Scheme system did not have adequate capacity to load more than one picture. Hence pictures taken by Welfare Officers during their field visit as evidence of the state of welfare of the recipients were not stored in the system. Adequate records were not maintained in the Poverty Benefit Scheme recipient's case files in the Western Division.

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

The board of survey for a number of schools, stations and sections were not carried out for the Ministry.

An unreconciled variance of \$6,834,145 existed between the Ministry's Drawings Account reconciliation and FMIS general ledger balance as at 31 December 2013. The un-presented cheques as at 31 December 2013 increased to \$8,143,657 compared to \$4,367,708 in 2012. This was due to large amount of purchases made towards the end of the year.

A variance of \$811,209 existed in the Revolving Fund Account between the Ministry's reconciliation balance and FMIS general ledger balance as at 31 December 2013.

There were weak controls over the administration of journal vouchers. On several occasions, the journal vouchers were not approved by the Principal Accountant and were used to adjust expenditure account balances.

The Ministry did not maintain an expenditure ledger which could be used to ascertain that all receipts and payments had been accurately accounted for in the Financial Management Information System (FMIS) maintained by the Ministry of Finance.

The Ministry overpaid its staff in salaries totalling \$91,051.03 as at 31/12/13.

The Ministry paid Hot Spring Investment Ltd \$182,000 or 93% of the contract sum for upgrading and renovation works carried out at Ratu Kadavulevu School. During the site inspection carried out by audit, it was noted that significant portion of the upgrading and renovation works were not carried out by the contractor. Contingency sum was not set aside by the Ministry from the total contract price. As a result the contract sum was overpriced by the amount of the contingency sum.

The respective District Education Officers did not provide the progress and acquittal reports for \$200,000 used for repairs and maintenance work on 3 schools within the declared World Heritage Zones. The contractual agreement for capital construction did not include the payment of performance bond clause and the agreements did not state the expected date of commencement and completion of the projects.

Bus fare coupons and ticket butts for the year 2013 were destroyed without proper approvals. This has been the practice since the inception of the bus fare scheme in 2010. The Ministry was not able to provide a breakdown of the total number of bus fare coupons processed and the total payments made by the divisions to the transport providers despite several requests.

The Ministry does not have a standard grant reporting framework for schools to indicate how the grant funds were utilized.

The Ministry paid \$20,950 to Davui Printery for printing of TVET Achievement Level Booklets. The purchase orders were split to ensure the amount is within the authorized limits of the Director TVET. There were inadequate segregation of duties for purchase of goods and services in the TVET section resulting in double payments to vendors, unsubstantiated repair works, fraudulent dealings with Korea Auto Traders and fictitious quotations used for purchase of stationaries.

Quotations from 2012 were used to procure goods and services in 2013. Laptops and desktops computers were purchased from unauthorized suppliers. Tenders were not called for contracts exceeding \$50,000.

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

The Department purchased equipment worth \$230,359 to carry out quality testing of water. However, the Department is yet to set up the Laboratory to carry out the tests. The consultant is yet to commence work to formulate the regulatory legislation for water and sewerage services.

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

An unreconciled variance of \$981,333 existed between the main trust fund account general ledger and the bank statement as at 31/12/13. The bank reconciliation for the main trust fund account was not prepared for 2013.

The Department reengaged retired officers without the approval of the Public Service Commission.

Prior approval for variations to the approved tender specification for the supply, installation and commissioning of 1200 Solar Photovoltaic Home Systems was not obtained from the Government Tender Board. The Department paid \$1,468,149.43 or 40% of the tender value to Powerlite Generators (Fiji) Limited before the components of Solar Photovoltaic Home Systems were delivered.

Payments for Mauna House Wiring Projects were made without inspection reports from the project supervisor and the contract document for Mauna House Wiring Projects did not outline the date of commencement and completion of the entire projects.

The Department purchased 15 complete sets of 50m Wind Monitoring System out of which only 1 has been installed as the Department is yet to identify the sites for installing the remaining 14 System.

The Department allowed variations totaling \$365,739 for the construction of access road for the Somosomo Hydropower Station. There was no contingency sum set aside to cater for the variation.

The Department on 05/08/13 paid \$1,196,113 to Fiji Electricity Authority for the Nayala Grid Extension. However as at 20/05/14, FEA was yet to commence with the work. In addition the contract agreement signed between the Department and FEA did not include important clauses such as performance bond, retention sum, delay damages, project commencement and completion dates.

The Government Tender Board (GTB) approved the installation of PV Solar Home Systems for 649 households situated in Vanua Levu and 351 households situated in Maritime Areas. During the installation phase the Department cancelled all 649 applications for the household situated in Vanua Levu without the approval of GTB.

The Department did not carry out proper due diligence exercise before setting up the Biofuel Testing Laboratory.

### ***Ministry of Youth and Sports***

VAT returns filed by the Ministry and total expenses revealed a variance of \$467,394.66.

The Ministry did not maintain an expenditure ledger that could be used to reconcile its expenditure with that recorded in the Financial Management Information System general ledger.

The Ministry paid consulting fees totalling \$30,163 to Mr. James Smith to provide strategic direction and advice on the implementation of the Sports policy. However, no report or evidence of task completed by the consultant was produced for audit verification.

The Ministry developed only 1 rural sports field out of the 8 planned for the year 2013. In addition the contract agreement with contractor to develop the sports field did not outline penalty for late completion of projects and retention clause.

The Ministry failed to provide the scope of works and breakdown of the total cost incurred in terms of labour costs, material and plant hire for the upgrading works at Naleba and Naqere Training Centre.



The upgrading works at the National Youth Band was not supervised by an experienced builder as defects were noted during the site inspection carried out by audit.

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

An unreconciled variance of \$358,893 existed between the Environment's main Trust Fund Account general ledger and bank statement balance as at 3/12/13.

The Ministry did not maintain an expenditure ledger that could be used to reconcile its expenditure with that recorded in the Financial Management Information System general ledger.

The Ministry re-engaged a retired technical officer and paid incorrect salary which resulted in an overpayment of \$3,232.

There was poor management of funds allocated for the 9th Pacific Islands Conference on Nature Conservation and Protected Areas.

The Ministry did not properly manage the design and construction of Naboro Landfill Phase 2 project as an Engineer was not appointed to monitor and supervise the project and contractor did not use appropriate materials as required by the special conditions of the contract. The revenues collected as gate fees from the operations of Naboro Landfill were not deposited into the nominated bank account by the contractor. In addition, separate records were not kept and reconciliation prepared to ascertain the accuracy of the daily gate fees collected by the contractor.

The Ministry failed to obtain approval from Ministry of Finance to incur expenditure for organising Fiji National Faith Based Organisation Environment Stewardship Summit for which funds were not allocated in the budget. Grant agreement between the Ministry and Suva City Council for \$450,000 to construct the Market Shelter for weekend vendors was not made and Suva City Council failed to provide acquittals with details of grant money expended and the balance available.

Several instances were noted where funds allocated for implementing Environment Management Act were used for procuring goods and services not related to Environment Management Act.

Several journal vouchers were raised during the year without supporting documents and approval from Senior Accountant.

### ***Department of Housing***

Review of the Omark Squatter Upgrading Subdivision project revealed that the Department failed to renew the consultancy contract with Ian Macallan & Co (Fiji) Limited.

The People's Community Network (PCN) received \$642,447.17 for Lagilagi Housing Project. The PCN failed to provide the audited financial statements for the funds received.

The contractor failed to complete the construction of 7 low cost houses at Wailekutu Settlement despite the contractor been paid \$75,600 or 63% of the contract sum.

National Joint Committee paid capital grants totaling \$116,826.44 to two City/Town Committees in 2012. However, grant agreements were not entered into outlining essential particulars, including the purpose of capital grant, duration of the projects and monitoring processes.

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## Section 25

## Government Shipping Services

### Programme Statement

The primary role of the Government Shipping Services is:

- To serve Government's shipping services needs by providing shipping & related services through the development of shipping strategies & related infrastructure.
- To operate & maintain mandatory Marine Navigational Aids by facilitating sea transportation therefore providing Travel, Tourism, Agriculture, Fisheries, Commercial Activity, facilitate Sea Safety and fulfilling National Obligations.
- To facilitate professional and mandatory maritime training by providing vessels for enhanced maritime training thus improving employment opportunities, promoting social and economic growth and facilitating training for Fiji Maritime Officers & Administrators.

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## PART A: FINANCIAL STATEMENTS

### 25.1 Audit Opinion

The audit of the 2013 accounts of the Department of Government Shipping Services resulted in the issue of an unqualified audit report.

### 25.2 Statement of Receipts and Expenditures

The Department collected revenue totalling \$75,436 and incurred a total expenditure of about \$13 million in 2013.

**Table 25.1: Statement of Receipts and Expenditures for 2013**

Description	2013 (\$)
<b>RECEIPTS</b>	
<b>State Revenue</b>	
Fare and Freight Charges	72,392
Miscellaneous	3,044
<b>TOTAL REVENUE</b>	<b>75,436</b>
<b>EXPENDITURE</b>	

Description	2013 (\$)
<b>Operating Costs</b>	
Established staff	851,437
Government Wage Earners	1,672,799
Travel and communications	100,376
Maintenance & operations	2,619,394
Purchase of goods and services	169,027
Operating grants and transfers	1,092,570
<b>Total Operating Costs</b>	<b>6,505,603</b>
<b>Capital Expenditure</b>	
Capital Construction	874,847
Capital Purchases	4,877,347
<b>Total Capital Expenditure</b>	<b>5,752,194</b>
Value Added Tax	735,065
<b>TOTAL EXPENDITURE</b>	<b>12,992,862</b>

The total revenue of \$75,436 collected in 2013 was from fares and freight charges and other miscellaneous revenue.

Apart from salaries and wages, other major components of expenditures in 2013 include the following:

- The maintenance and operations had a revised budget allocation of about \$3 million with expenditures incurred totaling \$2.6 million. Funds were vired to this allocation to supplement the original budget of about \$2.5 million. Additional funds were sought for the fuel and oil for vessels, materials for vessels and office equipment.
- Operating grants and transfers had an original provision of \$1.5 million for the Fiji Shipping Franchise Scheme. However, this allocation was reduced due to virements to other SEGs to meet costs during peak season of 2013.
- The major component of capital expenditures was for the procurement of new shipping vessels in 2013.

## 25.3 Appropriation Statement

The Ministry incurred expenditures totalling \$13 million in 2013 against the budget of \$14 million resulting in a savings of \$1 million or 9%. Details of expenditures against the budget estimates are provided in Table 25.2 below.

**Table 25.2: Appropriation Statement for 2013**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	912,246	-	912,246	851,437	60,809
2	Government Wage Earners	1,597,473	91,600	1,689,073	1,672,799	16,274
3	Travel and communications	44,757	70,000	114,757	100,376	14,381
4	Maintenance & operations	2,480,500	563,222	3,043,722	2,619,394	424,328
5	Purchase of goods and services	208,208	4,000	212,208	169,027	43,181
6	Operating grants and transfers	1,500,000	(312,822)	1,187,178	1,092,570	94,608
	<b>Total Operating Costs</b>	<b>6,743,184</b>	<b>416,000</b>	<b>7,159,184</b>	<b>6,505,603</b>	<b>653,581</b>

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
8	Capital Construction	1,150,000	(249,083)	900,917	874,847	26,070
9	Capital Grant & Transfers	3,220,000	1,806,730	5,026,730	4,877,347	149,383
	<b>Total Capital Expenditure</b>	<b>4,370,000</b>	<b>1,557,647</b>	<b>5,927,647</b>	<b>5,752,194</b>	<b>175,453</b>
13	Value Added Tax	1,065,500	114,059	1,179,559	735,065	444,494
	<b>TOTAL EXPENDITURE</b>	<b>12,178,684</b>	<b>2,087,706</b>	<b>14,266,390</b>	<b>12,992,862</b>	<b>1,273,528</b>

## PART B: AUDIT FINDINGS

### 25.4 Absence of Documents to Substantiate Journal Entries

The Accounting Head is responsible for the safekeeping and proper maintenance of all accounting records or documents of the agency.<sup>1</sup>

From the review of journal entries, the audit noted that the Department did not have documents and records to substantiate transactions in the FMIS general ledger totalling \$1,187,178. Refer to Table 25.3 below for details.

**Table 25.3: Expenditures Without Documentations**

Period	Journal ID	Amount (\$)	Description
03/2013	PWD003	267,589	Shipping Franchise payment to Works
05/2013	PWD004	267,589	JV Transfer of Fiji Shipping Franchise to Head 42
09/2013	PWD005	652,000	PWD005 Transfer of funds - Head 42 - Head 40
<b>Total</b>		<b>1,187,178</b>	

The Assistant Accounts Officer explained that the postings were not made by the Department and as such there were no documentations made to substantiate the journal entries<sup>2</sup>.

There is potential risk for fraudulent adjustments if the FMIS general ledger is not reviewed regularly to ensure that journal entries are properly supported and approved.

#### Recommendation

**It is recommended that the Department review its FMIS general ledger on a regular basis and make enquiries with the Ministry of Finance or Ministry of Works on unusual or unfamiliar adjustments made to its FMIS general ledger.**

#### Management Comments

*No comment received from the Department.*

<sup>1</sup> Ministry of Works, Transport and Public Utilities Finance Manual 2011, Section:18.1.3

<sup>2</sup> Discussion with the Assistant Accounts Officer on 24/2/14

## 25.5 Lack of Documentation – Fuel and Oil

The principles of responsible financial management are; to manage finances over the medium term on a responsible and transparent basis and to ensure value for money in the use of money and resources.<sup>3</sup>

The Accounting Head is responsible for the safekeeping and proper maintenance of all accounting records or documents of the agency.<sup>4</sup>

The Department incurred total expenditure of \$1.2 million on fuel and oil for both vehicles and vessels in 2013.

The audit of fuel and oil records noted that there was no reconciliation done between the Fuel and Oil Register, Tally Cards, Delivery Book and the Purchase Requisitions Book to account for the movements of fuel and oil used by the vehicles and vessels. The Fuel Officer confirmed on 26/2/2014 that only a Fuel Register is maintained to record fuel requested.

In addition, the audit could not verify the stores records against records in the Accounts Section because the Stores Section did not properly maintain its records.

There is potential risk of misuse and mismanagement of fuel if fuel records with the Stores Section are not maintained or if information required to substantiate usage of fuel is lacking.

### Recommendations

- The Department should ensure that fuel and oil records are maintained and kept up to date.
- It is strongly recommended that the Department reconcile the records monthly and physically check stock available to minimize or avoid potential risk of misuse/mismanagement.

### Management Comments

*No comment received from the Department.*

## 25.6 Refund of Drum Deposits

The Government Shipping Services purchases drums of fuel from Total Fiji Limited and incurs a deposit of \$50 for each drum which is refundable given if drums are returned to the supplier in pristine condition. The supplier will then refund the Department's drum deposit if drums are returned, and will incur expense on the Department if drums are either not returned or are returned in poor condition.

The audit of fuel records revealed that the Department has yet to collect refund of drum deposits totaling \$9,545.64. Refer to Table 35.4 for details.

**Table 35.4: Drum Deposit Refunds from 2012 – 2014**

Invoice Date	Invoice No.	Items	Amount (\$)
2/8/2012	4119043255	W19011	747.5
20/12/12	4119047682	W24825	2,415.00
19/03/13	4119050295	W23474	1,265.00

<sup>3</sup> Financial Management Act 2004, Part 2, Section 5(a)(c)

<sup>4</sup> Ministry of Works, Transport and Public Utilities Finance Manual 2011, Section:18.1.3

Invoice Date	Invoice No.	Items	Amount (\$)
19/11/13	4119057535	W34895	2,530.00
31/12/13	Not provided	Not provided	173.14
17/01/14	4119059202	W32880	2,415.00
<b>Total Amount Credited</b>			<b>9,545.64</b>

### **Recommendation**

**If the costs of drums are refundable, the Department should make every effort to recover those costs.**

### **Management Comments**

*No comment received from the Department.*

## **25.7 Capital Payment Anomalies**

In order to differentiate and identify a split, the procurement would be classed under one of the following criteria; a procurement of the same product, services or works on the basis of different contracts with the same supplier (successive contracts).<sup>5</sup>

The Ministry of Finance approved the request made by the Department for the waiver of the tender process to upgrade a Government Shipping vessel (Barge Vualiku). The work was contracted to Industrial Marine Engineering Limited (IMEL) at a cost of \$120,447 (VIP) for duration of 15 days<sup>6</sup>.

The audit noted that the Department did not seek further approval for waiver of the tender process for additional work carried out by IMEL with a total cost of \$436,047.80. In addition, the description of the work for which the waiver was sought did not correspond to the particulars of payments. Refer to Table 25.5 for details.

**Table 25.5: Payments Without Tender And Exceeding Waiver of Tender Limit**

Vendor	Descriptions	Cheque No.	Amount (\$)	Comments
Industrial & Marine Engineer Ltd	Dry docking and general services for Dre-Donu vessel.	1378	120,436.05	<ul style="list-style-type: none"> <li>Tender was waived.</li> <li>Approval was for the upgrade of Vualiku vessel.</li> </ul>
Industrial & Marine Engineer Ltd	Dry docking fabrication and hull treatment for Vualiku barge.	60	436,047.80	<ul style="list-style-type: none"> <li>Work not tendered.</li> </ul>

There was no contract or agreement drawn up between the Department and IMEL for the works carried out. IMEL may have no obligation against any defects after payments for services rendered because there was no defects liability during the engagement.

While there is provision for the waiver of tender in the Procurements Regulations, there are conditions that should be complied with to prevent abuse and mismanagement of public funds.

<sup>5</sup> Splitting of Contract Policy – 2014, Section 6.1(i)

<sup>6</sup> FIN 21/2/8(6) - 01/05/13



**Recommendation**

**The Department should ensure that the procurement regulations are complied with at all times to safeguard government funds and interest.**

**Management Comments**

*No comment received from the Department.*

## Section 26

## 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 where there is sufficient resources for renewable energy technologies either wind, hydro, biomass or standalone solar home systems.

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## PART A: FINANCIAL STATEMENT

### 26.1 Audit Opinion

The audit of the 2013 accounts of the Ministry of Public Utilities and Energy resulted in the issue of a qualified audit report.

The basis of qualification was that a variance of \$981,333 was noted in the Department of Energy's Main Trust Fund Account Statement of Receipts and Payments and the FMIS general ledger balance as at 31 December 2013. There was also no bank reconciliation prepared for the Main Trust Fund Account in 2013. As a result, the correctness of the Main Trust Fund Account balance of \$1,623,366 as at 31 December 2013 could not be substantiated.

### 26.2 Statement of Receipts and Expenditure

The Ministry of Public Utilities and Energy collected revenue amounting to \$17,696 and incurred a total expenditure of \$127,051,301 in 2013.

**Table 26.1: Statement of Receipts and Expenditure for 2013**

Description	2013 (\$)	2012 (\$)
<b>RECEIPTS</b>		
<b>State Revenue</b>		
Operating Revenue	1,177	355
<b>Total State Revenue</b>	<b>1,177</b>	<b>355</b>
<b>Agency Revenue</b>		
Miscellaneous Revenue	16,519	9,582
<b>Total Agency Revenue</b>	<b>16,519</b>	<b>9,582</b>
<b>TOTAL REVENUE</b>	<b>17,696</b>	<b>9,937</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	1,312,278	1,306,924
Government Wage Earners	130,070	96,465
Travel & Communication	125,334	92,491
Maintenance & Operations	251,811	217,344
Purchase of Goods & Services	272,448	464,724
Operating Grants & Transfers	57,619,076	52,417,182
Special Expenditures	979,156	3,701,211
<b>Total Operating Expenditure</b>	<b>60,690,173</b>	<b>58,296,341</b>
<b>Capital Expenditure</b>		
Capital Construction	2,270,598	6,945,830
Capital Purchases	1,604,597	65,439
Capital Grants & Transfers	61,472,385	59,058,267
<b>Total Capital Expenditure</b>	<b>65,347,580</b>	<b>66,069,536</b>
Value Added Tax	1,013,548	594,179
<b>TOTAL EXPENDITURE</b>	<b>127,051,301</b>	<b>124,960,056</b>

No significant increase was noted for revenue. The Ministry's total expenditure increased by \$2,091,245 or 2% in 2013 compared to 2012 as a result of the followings:

- Capital Purchase increased by \$1,539,158 or 2,352% due to the inclusion of Grid connected PV system and procurement of Water Testing Equipment.

- Capital Grants and Transfers increased by \$2,414,118 or 4.1% due to the inclusion of a new item under Capital Grants & Transfers vote that is the Water Desalination Plant(PEC Fund) also including increase in the grid payments to FEA, other project payments on Solar Home Systems, Housing and Diesel Generators.

## 26.3 Appropriation Statement

The Ministry incurred a total expenditure of \$127,051,301 in 2013 against the revised budget of \$131,350,188 resulting in a saving of \$4,298,887 or 3.3%.

**Table 26.2: Appropriation Statement for 2013**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	1,557,963	(27,568)	1,530,395	1,312,278	218,117
2	Government Wage Earners	117,461	27,568	145,029	130,070	14,959
3	Travel & Communication	133,000	20,000	153,000	125,334	27,666
4	Maintenance & Operations	232,000	57,000	289,000	251,810	37,190
5	Purchase of Goods & Services	536,900	(157,096)	379,804	272,449	107,355
6	Operating Grants & Transfers	57,630,809	---	57,630,809	57,619,076	11,733
7	Special Expenditure	2,106,598	(39,904)	2,066,694	979,156	1,087,538
	<b>Total Operating Costs</b>	<b>62,314,731</b>	<b>120,000</b>	<b>62,194,731</b>	<b>60,690,173</b>	<b>1,504,558</b>
	<b>Capital Expenditure</b>					
8	Capital Construction	6,510,000	2,134,137	4,375,863	2,270,598	2,105,265
9	Capital Purchases	2,608,000	599,999	2,008,001	1,604,597	403,404
10	Capital Grants and Transfers	61,643,514	---	61,643,514	61,472,385	171,129
	<b>Total Capital Expenditure</b>	<b>70,761,514</b>	<b>2,734,136</b>	<b>68,027,378</b>	<b>65,347,580</b>	<b>2,679,798</b>
13	Value Added Tax	1,556,200	428,121	1,128,079	1,013,548	114,531
	<b>TOTAL EXPENDITURE</b>	<b>134,632,445</b>	<b>3,282,257</b>	<b>131,350,188</b>	<b>127,051,301</b>	<b>4,298,887</b>

## 26.4 Statement of Losses

The Ministry did not record any loss in either cash or assets in 2013.

## 26.5 Trust Fund Account Statement of Receipts and Payments

The Department of Energy Main Trust Fund Account had \$1,623,366 credit balance for the year 2013 compared to a credit balance of \$918,567 in 2012. Refer to Table 26.3 for receipts and payments for the year ended 31/12/13.

**Table 26.3: Trust Account Statement of Receipts & Payments for 2013**

Description	2013 (\$)	2012 (\$)
<b>RECEIPTS</b>		
Solar Security Deposits	381,412	272,723
Hydro	11,229	33,678
FEA Grid/House Wiring/connection fees	567,465	133,293
Biogas	3,696	5,690
Performance Bond	117,072	155,407
Diesel House Wiring & Maintenance Fees	36,362	39,923
<b>Total Receipts</b>	<b>1,117,236</b>	<b>640,714</b>
<b>PAYMENTS</b>		
Solar Maintenance	89,599	80,239

Description	2013 (\$)	2012 (\$)
FEA Grid/House Wiring	280,024	92,660
FEA Connection Fees	4,151	27,264
Performance Bond Release	36,923	31,544
Diesel House Wiring & Maintenance	173	14,432
Bio Gas	1,567	0
<b>Total Payment</b>	<b>412,437</b>	<b>246,139</b>
Net Surplus	704,799	394,575
Balance as at 1 January	918,567	523,992
<b>Closing Balance as at 31 December</b>	<b>1,623,366</b>	<b>918,567</b>

## PART B: AUDIT FINDINGS

### DEPARTMENT OF WATER AND SEWERAGE

#### 26.6 No Laboratory Set up

The Department of Water and Sewerage is mandated to monitor the water quality and effectiveness of sanitation according to the required standard. The compliance work involves the actual testing of water quality and sanitation effluent quality. Testing can only be carried out with standard measuring tools which are laboratory equipment and field measuring equipment meters.

In order to carry out quality testing on water, the Department worked on a plan to construct a laboratory at its premises at Richards Road, Domain. However the plan was put on hold in December 2012 after a directive from Headquarters<sup>1</sup> that the Department would shift to 1<sup>st</sup> floor, Nasilivata House, Samabula in the near future.

The Department is still located at Richards Road as a new directive was given to remain at the current location. The audit noted the following anomalies:

- After the directive to move to Nasilivata House the Department paid a sum of \$31,791 to Divisional Engineer Central Eastern (DECE) Joinery Section for the construction of the laboratory at 1<sup>st</sup> floor Nasilivata House.

However another directive was issued that they would not move and by then the DECE Joinery section had used \$17,007.29 out of \$31,791 to renovate the 1<sup>st</sup> floor of the Nasilivata House.

As at the date of audit on 17/02/14 no fund has been refunded to the Department. The 1<sup>st</sup> floor of the Nasilivata House is now occupied by the Department of Energy.

- At the time of audit on 17/02/14, a laboratory is still to be built for the Department.
- The Department used a total of \$230,359 to acquire equipment in 2013 to be used in the laboratory that is still stored in a room at the Department.

<sup>1</sup> Ministry of Public Utilities and Energy  
Ministry of Public Utilities & Energy

### **Recommendations**

#### **The Department should:**

- seek for refund for unused funds out of \$31,791 given to Divisional Engineer Central Eastern (DECE) Joinery section; and
- make an effort to set up its laboratory and use the equipment purchased.

### **Management Comment**

*No comment received from the Department.*

## **26.7 No Water Legislation**

The Cabinet in its meeting on Tuesday 13 March, 2012 [CP (12)66] agreed to a review of existing laws on Water & Sanitation to avoid any duplication of the roles and to enable the Department of Water and Sewerage to regulate water and sanitation functions effectively in the country.

The GTB in its meeting No. 15/13 held on 08/08/13 approved to award the Contract for Consultancy Services for the Formulation of a Regulatory Legislation for Water & Sewerage Services in Fiji to Bell Gully, NZ at total cost of F\$172,465.50.

The audit noted the following anomalies:

- The draft contract document was submitted to the Solicitor General's Office on 29/08/13 for vetting.

However on 20/09/13, the Solicitor General's Office responded to the Department of Water and Sewerage stating that their Office was not able to vet the contract document because they were not informed of the consultant prior to the awarding of the contract; and

- The GTB approved the awarding of the contract for Consultancy Services for the Formulation of a Regulatory Legislation for Water & Sewerage Services in Fiji to Bell Gully, NZ on 08/08/13.

However as at the date of audit<sup>2</sup> the Consultant is yet to commence work on the contract to formulate the regulatory legislation for water and sewerage services.

Petty issues and minor misunderstanding between the Solicitor General's Office and the Department is delaying the formulation of the water and sewerage legislation.

### **Recommendation**

**Both parties should make an effort to expedite the formulation of a regulatory legislation for water & sewerage services in Fiji.**

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<sup>2</sup> 19/02/14

**Management Comment**

*No comment received from the Department.*

**DEPARTMENT OF ENERGY****26.8 Main Trust Fund Account Balance – Department of Energy**

Within 5 days after the end of each month, the accounts officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.<sup>3</sup>

The Department of Energy's Main Trust Fund account had a balance of \$2,606,396.20 in FMIS general ledger while the bank statement had a balance of \$1,625,063.47 as at 31/12/13. The Department had an unreconciled variance of \$981,332.73 between the Main Trust Fund account general ledger and the bank statement balance as at 31/12/13. Refer to Table 26.4 below for details.

**Table 26.4: Variances in Energy Main Trust Fund Account**

Balance as per Main Trust Fund Bank Statement (\$)	Balance as per Main Trust Fund Ledger (FMIS) (\$)	Variance (\$)
1,625,063.47	2,606,396.20	981,332.73

According to the Department the difference was due to the trust monies related to rural electrification received by Ministry of Provincial Development on behalf of the Department that was wrongly deposited into the Consolidated Fund Account (CFA).

Proper account reconciliation was not carried out by the Department and as a result the audit was not able to ascertain that all receipts and payments have been accurately accounted for in the Main Trust Fund account.

**Recommendations****The Department should:**

- **investigate the variance in the Main Trust Funds and take appropriate action; and**
- **implement internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

**Management Comment**

*The Department will ensure that all variances in the True Trust Accounts are regularised before the end of 2014 in consultation with Ministry of Rural & Maritime Development and National Disaster Management and Chief Accountant of Ministry of Finance.*

*Comparison between Trust Fund Bank Account Balance and FMIS General Ledger-Trust Fund Revenue Account*

Financial Statement Balance ( Bank Balance) (\$)	General Ledger Balance (FMIS) (\$)	Variance (\$)
1,625,063.47	2,606,391.20	981,332.73

<sup>3</sup>Ministry of Works, Transport & Public Utilities Finance Manual 2012 Section 15.4.1  
Ministry of Public Utilities & Energy

*The difference of \$981,332.73 has accumulated from the inception (2009) of the (Trust Account). The major cause of difference between the Financial Statement and General Ledger is due to trust money collected by Ministry of Rural & Maritime Development and National Disaster Management on behalf of Department of Energy which has been deposited directly into the Consolidated Fund Account (CFA) from previous years, the unrepresented cheques for 2013 which will be presented in 2014 also give rise to this difference and misposting of over the years. However, the receipts and payments statement prepared by the department captured all the receipts and payments of the trust account for 2013.*

*Further to this, the department has taken proactive action to update the trust fund records from the inception (2009) of the trust fund account to correctly undertake the bank reconciliation to adjust the variance that resulted from the inception of the account.*

*On 2<sup>nd</sup> of October 2012, the memorandum was written from Director of Energy to Permanent Secretary for Ministry of Rural & Maritime Development and National Disaster Management to directly deposit the trust monies into the Trust Fund Bank Account and also requested the department to provide source documents of the trust monies which were also deposited into CFA from previous years.*

*The Department still to date has not received any formal advice from the Ministry of Rural & Maritime Development and Disaster Management upon numerous reminders via email and telephone conversation, however will continue to pursue the necessary information to address the above mentioned issue.*

#### *Comparison between Trust Bank Account Balance and FMS General Ledger – Bank Account*

<i>Financial Statement Balance (Bank Balance) (\$)</i>	<i>General Ledger Balance (FMIS) (\$)</i>	<i>Variance (\$)</i>
<i>1,625,063.47</i>	<i>1,501,242.33</i>	<i>123,821.14</i>

*The difference of \$981,332.73 has been derived from comparing the FMIS ledger for Trust Revenue account with the Trust Fund Bank Balance (31/12/2013). The difference of \$123,821.14 existed from FMIS ledger for Bank Account with the Trust Fund Bank Balance (31/12/2013) accumulated from the inception (2009) of the Trust Account and variances from 2013.*

*The difference of \$208,142 existed from 2012 between the Financial Statement and General Ledger is due to trust money collected by Ministry of Rural & Maritime Development and National Disaster Management on Behalf of Department of Energy which has been deposited directly into the consolidated Fund Account (CFA) from previous years. The unrepresented cheques for 2013 which will be presented in 2014 also give rise to this difference and misposting of Trust Fund revenue charges by Ministry of Rural & Maritime Development and National Disaster Management over the years. However, the receipts and payments statement prepared by the department captured all the receipts and payments of the trust account for 2013.*

## **26.9 Bank Reconciliation**

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>4</sup>

The Department maintains a separate bank account for the Main Trust Fund, however it was noted that the bank reconciliation was not prepared for 2013.

Without the reconciliation audit could not substantiate the accuracy of Trust Fund account balance as at 31 December 2013.

### **Recommendation**

**The Department must ensure that monthly bank reconciliations are prepared.**

<sup>4</sup> Finance Instruction 2010 Section 32 (6)  
Ministry of Public Utilities & Energy



**Department's Comments**

*The department has prepared the Trust Fund Bank Reconciliation for 2013 and is currently reconciling the variance which resulted from inception (2009) of the account. The department will ensure that variance is regularized before end of 2014 in consultation with Ministry of Rural & Maritime Development and National Disaster Management and Chief Accountant of Ministry of Finance.*

**26.10 Reengagement of Retired Officers**

The compulsory retirement age from the Service will be 55 years.<sup>5</sup> Any person employed in the civil service, Fiji Police Force and the Fiji Prisons Service, who is already over the age of 55 years, shall retire on 30 April 2009.<sup>6</sup>

Any Officer may, in special circumstances, and with the approval of the appropriate Service Commission be allowed to remain in the service after he has attained the age of 55 years.<sup>7</sup>

The Department re-engaged two of its retired Officers without the approval of the Public Service Commission. These Officers were Mr. Sitiveni Kedriake (FNPF number EF617) and Isireli Rarawa (EDP Number 90404). Review of the engagement of retired officers revealed the following anomalies.

**1. Sitiveni Kedriake (FNPF number EF617)**

Mr. Kedriake was initially engaged as a casual labourer for Renewable Energy Research and Development from 04/04/2011 to 29/07/2011 with the approval from the Public Service Commission.

The audit noted that at the time of Mr. Kedriake initial engagement he was 57 years of age. The Department failed to notify PSC on Mr. Kedriake's age when seeking approval for his engagement.

In addition, the Department did not issue an appointment letter for Mr. Kedriake's engagement as a casual labourer.

The audit also noted that Mr. Kedriake's temporary appointment was extended from 01/08/11 to 31/10/12 and then to 30/6/13 by the Permanent Secretary for Works, Transport and Public Utilities without the approval of the PSC since he was over 55 years of age. The Officer retired from the Department with effect from 01/07/2013 at the age of 58 years.

**2. Isireli Rarawa ( EDP 90404)**

Mr. Rarawa retired from the Service on 09/05/2012 since he was 55 years of age.

The Officer was re-engaged as Technical Assistant with the Department of Energy on 01/06/2012 and the duration of the re-engagement was from 04/06/2012 to 23/04/2013. However, it was noted that the Department re-engaged the Officer without the approval of the PSC even though he was over 55 years of age. The Officer retired from the Department with effect from 24/4/2013 at the age of 57 years.

The Department did not obtain approval from PSC for the re-engagement of retired officers. Hence their re-engagements were unauthorised.

<sup>5</sup> General Orders 2011, Section 215 (b)

<sup>6</sup> States Services Decree 2009, Decree No. 6, Section 15(3)

<sup>7</sup> General Orders 2011, Section 215 (c)

## **Recommendations**

### **The Department should:**

- seek approval from the PSC for the re-engagement of all retired officers;
- ensure that retirees are only engaged if no one else is available in the job market to fill the vacant position; and
- PSC should investigate the matter and take appropriate action.

## **Department's Comments**

*No Comments Provided*

### **26.11 Contract for Supply, Installation & Commissioning of 1200 Solar Photovoltaic Home Systems - Tender No. CTN 76/2013**

Government Tender Board (GTB) in its meeting held on 11/10/13 approved to award the contract for the supply, installation and commissioning of 1200 Solar Photovoltaic Home Systems to Powerlite Generators at a cost of \$3,670,373.57 VIP.

Review of the project file and the contract document revealed the following anomalies.

- The tender specification document based on which Powerlite Generators was awarded the tender stated that the contractor should use 1200 H5 Treated 5m x 200mm Pine poles for the installation of Solar Photovoltaic Home Systems in the maritime zone.

The contractor however requested for a variation to the supply of pine poles to the maritime zones. The variation was to replace 700 out of the 1200 pine poles with hot dip galvanized poles.

The contractor indicated it would be difficult and costly to supply the pine poles to the maritime zones considering the remoteness of the islands and the means of transportation to be used, as one pine pole weighs between 160 – 180kg. Consequently the contractor submitted a variation claim of \$254,296 for additional transportation and labour cost.

As at the date of audit on 21/5/14, the Department was in the process of getting the variation approved by GTB. The audit however noted that the Department failed to decline the variation as the contractor agreed on the specification during the bidding process upon which the GTB awarded the tender.

The Department failed to ensure that the contractor complies with the tender specification.

- According to the contract agreement 40% of the tender value amounting to \$1,468,149.43 was to be paid once all the components of Solar Photovoltaic Home Systems have been delivered, inspected, tested and accepted by Department of Energy.<sup>8</sup>

However the audit noted that the Department paid \$1,468,149.43 or 40% of the tender value on 11/03/14 to Powerlite Generators (Fiji) Limited before the components of Solar Photovoltaic Home Systems were delivered, inspected, tested and accepted by the Department.

The Department again failed to make the payments in accordance with the contract agreement.

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<sup>8</sup> Contract Agreement Between Department of Energy and Powerlite Generators (Fiji) Limited. Section 3.0  
Ministry of Public Utilities & Energy

There is a risk that the contractor may have bid the lower price just to win tender and seek for increase in price through variations later. The contractor may not be able to complete the project as per the approved specifications.

### **Recommendations**

**The Director Energy should ensure that:**

- **the contractor complies with the approved tender specification;**
- **only legitimate variations submitted by the Contractors are considered for approval from GTB;**
- **ensure that advance payments are not made unless it is stated in the agreement; and**
- **the advance payment to be investigated and appropriate disciplinary to be taken against those responsible.**

### **Management Comment**

*No comment received from the Department.*

## **26.12 Contract for Mauna House Wiring Project - Tender No CTN 69/2013**

Government Tender Board (GTB) in its meeting held on 21/08/13 approved to award the contract for Muana House Wiring Project to Safetech Electrical Services at a cost of \$173,815.40 VIP.

The tender awarded was for the inspection and providing new electrical wiring/installations to households, community facilities and schools. The wiring works were to be completed for 166 facilities including houses, schools, community halls and a church.

The review of the contract documents revealed the following anomalies:

- Progress payments to the contractor should be made after reviewing the progress of the project, materials used against the specifications and the contractor's workmanship. Upon inspection and before payment is effected, a progress report and inspection reports should be prepared by the Project Engineer/Supervising Officer.

The Department however made the following progress payments without any progress report or inspection reports from the Project Supervisor, Mr. Frank Rokowaqa. Refer to Table 26.5 for details.

**Table 26.5: Details of Progress Payment Made without Progress report**

Description of Work	Percentage of Tender Value	Amount (\$) VIP
Complete Installation of: <ul style="list-style-type: none"> <li>• Fluorescent Tubes;</li> <li>• Raisers (where necessary);</li> <li>• Consumer Mains; and</li> <li>• Project Inspection/Testing/Commission/Connection of all electricity to all customers by FEA.</li> </ul>	40%	67,526.20
Payment is made after the Department has: <ul style="list-style-type: none"> <li>• Carried out the final inspection of the project;</li> <li>• Ascertained that the entire project has been completed; and</li> <li>• Confirmed that the brands, qualities of material used as specified in the</li> </ul>	10%	16,881.55

Description of Work	Percentage of Tender Value	Amount (\$ ) VIP
tender documents.		

The work progress was not evaluated by the Project Supervisor before payments were made. There is a high risk that the contractor may not be on time, use substandard materials and display poor workmanship in the project.

- The contract agreement should clearly outline the Date of Commencement and the Date of Completion of the entire project.

The contract agreement signed with the contractor required the contractor to complete 60% of the work by 31/12/13. The contract agreement however did not mention the timeframe for completing the remaining 40% of the work. Hence there is no timeline for the completion of the remaining 40% of the project works.

Such ambiguity may result in disputes between the parties in case the contractor delays the project competition.

The above findings indicate laxity by the project management team. Failure by the Department to process payments after project inspection and with no completion timeline in the contract agreement could result in the Department incurring additional expenses.

### **Recommendations**

**The Director Energy should ensure that:**

- **payments to contractors are made based on the progress reports submitted by Project Supervising Officers;**
- **the contract agreement clearly states the project commencement and completion date; and**
- **project officers are trained to manage the project properly.**

### **Management Comment**

*No comment received from the Department.*

## **26.13 Delay in the Installation of Wind Monitoring Systems**

Proper planning and feasibility study needs to be carried out for all capital projects to ensure that projects are completed on time and according to the predetermined design, specification and within the budget.

The Department entered into a contract agreement with Clay Engineering on 12/04/13 for supply of 15 complete sets of 50m Wind Monitoring Systems (WMS), installation with the compilation of Training Manual on installation, operation and maintenance of systems for total cost of \$749,095.<sup>9</sup>

The contractor supplied the complete sets of 50m WMS however, as of the date of audit on 27/5/14 only installed 1 set of WMS has been installed in Sigatoka. The Director of Energy indicated the Department is yet to identify the sites for the remaining 14 WMS.

<sup>9</sup> Contract Reference E24 February 2013  
Ministry of Public Utilities & Energy

As per the contract agreement, the contractor was to complete the project in 7 months from 12/04/13 to 22/11/13. Due to poor planning and feasibility study in identifying the sites by the Department, the contractor has failed to meet the timeline.

The audit visited the Department of Energy Warehouse at Walu Bay on 27/5/14 and noted 14 towers for the WMS stored at the warehouse. The audit was informed that the Department requested the contractor to keep the other component of the WMS due to limited storage space at the warehouse and that the equipment needed to be programmed according to the sites identified.

### **Recommendations**

**The Director of Energy should ensure that:**

- **proper planning and feasibility study is carried out for the project to identify the suitable sites for the installation of the WMS;**
- **to provide new timeline to the contractor; and**
- **Government's interest is protected against any further claims by the contractor.**

### **Management Comment**

*No comment received from the Department.*

## **26.14 Somosomo Hydro Power Project Access Road Rehabilitation**

The agreement for the construction of Somosomo Hydro Power Project was signed on 18/09/13 between the Hunan Construction Engineering Group Corporation (HCEGC) and the Government of Fiji. Under the agreement, HCEGC was to build a 700 kilowatt hydro plant to provide electricity for Somosomo in Taveuni.

The agreement required the Government of Fiji to construct 5.3 km access road to the Hydro Power Dam site. As such the Department of Energy was allocated \$1m in the 2013 budget for the construction of access road for the Somosomo Hydro Power Project.

The Minister for Finance on 18/10/13 waived the Tender process and awarded the tender to Digtrac Limited for \$628,567.32 (VIP) for construction of access road.

Our review of the contract payments revealed the following anomalies.

- Contingency fund is fund approved by the Tender Board and set aside to meet additional expenses arising through legitimate variations in scope of work by the contractor. Contingency fund should not form part of the total contract price. Contingency fund should not be used if no variation arises.

The Department allowed 2 variations in project cost totaling \$365,736.46 for the construction of access road for the Somosomo Hydropower Station. The audit noted that no contingency sum was set aside in addition to the contract price for these variations. Refer to Table 26.6 for details of variations.

**Table 26.6: Details of Variations**

Variation Number	Amount (\$)	Details of Variation
1	125,739.46	Re scoping required by the Somosomo Hydro Contractors.
2	240,000.00	<ul style="list-style-type: none"> <li>• DAM site leveling</li> <li>• Power house site leveling</li> <li>• Penstock route leveling</li> </ul>

Due to these variations, the Department incurred over expenditure of \$365,736.46 or 58.2% of initial project price. Therefore the total project cost increased to \$994,303.78 compared to original contract price of \$628,567.32.

Both variations were approved by Director Energy prior to the approval of the Minister for Finance.

The significant amount of cost variations allowed for the project indicated that proper bill of quantities and scoping was not prepared for the construction of access road for the Somosomo Hydropower Station. This has resulted in project cost overrun.

- The audit also noted that payment of performance bond clause was not included in the contract agreement. As a result the contractor was not obliged to pay any performance bond for the project.

In absence of performance bond the Department will not be able to hold any funds back from the contractor if the obligations under the contract are not fulfilled.

### **Recommendations**

**The Director of Energy should ensure that:**

- contingency sum is allowed for capital projects and all additional costs arising through variation are to be met from the contingency sum;
- proper project design and scoping is carried out so that unwarranted variation do not occur; and
- all variations are approved by the authority approving the tender.

### **Management Comment**

*No comment received from the Department.*

## **26.15 Anomalies in Contract Agreement for Nayala Grid Extension**

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>

Government Tender Board (GTB) in its meeting held on 01/05/13 approved to award the contract for Grid Extension from Naiyala to Nayavu to Fiji Electricity Authority (FEA) at a cost of \$1,196,113 (VIP). Our review of the contract agreement revealed that following anomalies:

<sup>10</sup> Department of Energy Finance Manual 2013, Part 2  
Ministry of Public Utilities & Energy

- Clause 2.1 of the agreement between FEA and the Department of Energy requires the ground work of way leave clearance and pegging of power pole position shall commence as soon as payments is made by the Department of Energy and received by FEA.

The Department paid full contract amount of \$1,196,113 (VIP) to FEA on 05/08/13 for the Grid Extension.

However, as of the date of audit<sup>11</sup> FEA was yet to commence with the ground work of way leave clearance and pegging of power pole position. According to the Principal Technical Officer, Mr. Jimione Fereti, there was no timeline for the project as FEA has its own annual work plan and this contract was in addition to its work plan.

- The contract agreement did not include important clauses such as performance bond, retention payment, delay damages, project commencement and completion dates.

In absence of an agreed timeline and important contract clauses mentioned above, FEA will complete the work at its own convenience and the Department would not able to take action against FEA for delays in the project and non-performance of its obligations.

### **Recommendations**

**The Director Energy should:**

- **liaise with the FEA and ensure that the ground work of way leave clearance and pegging of power pole position is carried out without any further delay; and**
- **ensure that the contract agreements include important clauses such as performance bond, retention sum, delay damages, project commencement and completion dates to protect the interest of the Government.**

### **Management Comment**

*No comment received from the Department.*

## **26.16 Anomalies in Supply and Installation of PV Solar Home Systems**

The Government Tender Board (GTB) in its meeting number 17/2011 held on 05/07/11 awarded the contract for supply and installation of PV Solar Home Systems to Powerlite Generators.

The GTB approved that the PV Solar Home System be supplied and installed at a cost of \$3,651.43 (VIP) and \$221.55 (VIP) respectively per household.

The contract between the Department of Energy and Powerlite Generators was signed on 28/03/12 for \$3,872,980 (VIP). As of the date of audit<sup>12</sup> the Department paid \$55,387.50 or 25% of the total contract sum to Powerlite Generators.

The GTB also approved that 649 households situated in Vanua Levu and 351 household situated in Maritime areas to be installed with PV Solar Home Systems. However during the implementation stage of the project, the Department cancelled all 649 applications received from the household situated in Vanua Levu and increased the households in maritime zone by 649.

<sup>11</sup> 20/05/14

<sup>12</sup> 20/05/14

The audit noted that the Department failed to obtain prior approval from the GTB for the variation in the list of household to be installed with PV Solar Home Systems.

The audit also noted that due to increase in number of households in maritime areas, the Contractor requested for a variation of \$219,416.38 in the contract price. The Department allowed the Contractor to commence the work even though the variation was yet to be approved by GTB.

The Principal Scientific Officer, Mr. Paula Katirewa revealed that the batteries for the PV Solar Home Systems are prone to lose its capacity for recharging if stored uncharged for long period of time. Hence the Department allowed to Contractor to continue with the installation of the PV Solar Home Systems.

The findings show that the Department did not follow proper procedures for the variations in scope of works and the contract price.

### **Recommendations**

#### **The Department should:**

- **ensure that all variations are approved by the Government Tender Board; and**
- **take appropriate action against officers for not following proper procedures for allowing variations in the scope of works and contract price.**

### **Management Comment**

*No comment provided by the Department.*

## **26.17 Anomalies in Biofuel Testing Laboratory**

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>13</sup>

The Department of Energy in its budget submission in the year 2012 stated that it aims to establish an accredited laboratory in Fiji which will be capable of analysing biodiesel and ethanol samples produced, imported or exported. This will enable high quality products to be produced in Fiji or brought into Fiji which meet international standards and therefore do not compromise on quality assurance.

The Department called for tenders in 2010 from interested parties to work in partnership with the Department to set up a biofuel testing laboratory. Only two bids were received from the University of the South Pacific and the Fiji National University.

The Department engaged the University of the South Pacific based on their technical expertise to carry out the testing. An agreement was signed between the parties on 26/10/12 to setup the biofuel testing laboratory at the University's Institute of Applied Science's (IAS) Department. In its 2013 budget the Department was provided a sum of \$986,700 for purchase of biofuel testing equipment.

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

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<sup>13</sup> Department of Energy Finance Manual 2013, Part 2  
Ministry of Public Utilities & Energy



The University's Institute of Applied Science's (IAS) Department shall be responsible to purchase the required equipment from the funding provided. The equipment purchase shall be confirmed by the Department officials in consultation with the USP IAS officials. A minimum of three quotations for the equipment shall be provided by IAS.<sup>14</sup>

The equipment was purchased by the University however there was no evidence that the equipment purchased were verified and confirmed by the Biofuel Section of the Department of Energy before it was purchased.

In addition the Department did not request the University to provide three quotes before the equipment was purchased.

Hence the Department did not carry out its due diligence as required under the agreement before the equipment was purchased and supplied by the University. There is a risk that the University may not provide appropriate equipment and purchase may not be made from the most economical source

- According to the contract agreement, the equipment maintenance cost shall be borne by the University after the expiry of the initial maintenance contract.<sup>15</sup>

However, the Department did not have any maintenance agreement with the University. In the absence of the maintenance agreement, the Department will not be able to take action should the University fail to maintain the equipment.

- The University shall provide ongoing economic (cost-benefit analysis) of the laboratory to the Department.<sup>16</sup>

However since the establishment of the laboratory on 26/10/12, the University did not provide any cost and benefit analysis of the laboratory.

This finding indicated that the University has failed to comply with the contract agreement. In the absence of an ongoing economic (cost-benefit analysis), the Department will not be able to ascertain whether it is beneficial to operate the laboratory.

- The Department's aim to establish an accredited laboratory in Fiji was to analyse biodiesel and ethanol samples produced, imported or exported.

However as of the date of audit<sup>17</sup>, the Department tested only one sample of biofuel on 01/05/14 in 18 months since the lab was set up. This indicates biofuel is hardly produced in Fiji as only 1 sample was tested within 18 months and whether there was a real need to have the laboratory.

This shows that the Department did not monitor the compliance to contract agreement by the University when setting up the laboratory. Hence public funds were not properly managed to ensure value-for-money in delivering services to the community.

## **Recommendations**

### **The Department should:**

- **ensure to monitor the compliance to the contract by the University;**

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<sup>14</sup> Agreement signed between the Department of Energy and the USP Institute of Applied Science, Section 2.1

<sup>15</sup> Agreement signed between the Department of Energy and the USP Institute of Applied Science, Section 2.6

<sup>16</sup> Project Summary for the Establishment of an Accredited Biofuel Testing Laboratory in Fiji

<sup>17</sup> 28/05/14

- **have an equipment maintenance agreement with the University to ensure proper maintenance of the equipment and cost is met by the University; and**
- **request the University to provide cost benefit analysis of the laboratory.**

**Management Comment**

*No comment received from the Department.*

## 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 2013 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 \$0.7 million and incurred a total expenditure of about \$11.5 million in 2013.

**Table 27.1: Statement of Receipts and Expenditures for 2013**

Description	2013 (\$)	2012 (\$)
<b>REVENUE</b>		
Fees – Miscellaneous	709,362	553,122
Other revenue	2,619	4,282
<b>TOTAL REVENUE</b>	<b>711,981</b>	<b>557,404</b>
<b>EXPENDITURE</b>		
Established staff	1,858,934	1,814,734
Government wage earners	210,206	175,751
Travel and communications	212,270	175,403
Maintenance & operations	456,644	670,683
Purchase of goods and services	122,937	99,439

Description	2013 (\$)	2012 (\$)
Operating grants and transfers	5,378,612	4,803,600
Special expenditures	2,952,574	3,580,995
<b>Total Operating Expenditure</b>	<b>11,192,177</b>	<b>11,320,605</b>
Purchases	-	296,457
Grants and transfers	-	316,075
<b>Total Capital Expenditure</b>	<b>-</b>	<b>612,532</b>
Value Added Tax	387,381	570,502
<b>TOTAL EXPENDITURE</b>	<b>11,579,558</b>	<b>12,503,639</b>

Total revenue increased by 28% due to the increase in the number of clients for inspection by Trade Measurement and Standards Unit.

Total expenditure declined by 7% as a result of decreases in maintenance and operations by \$214,039 (32%), special expenditure by \$628,421 (18%) and Value Added Tax by \$183,121 (32%).

### 27.3 Appropriation Statement

The Ministry incurred a total expenditure of \$11.5 million in 2013 against a budget of \$12.9 million resulting in a saving of about \$1.4 million or 11%. Details of expenditure against the budget estimate are provided in Table 27.2 below.

**Table 27.2: Appropriation Statement for 2013**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	2,345,005	-	2,345,005	1,858,934	486,071
2	Government Wage Earners	248,719	-	248,719	210,206	38,513
3	Travel and communications	256,944	14,000	270,944	212,270	58,674
4	Maintenance & operations	589,528	(9,400)	580,128	456,644	123,484
5	Purchase of goods and services	222,879	(37,200)	185,679	122,937	62,742
6	Operating grants and transfers	5,203,600	246,862	5,450,462	5,378,612	71,850
7	Special expenditures	4,113,430	(907,718)	3,205,712	2,952,574	253,138
	<b>Total Operating Costs</b>	<b>12,980,105</b>	<b>(693,456)</b>	<b>12,286,649</b>	<b>11,192,177</b>	<b>1,094,472</b>
8	Capital Purchases	500,000	(500,000)	-	-	-
9	Capital Grants & Transfers	-	-	-	-	-
	<b>Total Capital Expenditure</b>	<b>500,000</b>	<b>(500,000)</b>	<b>-</b>	<b>-</b>	<b>-</b>
13	Value Added Tax	852,400	(179,018)	673,382	387,381	286,001
	<b>TOTAL EXPENDITURE</b>	<b>14,332,505</b>	<b>(1,372,474)</b>	<b>12,960,031</b>	<b>11,579,558</b>	<b>1,380,473</b>

### 27.4 Statement of Losses

The Ministry did not record any loss of money, loss of revenue or any other assets for the year ended 31 December 2013.

## PART B: AUDIT FINDINGS

### 27.5 Controls on Mobile Phone Usage and Review of Policy

The Permanent Secretary or the Head of Departments will have the right to question the authority for any official trunk telephone call, and, if he decides that such call to be on private and personal business, then the officer responsible will be required to meet the cost of the call.<sup>1</sup>

Ministries and Departments are expected to institute strict expenditure controls on daily operational expenses such as fuel and oil, travel, stationery, telecommunications, incidentals etc.<sup>2</sup>

Given the nature of work of senior officers, the Ministry provided them with mobile phones to improve service delivery. The officers were also issued with mobile phone usage limits<sup>3</sup> as follows:

Position	Monthly Limit (\$)
Permanent Secretary	200
Deputy Secretary Trade & Investment	120
Deputy Secretary Industry & Business Development	120
Director Trade	60
Director National Trade & Measurement Standards	60
Chief Economist	N/A

A review of telecommunication expenses indicated that limits to mobile usage allowed for senior officers had been exceeded. Total mobile phone charges for senior officers increased by 48% compared to the previous year. The charges resulted mainly from roaming mode while travelling overseas. Refer to Table 27.3 for examples:

**Table 27.3: Mobile Call Charges**

Name	Mobile Number	Annual Limit (\$)	Total 2013 (\$)	Amount Exceeded (\$)	Personal Call Charges Reimbursed (\$)
Permanent Secretary	9905898	2,400	6,917.92	(4,517.92)	565.25
Deputy Secretary Trade & Investment	9905254	1,440	2,167.23	(727.23)	605.88
Deputy Secretary Industry & Business Development	9904355	1,440	2,035.62	(595.62)	72.00
Director Trade	9905596	720	8,631.77*	(7,911.77)	220.77
Director National Trade & Measurement Standards	9906505	720	457.69	(262.31)	-
<b>TOTAL</b>		<b>6,720</b>	<b>20,210.23</b>	<b>(14,014.85)</b>	<b>1463.90</b>

The Principal Accounts Officer explained that the mobile call limits were removed in late 2012 following a verbal directive by the Permanent Secretary. In addition, the officers were to identify their personal call charges from the bills and reimburse these amounts to the Ministry either through direct salary deduction or manual reimbursement to the Accounts Section. The audit also noted that staff opted for direct deduction did not pay the VAT component of the charges while those that manually reimbursed to the Accounts Section paid for the VAT component of the charges.

<sup>1</sup> General Orders 2011 Section 1114 (a)

<sup>2</sup> Ministry of Finance Circular Number 07/2009

<sup>3</sup> As per Minute dated 19/06/12 on Certification of Vodafone Bills

There is potential risk of abuse when controls on usage of mobile phones are not reviewed for their effectiveness and written policy changed or amended according to the outcome of their implementation.

### **Recommendations**

- The Ministry should review its policy on mobile phone usage limits to include provisions on official travel overseas and to commensurate with the nature of work of senior officers.
- It is recommended that directives for changes in policies and procedures be given in writing to establish a paper trail of decisions made.
- The Ministry should strengthen internal controls established to prevent abuse on the use of official mobile phones and usage entitlements.

### **Management Comment**

*The Ministry notes the recommendations made and agrees to review the policy on mobile phone usage and provisions.*

## **27.6 Encouraging Timeliness of Acquittals and Financial Reports**

The National Export Strategy (NES) aims to achieve sustainable economic growth by encouraging exports, competitiveness, value addition and diversification.<sup>4</sup>

The appropriated fund for this agreement is for the sole purpose of the project agreed to by the parties and shall not be used for any other purpose.<sup>5</sup> To ensure that this is done, grant recipients are required to provide acquittals and quarterly reports on proper utilisation of grants. The agreements also state that the Ministry can also conduct site visits and request updates on the projects.

Although the agreements sufficiently provide for the acquitting of grants, the Ministry has yet to receive acquittals from some grant recipients and carry out site visits to confirm purchases for 2013. In addition, the audit noted that two entities that benefitted from the NES grant, have not provided acquittals and also have not had their annual financial statements audited for a number of years. The latest external audits carried out for the Food Processor (Fiji) Limited and the Agriculture Marketing Authority were for the years ended 2007 and 2009 respectively. The entities have not prepared and submitted draft financial statements to the Office of the Auditor General for audit. Refer to Tables 27.4 and 27.5 for details.

**Table 27.4: Grants Paid through NES**

NES Grant Recipient	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)	Total (\$)
Food Processor (Fiji) Ltd	200,000	-	101,149	163,814	166,250	
Agriculture Marketing Authority	-	-	-	-	164,000	
<b>Total</b>	<b>200,000</b>	<b>-</b>	<b>101,149</b>	<b>163,814</b>	<b>330,250</b>	

**Table 27.5: Period for which financials have not been audited**

NES Grant Recipients	Period
Food Processor (Fiji) Ltd	2008 - 2013
Agriculture Marketing Authority	2010 - 2013

<sup>4</sup> Criteria for Accessing Funds via the National Export

<sup>5</sup> Memorandum of Agreement between Recipient and MIT

The Ministry may not be able to confirm compliance with the agreements in the absence of acquittals and audited financial reports.

### **Recommendations**

- **The Ministry should consider including as a criterion for awarding of grants the submission of up to date audited financial statements.**
- **The Ministry should strongly demand from grant recipients the acquittals for grants disbursed and conduct site visits to verify the acquittals for those entities whose external audits have been delayed.**

### **Management Comment**

*The Agriculture Marketing Authority (AMA) has submitted acquittals for purchase of a 5 ton Freezer Truck as per MOA signed with the company in 2013. A site inspection was undertaken to the company on 7th July 2014 and it was confirmed that the truck has been purchased by AMA and currently being used for procurement and collection of fish from Vanua Levu for processing and exports to Australia and New Zealand.*

*Food Processors (Fiji) Limited (FPFL) has ordered the 5 ton Freezer truck which has been registered and currently with the suppliers. The company is in the process of procuring the Freezer Truck before November 6th 2014 which is the expiry date of the MOA. A site inspection was conducted to the company on 7th July where it was confirmed that the company is making arrangements to procure the truck as per MOA signed with the company in 2013.*

*In the application screening process, AMA and FPFL did not submit their latest audited financial reports as their respective accounts have not been audited by independent parties. The Government owned companies were in compliance with other NES Criteria(s) such as being current exporters from the six prioritized sectors and their request were in line with eligible areas for NES funding.*

*The Ministry notes the recommendations made by the Office of the Auditor General and will review its NES processes.*

## **27.7 Acting Appointment on Substantive Post not Vacant**

The Ministry of Industry and Trade has a position for a Principle Administrative Officer under its staff establishment. Although the position has been filled, the officer is based at the Ministry of Public Enterprises and Tourism to oversee the roles and responsibilities of the Principal Administrative Officer for both the Ministries.

The documentation outlining the above arrangement between the two Ministries were not provided for audit. The audit also noted that although an officer has been appointed to the substantive position, the Senior Administrative Officer of the Ministry of Industry & Trade was also given acting appointment with allowance on the same position for a period of three months from 12/05/14 to 11/08/2014.

Acting appointments should only be awarded for vacant positions to avoid or minimise over-expenditure.

### **Recommendation**

**The Ministry should review the existing structure whereby one Principal Administrative Officer performs the duties and responsibilities for both the Ministries if the arrangement is not producing the intended result.**

**Any overpayment made pertaining to the acting appointment should be recovered.**

### **Management Comments**

*Following the decision to merge MPET and MIT CSD in 2010, Principal Administrative Officer (PAO) was stationed permanently at MPET primarily due to the restructure of MPET. Inevitably, the Senior Admin Officer (SAO) was to perform all administration and HR matters at MIT since then.*

*In line with Section 127 (3) of the 2013 Constitution of Fiji, the PS is “responsible to the Minister concerned for the “efficient, effective and economical management of the ministry”. In this regard, when the request was made for the SAO to act, justified by the responsibility handled, this was supported by PS and further approved by the Minister. The SAO being the most senior officer in the CSD was given additional responsibilities by the PS and Minister this involved providing advice to the PS and Minister on all administration and HR related matters.*

*At its 2014 budget submission, the ministry specifically requested for an additional PAO position, in order for the two Ministries to have separate PAOs to oversee the operations of the CSD in their respective Ministries. This was not approved.*

*For the 2015 budget submission, MPET is now requesting not only for a PAO position but additional executive, professional and operational posts to ensure accountability and transparency for the two CSDs. This will allow MIT to have its PAO post back.*



## Section 28

# Ministry of Public Enterprises, and Tourism

### Role and Responsibilities

The Ministry focuses on the following core responsibilities:

#### Public Enterprise

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

#### Tourism

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

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## PART A: FINANCIAL STATEMENTS

### 28.1 Audit Opinion

The audit of the 2013 accounts of the Ministry of Public Enterprises and Tourism resulted in the issue of an unqualified audit report.

### 28.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$16,124 and incurred a total expenditure of around \$28.6 million in 2013.

**Table 28.1: Statement of Receipts and Expenditures for 2013**

Description	2013 (\$)	2012 (\$)
<b>RECEIPTS</b>		
License – Telecom & Television	-	503,208
Miscellaneous	16,124	2,610
<b>TOTAL REVENUE</b>	<b>16,124</b>	<b>505,818</b>
<b>EXPENDITURE</b>		
<b>Operating Costs</b>		
Established staff	907,686	1,042,558
Government Wage Earners	84,479	84,662

Description	2013 (\$)	2012 (\$)
Travel and communications	105,642	98,146
Maintenance & operations	138,840	145,324
Purchase of goods and services	57,439	284,949
Operating grants and transfers	3,236,595	5,818,667
Special expenditures	100,828	269,845
<b>Total Operating Costs</b>	<b>4,631,509</b>	<b>7,744,151</b>
<b>Capital Expenditure</b>		
Capital Constructions	329,547	-
Capital grants and transfers	23,500,000	24,820,223
<b>Total Capital Expenditure</b>	<b>23,829,547</b>	<b>24,820,223</b>
Value Added Tax	127,427	132,136
<b>TOTAL EXPENDITURE</b>	<b>28,588,483</b>	<b>32,696,510</b>

Total revenue declined by \$489,694 or 97% due to the responsibility for collecting the telecommunication and television license fees being transferred to the Office of the Solicitor General and Ministry of Justice in 2013. The decline in expenditure in 2013 resulted mainly from the following:

- There were decreases in Established Staff, Purchase of Goods and Services and Special Expenditure by \$134,872 or 13 %, \$227,510 or 80 % and \$169,017 or 63% respectively were due to the transfer of staffs from the Department of Communication and Civil Aviation to the Ministry of Justice from 2013.
- Operating Grants and Transfers decreased by \$2,582,072 or 44 % as grants were not paid to other agencies except the Tourism Fiji.

### 28.3 Appropriation Statement

The Ministry incurred a total expenditure of \$28,588,483 in 2013 against the budget of \$29,273,438 resulting in a savings of \$684,955 or 2%. Details of expenditure against the budget estimate are provided in Table 28.2 below.

**Table 28.2: Appropriation Statement for 2013**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	1,343,206	(40,000)	1,303,206	907,686	395,520
2	Government Wage Earners	87,337	-	87,337	84,479	2,858
3	Travel and communications	112,494	6,000	118,494	105,642	12,852
4	Maintenance & operations	156,265	20,000	176,265	138,840	37,425
5	Purchase of goods and services	1,098,128	(988,652)	109,476	57,439	52,037
6	Operating grants and transfers	3,259,092	-	3,259,092	3,236,595	22,497
7	Special expenditures	813,500	(567,930)	245,570	100,828	144,742
	<b>Total Operating Costs</b>	<b>6,870,022</b>	<b>(1,570,582)</b>	<b>5,299,440</b>	<b>4,631,509</b>	<b>667,931</b>
8	Capital Constructions	-	332,683	332,683	329,547	3,136
10	Capital Grant & Transfers	23,500,000	-	23,500,000	23,500,000	-
	<b>Total Capital Expenditure</b>	<b>23,500,000</b>	<b>332,683</b>	<b>23,832,683</b>	<b>23,829,547</b>	<b>3,136</b>
13	Value Added Tax	327,000	(185,685)	141,315	127,427	13,888
	<b>TOTAL EXPENDITURE</b>	<b>30,697,022</b>	<b>(1,423,584)</b>	<b>29,273,438</b>	<b>28,588,483</b>	<b>684,955</b>

## Section 29 Ministry of Works and Transport

### Role and Responsibilities

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

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

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

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## PART A: FINANCIAL STATEMENTS

### 29.1 Audit Opinion

The audit of the 2013 accounts of the Ministry of Works and Transport resulted in the issue of a qualified audit report. The issues qualified are as follows:

#### Trading and Manufacturing Account (TMA)

- Included in the TMA Balance Sheet are balances for TMA Accumulated Deficit of \$781,117, TMA Surplus of \$4,669,422, Accounts Receivable of \$2,104,195, Accounts Payable of \$218,656 and Deposits and Deductions of \$190,373. These amounts could not be verified as the Ministry was not able to provide appropriate audit evidence to support the balances. As a result, the accuracy and completeness of the Trading and Manufacturing Account as at 31 December 2013 could not be ascertained.
- An un-reconciled variance amounting to \$1,204,767 exists between the FMIS general ledger and the TMA bank reconciliation for cash at Bank. Accordingly, the accuracy and completeness of the TMA Cash at Bank of \$1,785,350 as shown in Schedule 6 – the TMA Balance Sheet as at 31 December 2013 could not be established.

Management attention was also drawn to the following matters pertaining to Head 40:

- In accordance with Note 2 (a) of the financial statements on basis of accounting, total expenditure of \$48,583,006 included a book entry for a budget carry-over of \$637,110 (Schedule 2 of the Financial Statements) to be expended in 2014. Consequently, the actual expenditure for the year ended 31 December 2013 has been overstated by the same amount.
- Section 15 of the Finance Instruction 2010 requires all payments to be recorded in the financial management information system (FMIS) and an Expenditure Ledger. The Ministry prepared its financial statement without reconciling to an Expenditure Ledger as there was none maintained by the Ministry.

### 29.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$0.8 million and incurred a total expenditure of \$48.6 million in 2013. Details are shown in Table 29.1.

**Table 29.1: Statement of receipts and expenditure**

Description	2013 (\$)	2012 (\$)
<b>REVENUE</b>		
Fees – Miscellaneous	286,996	300,580

Description	2013 (\$)	2012 (\$)
Reimbursements for Meteorological Services	528,261	533,838
Other revenue	22,779	(114)
<b>TOTAL REVENUE</b>	<b>838,036</b>	<b>834,304</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	7,161,525	7,204,133
Government Wage Earners	5,975,767	5,395,158
Travel & Communications	764,151	772,829
Maintenance & Operations	4,268,271	3,795,334
Purchase of Goods and Services	877,186	965,036
Operating Grants and Transfers	15,312,713	14,251,346
Special Expenditure	196,097	237,366
<b>Total Operating Expenditure</b>	<b>34,555,710</b>	<b>32,621,202</b>
<b>Capital Expenditure</b>		
Capital Construction	5,528,068	6,981,623
Capital Purchase	2,184,806	2,410,128
Capital Grants and Transfer	4,286,746	3,498,987
<b>Total Capital Expenditure</b>	<b>11,999,620</b>	<b>12,890,738</b>
Value Added Tax	2,027,676	2,200,052
<b>TOTAL EXPENDITURE</b>	<b>48,583,006</b>	<b>47,711,992</b>

No significant change was noted for revenue collection. Total expenditure however increased by \$871,014 (2%) due to increase in operating expenditure.

### 29.3 Appropriation Statement

The Ministry of Works and Transport incurred expenditure totalling \$48.6 million in 2013 against a revised budget of \$51.8 million resulting in a savings of \$3.2 million or 6%. Details of expenditure against the budget estimates are provided in Table 29.2.

**Table 29.2: Appropriation statement**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Carry Over (\$)	Lapsed Appropriation (\$)
1	Established Staff	9,841,228	(1,647,905)	8,193,323	7,161,525	-	1,031,798
2	Government Wage Earners	6,182,659	671,600	6,854,259	5,975,767	-	878,492
3	Travel & Communication	888,912	32,900	921,812	764,151	-	157,661
4	Maintenance & Operations	4,400,994	179,000	4,579,994	4,268,271	-	311,723
5	Purchase of Goods & Services	1,052,791	(27,000)	1,025,791	877,186	-	148,605
6	Operating Grants & Transfers	15,318,333	-	15,318,333	15,312,713	-	5,620
7	Special Expenditures	225,000	179,200	404,200	196,097	-	208,103
	<b>Total Operating Costs</b>	<b>37,909,917</b>	<b>(612,205)</b>	<b>37,297,712</b>	<b>34,555,710</b>	<b>-</b>	<b>2,742,002</b>
8	Construction	5,707,750	(15,907)	5,691,843	5,528,068	150,964	163,775
9	Purchases	2,401,739	-	2,401,739	2,184,806	476,151	216,933
10	Capital Grants & Transfers	5,500,000	(1,213,254)	4,286,746	4,286,746	-	-
	<b>Total Capital Expenditure</b>	<b>13,609,489</b>	<b>(1,229,161)</b>	<b>12,380,328</b>	<b>11,999,620</b>	<b>627,115</b>	<b>380,708</b>
13	Value Added Tax	2,201,672	(37,500)	2,164,172	2,027,676	9,995	136,496
	<b>TOTAL EXPENDITURE</b>	<b>53,721,078</b>	<b>(1,878,866)</b>	<b>51,842,212</b>	<b>48,583,006</b>	<b>637,110</b>	<b>3,259,206</b>

## 29.4 Statement of Losses

There were no losses report received from the Divisions. However, the Ministry conducted its annual board of survey and the reports were forwarded to the Ministry of Finance.

## 29.5 Trade and Manufacturing Account (TMA)

**Table 29.3: Manufacturing account**

	2013 (\$)	2012 (\$)
Opening Raw materials	431,522	255,830
Add: Purchases	3,047,737	4,200,859
	<b>3,479,259</b>	<b>4,456,689</b>
Less: Closing Raw Materials	235,644	431,522
<b>Raw Materials Used</b>	<b>3,243,615</b>	<b>4,025,167</b>
Direct Labour	4,432,884	4,757,430
Opening Work in Progress	-	-
	<b>7,676,499</b>	<b>8,782,597</b>
Less: Closing Work in Progress	25,327	-
<b>Cost of Goods Manufactured transferred to Trading Account</b>	<b>7,651,172</b>	<b>8,782,597</b>

**Table 29.4: Trading account**

	2013 (\$)	2012 (\$)
Sales	<b>9,126,417</b>	<b>12,639,135</b>
Finished Goods (01/01/13)	296,180	249,309
Add: Cost of Manufactured Goods	7,651,172	8,782,597
<b>Cost of goods available for sale</b>	<b>7,947,352</b>	<b>9,031,906</b>
Less: Finished Goods (31/12/13)	146,817	296,180
<b>Cost of Goods Sold</b>	<b>7,800,535</b>	<b>8,735,726</b>
<b>Gross Profit transferred to profit &amp; loss</b>	<b>1,325,882</b>	<b>3,903,409</b>

**Table 29.5: Profit & Loss Statement**

	2013 (\$)	2012 (\$)
<b>Sales</b>		
Gross Profit transferred from Trading A/C	1,325,882	3,903,409
Other income	307	6,804
OPR from previous years	-	-
<b>Total Income</b>	<b>1,326,189</b>	<b>3,910,213</b>
<b>Expenses</b>		
Travel and communications	189,541	116,024
Maintenance and operation	1,748,626	3,544,399
Purchase of Goods and Services	26,882	59,920
Special Expenses	1,296	1,811
VAT	576	-
<b>Total Expenses</b>	<b>1,966,921</b>	<b>3,722,154</b>
<b>Net Profit</b>	<b>(640,732)</b>	<b>188,059</b>

**Table 29.6: TMA balance sheet**

	2013 (\$)	2012 (\$)
<b>Liabilities</b>		
Deposits, Deductions & Retention money	190,373	266,694
Accounts Payable	218,656	27,063
<b>Total Liabilities</b>	<b>409,029</b>	<b>293,757</b>
<b>Equity</b>		
TMA Accumulated Surplus	(781,117)	8,883,387
TMA Surplus	4,669,422	(4,256,476)
<b>Total Equity</b>	<b>3,888,305</b>	<b>4,626,911</b>
<b>Total Equity and Liabilities</b>	<b>4,297,334</b>	<b>4,920,668</b>
<b>Assets</b>		
Cash at Bank	1,785,350	2,475,322
Accounts Receivable	2,104,195	1,717,644
Inventory	407,789	727,702
<b>Total Assets</b>	<b>4,297,334</b>	<b>4,920,668</b>

## PART B: AUDIT FINDINGS

### 29.6 Overstatement of Expenditure

If an amount appropriated by an Annual Appropriation Act for a financial year has not been used in that financial year; or is unlikely to be used in that financial year, the Minister may authorise the carry-over to the following year of all or part of the unused appropriation that relates to known liabilities as at a particular date, and the amount authorised for carry-over may be used accordingly in that following year, subject to such conditions as the Minister specifies in the authorisation.<sup>1</sup>

The purpose of the carry-over policy is to ensure that funds requested for this initiative are reflected in the budget allocation of requesting Ministries and Departments for the respective year.<sup>2</sup>

The Ministry of Finance approved the budget carry-over of \$637,110 for the Department of Meteorological Services to be utilised in the following year, 2014.

The audit noted that the Ministry recorded \$637,110 as expenditure for 2013 in the FMIS general ledger contrary to the carry-over policy. Refer to Table 29.7 below for details.

However, from the journals entries posted to the FMIS general ledger as shown on Table 29.8 below, a natural account 89 (Trust Account) under the Ministry of Finance was also affected.

**Table 29.7: Approved carry-over of funds**

Allocation	Project Description	Carry Over Amount (\$)
1-40203-81301-080421	Laucala Bay Office	150,964
1-40203-81301-090173	Replacement of HF	14,979
1-40205-81501-130101	VAT	9,995
1-40203-81301-090173	Data Rescue Digitization	461,172
<b>Total</b>		<b>637,110</b>

<sup>1</sup> Financial Management Act 2004 – Section 19 (1)

<sup>2</sup> Ministry of Finance – Carry-Over Policy, January 2012

**Table 29.8: Carry-Over budget recorded as expenditure**

SEG	Allocation	Carry-Over Amount (\$)
8 – Capital Construction	1-40203-81301-080421	51,654
9 – Capital Purchases	1-40203-81301-090171	60,153
	1-40203-81301-090173	14,979
	1-40203-81301-090171	340,866
13 - VAT	1-40205-81501-130101	9,995
	1-40203-81301-130101	25,867
	1-40205-81501-130101	34,286
89	1-01102-04202-89902	99,310
<b>Total</b>		<b>637,110</b>

Expenditures have been overstated by \$637,110 for the year ended 31 December 2013.

### **Recommendation**

**The Principal Accounts Officer, in consultation with the Ministry of Finance, should ensure that carry-over expenditure is appropriated in the budget of the following year.**

### **Management Comment**

*No comment received from management.*

## **29.7 Recording of Expenditure**

All payments, including VAT, must be immediately recorded in the financial management information system (FMIS) and an Expenditure Ledger.<sup>3</sup>

The audit noted that the Ministry prepared its financial statements from the FMIS without reconciling to an Expenditure Ledger as there was none maintained by the Ministry.

In the absence of an Expenditure Ledger, there was also no other evidence to indicate that the expenditure accounts were reconciled to the source documents to provide assurance that all payments incurred have been recorded in the FMIS general ledger.

### **Recommendation**

**The Ministry should comply with Section 15 of the Finance Instructions or provide evidence of regular reconciliation of expenditure accounts.**

### **Management Comment**

*No comment received from management.*

<sup>3</sup> Finance Instruction 2010 s15



## 29.8 Program 6 Expenditure Account

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. No officer may incur expenditure which results in the agency's appropriation being exceeded without the authorisation of the Ministry of Finance, pending approval by Cabinet.<sup>4</sup>

Prior to the establishment of the Fiji Roads Authority (FRA) in 2012, the budget and expenditure for the Department of Roads were captured in the FMIS general ledger under Program 6 - Appropriation Head 40.

The audit noted that the expenditure allocations under Program 6 (Head 40) were still active in 2013 as transactions for \$291,704 were recorded under Standard Expenditure Group (SEG) 1. The Ministry explained that the expenditure relate to salaries for staff of the then Department of Roads that have been transferred to the Ministry of Provincial Development. However, there was no budget allocated for Program 6 and there was no evidence provided to substantiate the explanations provided, thus the FMIS general ledger could not be corrected through audit adjustments. Refer to Table 29.9 below for details.

**Table 29.9: Program 6 Account**

SEG	Total Head 40 Expenditure (\$)	Program 6 Expenditure (\$)	Program 1-5 Expenditure (\$)
Established Staff	7,161,525	291,704	6,869,821
Total	48,583,006	291,704	48,291,302

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

### Recommendations

#### **The Ministry should:**

- liaise with Ministry of Finance to deactivate these allocations;
- ensure that transactions posted to the FMIS general ledger are supported with documentary evidences;
- seek clarifications from the Ministry of Finance on allocations under Head 40 that it cannot explain and obtain records to substantiate the balances; and
- investigate why expenditures were charged to an allocation that should have been deactivated and without any budgetary allocation.

### Ministry's Comments

*No comment received from management.*

## 29.9 Trading and Manufacturing Account

The Trading and Manufacturing Accounts (TMA) consolidate eleven TMA, however, five TMAs were inoperative as at 31 December 2013. The TMAs include the following:

<sup>4</sup> Ministry of Works, Transport and Public Utilities – Finance Manual s2.1.2

Operative TMAs:

1. Fuel and oil;
2. Joinery shop;
3. Lubrication shop;
4. Plant hire;
5. Plumber shop; and
6. Workshop wages

Inoperative TMAs:

7. Workshop Suspense
8. Workshop Stock
9. Concrete Products
10. Gravel Wash
11. Cane Trucks

**29.9.1 Anomalies noted in the TMAs**

Each agency operating a trading and manufacturing activity must prepare:

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

The profit and loss statement and the balance sheet must be prepared on an accrual basis.<sup>5</sup>

The annual profit and loss statements and balance sheet for each current financial year just ended must be prepared and submitted to the Auditor-General in a form suitable for audit and inclusion in the agency's annual report.<sup>6</sup>

The Accounting Head shall appoint two stocktake officers, one of whom is independent of the inventory function, to undertake a stocktake of all inventories at least once a year. The stocktake officers shall count the stock and verify it to the inventory register. Details of the stocktake must be recorded on inventory stocktake sheets, which must be signed by the stocktake officers after completing the stocktake. The stocktake officers shall prepare their stocktake report noting any surplus, damaged, obsolete or unaccounted stock and their recommendations. The stocktake report shall be signed by the stocktake officers and submitted to the Accounting Head together with the stocktake sheets.<sup>7</sup>

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

- The Balance Sheet for the year ended 31 December 2013 included TMA Accumulated Deficit of \$781,117, TMA Surplus of \$4,669,422, Accounts Receivable of \$2,104,195, Accounts Payable of \$218,656 and Deposits and Deductions of \$190,373. The Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the balances reflected in the TMA Balance Sheet. As a result, the correctness of these amounts could not be ascertained during the audit.

<sup>5</sup> Finance Instructions 2010 – Section 30 (1 & 2)

<sup>6</sup> Finance Instructions 2010 – Section 30( 3)

<sup>7</sup> PWD 2011 Finance Manual s8.3

- There was an un-reconciled variance amounting to \$1,202,767 between the FMIS general ledger and the TMA bank reconciliation statement for cash at bank. The audit therefore was unable to ascertain the accuracy and completeness of the TMA Cash at Bank of \$1,785,350 as shown in the TMA Balance Sheet as at 31 December 2013.
- There were only four bank accounts maintained for the different TMAs. Only one TMA reflected cash balance in its Balance Sheet. However, the balance also varied with the balance reflected in the FMIS general ledger by \$102,354.
- There was a variance amounting \$666,261 between the consolidated Equity as stated in Agency Financial Statement and the balances of the individual TMAs. Refer to **Appendix 29.1** for details.
- The Ministry's consolidated TMA comprised of eleven TMAs. However, five of the eleven TMAs were inoperative, yet their balances were included in the consolidated Financial Statements.
- Stocktakes were carried out by officers directly involved in maintaining and accounting for the stock without an independent supervision. Refer to Table 29.10 for example. As a result, reliance on stocktake carried out by the Ministry was limited. The audit was not able to ascertain the correctness of the closing stock balance reflected in the financial statements.

**Table 29.10: Stocktake Officers**

TMA	Stock take done by	Verification by
Joinery Workshop	Rajnel Ayer - Storeman	Nabeia Natu – Joinery Supervisor
Plumber Workshop	Eseroma K - Storeman	Lepani Tikomailautoka - Supervisor Plumbershop

The above anomalies imply that the Trading and Manufacturing Accounts may not fairly reflect the financial performance and position of the TMA operations. There is also potential risk for mismanagement due to ineffective controls and lack of supervisory checks in the TMA operations.

Unless resolved, the issue will continue to affect the TMAs in subsequent years.

### **Recommendations**

- **Details of the TMA Accumulated Surplus and TMA Surplus as reflected in the consolidated TMA Balance Sheet should be provided for audit.**
- **The draft Agency Financial Statements, including the Trading and Manufacturing Accounts should be thoroughly checked, balances substantiated and clarified with the Ministry of Finance before they are submitted for audit.**
- **Accounts Officers should be proactive in dealing with issues concerning TMAs, that is, seek out explanations and liaise with the Ministry of Finance to resolve long outstanding issues regarding the records that would support the balances for TMAs.**
- **The Ministry should consider maintaining separate cash ledgers in the FMIS for the each TMA.**
- **The Ministry should ensure all cash balances are properly reflected in the Financial Statements.**
- **The Ministry should ensure that proper reconciliations are carried out and any errors are investigated and adjusted accordingly.**
- **Stocktakes should be conducted by Officers who are independent from the custody of the TMA stock.**

### **Management Comment**

*No comment received from management.*

#### **29.9.2 Photocopied Source Documents for Plant Hire**

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

- i. it is in accordance with an LPO, indent, contract, invoice, statement 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>8</sup>

Immediately upon payment, all vouchers must be stamped “PAID”.<sup>9</sup>

The audit noted that documents attached to the request forms as supporting documents for plant hire were in most instances photocopied documents. In addition, the photocopied documents were not stamped ‘PAID’ upon payments. Refer to the **Appendix 29.2** for details.

The use of photocopied documents as evidence for services rendered and for which payments are effected increases the risk of double payments.

### **Recommendations**

- **The practice of using photocopied documents to process payments should cease forthwith.**
- **Payment vouchers and supporting documents should be stamped “PAID” immediately after payments are made.**

### **Management Comment**

*No comment received from management.*

#### **29.9.3 Analysis of the Trading and Manufacturing Accounts**

Trading and manufacturing activities (TMAs) are operated on a semi-commercial basis to increase the returns that are realised from them and to provide goods, services or works more cost-effectively.<sup>10</sup>

An analysis was carried out on six TMAs that were still in operation as at the year ended 31 December 2013. These include the following:

- Fuel and oil;
- Joinery shop;
- Lubrication shop;
- Plant hire;
- Plumber shop; and
- Workshop wages

Refer below for detailed analysis and illustrations for each TMA. Also refer to **Appendix 29.3** to **Appendix 29.8** for detailed financial statement for each TMA

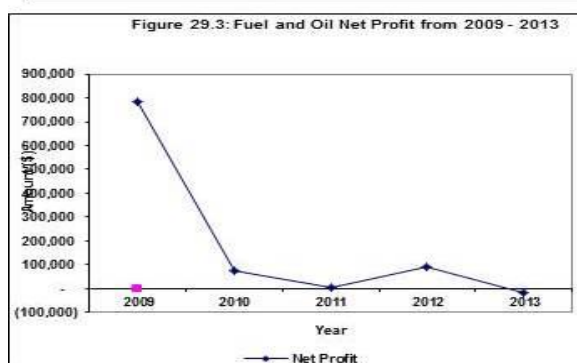
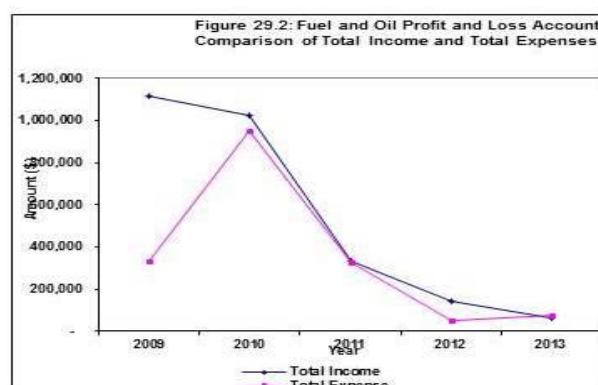
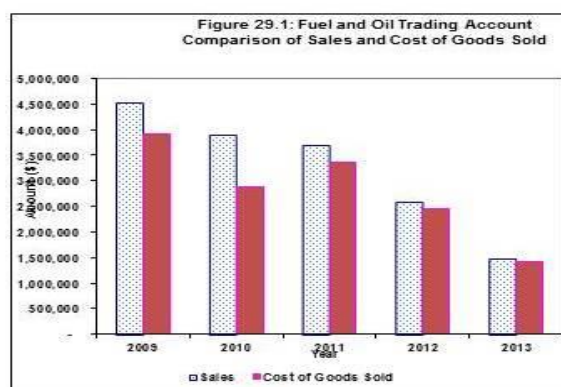
<sup>8</sup> Ministry of Works, Transport and Public Utilities – Finance Manual s2.8.4

<sup>9</sup> Ministry of Works, Transport and Public Utilities – Finance Manual s7.3.11

<sup>10</sup> PWD 2011 Finance Manual, s6

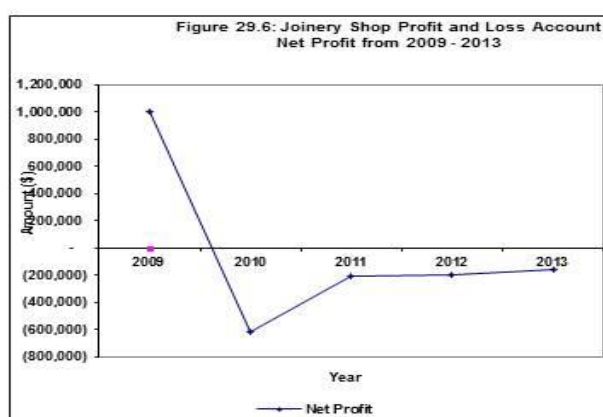
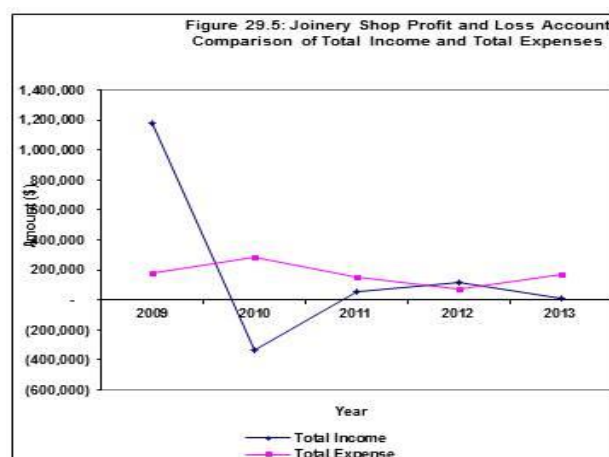
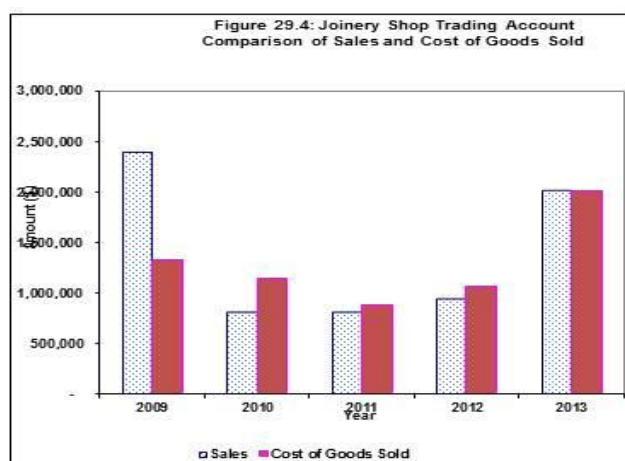
## Fuel and Oil

Manufacturing Account	Trading Account	Profit and Loss Account	Balance Sheet	Recommendations
<p>The operations of the fuel and oil TMA is such that fuel and oil prices are adjusted along with commercial rates. Direct labour charges include wages for officers serving the customers. These costs are minimal. Raw materials include fuel, oil and grease. The costs of these have been below the selling price. Thus, this TMA had been profitable from 2009 to 2013.</p> <p>The cost of raw materials fluctuated with the highest of \$3.8 million in 2009 and lowest of \$1.2 million in 2013. Direct labour cost decreased over the years from \$110,108 in 2009 to \$58,283 in 2012 however increased to \$111,625 in 2013.</p>	<p>The sales and cost of goods sold showed a direct relation i.e., when sales decrease from 2009 onwards, the costs also decreased. Between 2009 and 2012, the highest gross profit recorded was \$1.02 million achieved in 2010 and the lowest of \$0.06 million in 2013. Refer to Figure 29.1</p>	<p>Although net profit was achieved from 2009 to 2012, the profit has decreased over the years due to reduction in sales. The TMA recorded a net loss in 2013. Figure 29.2 shows trends for Total Income and Total Expenses and Figure 29.3 shows Net Profit over the period.</p>	<p>As at 31/12/13, fuel and oil assets compromised of accounts receivable of \$187,825, inventory \$88,539 and VAT \$69,029. Accounts receivable had increased from 2010 indicating an increase in credit sales and slow recovery of debts. Inventory was the lowest in 2013 at \$88,539.</p> <p>Reflected in liabilities at the end of 2013 are deposits and deductions with a balance of \$200,081 which had significantly decreased from \$970,749 in 2011.</p>	<p><b>As cost of raw material is outside the control of the Ministry, profitability can be maintained through close monitoring of direct labour, maintenance and operations costs.</b></p> <p><b>The Ministry should also implement stringent internal controls to avoid or minimise mismanagement of raw material.</b></p>



**Joinery Shop**

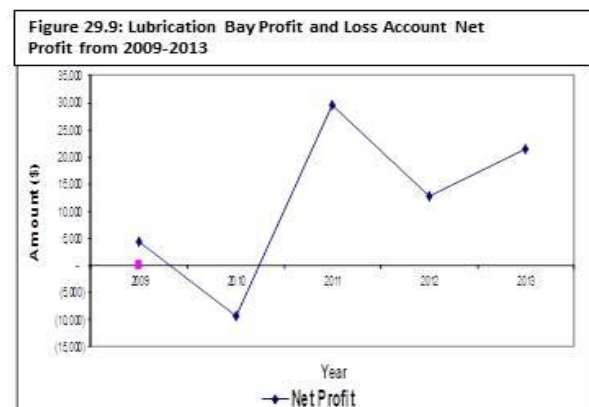
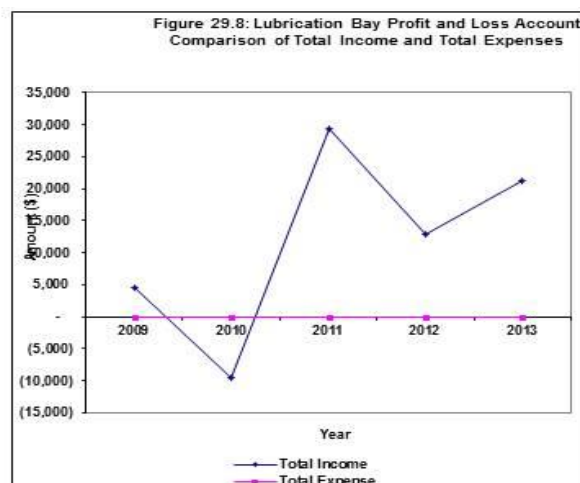
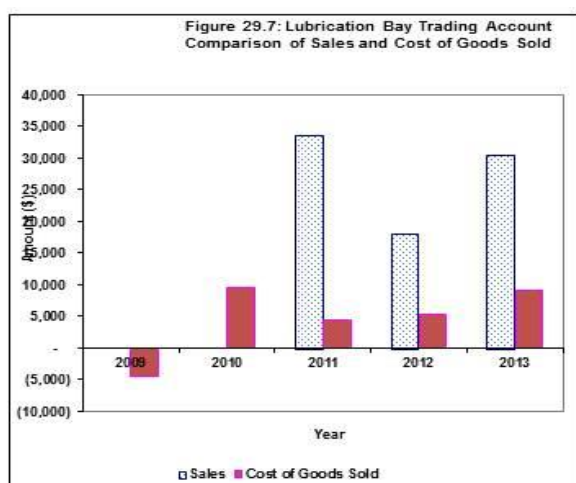
<b>Manufacturing Account</b>	<b>Trading Account</b>	<b>Profit and Loss Account</b>	<b>Balance Sheet</b>	<b>Recommendations</b>
<p>The costs of goods manufactured have fluctuated over the past five years, however, have remained high.</p> <p>High closing raw materials may indicate the absence of proper procurement plan and that raw materials were purchased in bulk.</p>	<p>Figure 29.4 shows that sales figure fell from \$2,403,146 in 2009 to between \$800,000 and \$900,000 in 2010 to 2012 and then significantly increased to \$2,022,201 in 2013.</p> <p>Cost of goods sold was also fluctuating with the highest of \$2,012,266 in 2013 and lowest of \$876,488 in 2011. The percentage of cost of goods to sales was 55% in 2009, 141% in 2010, 108% in 2011, 113% in 2012 and 99.5% in 2013. This shows that gross profit was only achieved in 2009 and 2013.</p> <p>The gross loss recorded in 2010 to 2012 was attributed to significant reduction in sales and high cost of goods manufactured.</p>	<p>Figure 29.6 shows that net profit was only achieved in 2009 compared to losses for every other year for the past five years. However these losses have reduced from \$631,546 in 2010 to \$156,674 in 2013. Figure 29.5 shows trends for total income and total expenses.</p>	<p>As at 31/12/13, Joinery shop had a healthy cash balance of \$1,023,105. However, accounts receivable also amounted to \$821,532 or 39% of total assets. This figure has been increasing from 2009 to 2013 indicating an increase in credit sales and/or slow recovery of debts.</p> <p>The highest inventory held was in 2012 with a value totalling \$465,792. High raw materials held at year end are subject to spoilage, wear and tear, damages and were prone to the possibility of theft.</p> <p>Cost of materials is beyond the Department's control, hence the Department should employ stringent measures to reduce labour cost.</p>	<p><b>The Ministry should endeavour to maintain profitability through:</b></p> <ul style="list-style-type: none"> <li>• monitoring of costs;</li> <li>• reviewing current selling prices of products as material costs are beyond the Ministry's control; and</li> <li>• hire of labour based on availability of funds and on need basis only.</li> </ul> <p><b>The Department should review and improve debt recovery mechanisms.</b></p> <p><b>The Ministry should also consider ceasing TMA operations that are costly to maintain and unprofitable</b></p>



## Lubrication Bay

Manufacturing Account	Trading Account	Profit and Loss Account	Balance Sheet	Recommendations
<p>Raw materials for the Lubrication bay include grease and oil e.g. brake fluid, engine oil, and hydraulic oil. These goods are of low value and are low sale turnover items.</p> <p>Raw materials purchased in 2009 had a value of \$176 and associated direct labour cost was \$35. In comparison to 2011, raw materials purchased amounted to \$155, however the direct labour cost was \$12,880. This amount is equivalent to one officer's annual salary indicating that one staff was engaged throughout the year to provide services for a product of such</p>	<p>In 2009, cost of goods available for sales was \$4,981. However, the value of closing finished goods was \$9,474 resulting in a negative value of cost of goods sold of \$4,493. This indicated that the closing stock was either over-valued or cost of goods available for sale was understated. However goods purchased were in the state of finished goods and the purchase price was the actual cost of the goods.</p> <p>Sale for 2010 was nil. However, cost of goods sold was</p>	<p>As per Figure 29.8 no expense was incurred from 2009 to 2013. Net profits were recorded in 2011, 2012 and 2013. Data for 2009 and 2010 could not be relied upon. Refer to Figure 29.9.</p>	<p>As at 31/12/13, lubrication bay assets comprised of accounts receivable of \$148 and inventory \$3,781.</p>	<p><b>The Ministry should endeavour to maintain profitability through:</b></p> <ul style="list-style-type: none"> <li>• monitoring direct labour costs; and</li> <li>• to avoid holding excess inventory at year end through developing and implementing proper procurement plan.</li> </ul> <p>Since the lubrication bay is a small scale operation, the Ministry should also consider combining it with the Fuel and Oil TMA. This is because both TMAs are engaged in the service delivery of homogenous items and</p>

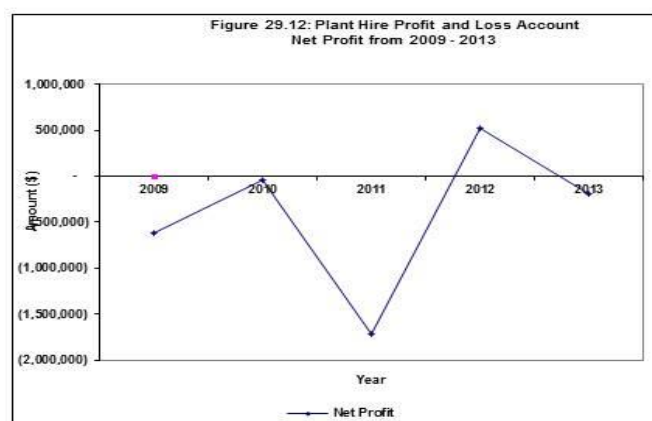
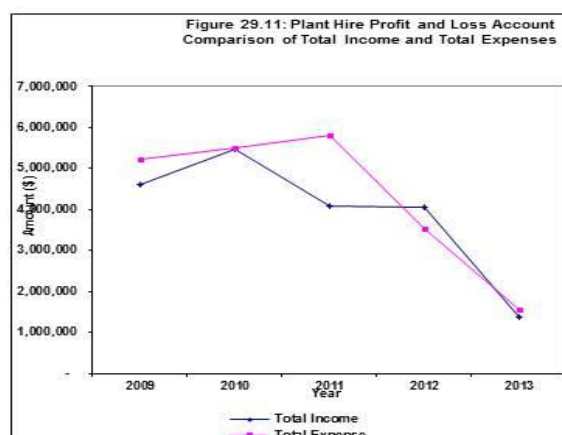
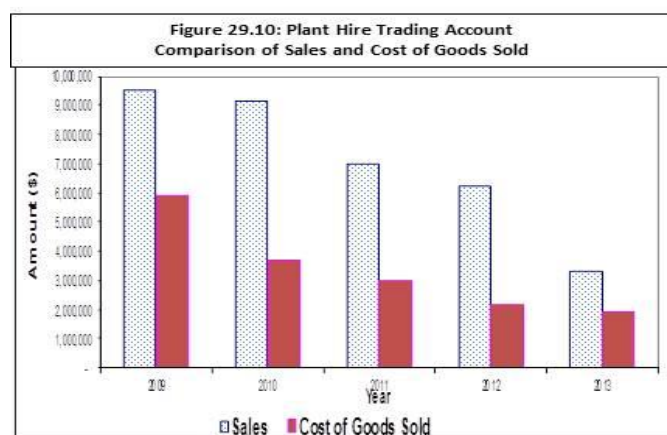
Manufacturing Account	Trading Account	Profit and Loss Account	Balance Sheet	Recommendations
<p>insignificant value. Similarly in 2012, \$2,440 was incurred as labour cost however the value of raw materials purchased was nil.</p> <p>The cost of goods manufactured was \$211 in 2009, nil in 2010, \$13,035 in 2011, \$2,440 in 2012 and \$7,123 in 2013.</p>	<p>\$9,474 resulting in a gross loss of the same amount. This was an unreliable figure as explained in the Auditor's Report for the 2010 financial statements.</p> <p>Sales were recorded from 2011 to 2013 with the highest in 2011 at \$33,772. Highest profit of \$29,434 was also recorded in 2011 for the past five years. However closing finished goods was high since these were low value, low turnover items. Holding excess stock could result in misuse and/or theft. Refer to Figure 29.7</p>			<p>will result in labour cost savings. The labour engaged with fuel and oil services will also be involved with lubrication service delivery.</p> <p>The Department should ensure that data captured in the FMIS general ledger is reliable.</p>





**Plant Hire**

<b>Manufacturing Account</b>	<b>Trading Account</b>	<b>Profit and Loss Account</b>	<b>Balance Sheet</b>	<b>Recommendations</b>
<p>The raw materials utilised in 2009 was valued at \$1,532,331 in comparison to \$52,033 in 2010, \$27,784 in 2011, \$64,289 in 2012 and \$134,514 in 2013.</p> <p>Although direct labour cost also decreased from \$3,858,928 in 2009 to \$1,809,371 in 2013, it is still high compared to the raw materials utilised.</p>	<p>Figure 29.10 shows that both sales and cost of goods sold decreased over the years. However, gross profit of around \$4 million was recorded each year with the exception in 2013, which significantly decreased to \$1,372,119.</p>	<p>Net profit was only achieved in 2012 amounting to \$519,379 compared to losses recorded from 2009 to 2011 and 2013. Refer to Figure 29.12</p> <p>Figure 29.11 shows that the profitability was attributed to reduction in expenses except for net loss in 2013 due to huge reduction in gross profit from the Trading Account.</p>	<p>As at 31/12/13, Plant Hire TMA balance sheet had accounts receivable and inventory amounting to \$753,673 and \$22,658 respectively. The accounts receivable increased from 2009 due to credit sales and slow recovery of debts.</p> <p>Reflected in liabilities were deposits and deductions and accounts payable with balances of \$264,840 and \$90 respectively. Deposits and deductions significantly decreased in comparison to \$1,334,853 in 2011.</p> <p>Overall, the TMA only managed to make profit in 2012.</p>	<p><b>The Ministry should endeavour to maintain profitability by:</b></p> <ul style="list-style-type: none"> <li>• reviewing the current selling prices of products as material costs are beyond the Ministry's control; and</li> <li>• sell off/auction/trade in aged plant and vehicles since it is incurring high maintenance and operation costs.</li> </ul> <p><b>The Ministry should employ proper accounting practices and ensure balances are properly disclosed in the balance sheet.</b></p> <p><b>The Ministry should ensure accuracy data input into its Financial Management Information System so that financial data are reliable.</b></p>



## Plumber Shop

Manufacturing Account	Trading Account	Profit and Loss Account	Balance Sheet	Recommendations
From 2009 to 2013, the raw materials utilised and direct labour costs were directly related. The cost of goods manufactured was highest in 2010 and the lowest was recorded in 2011. Closing raw materials were minimal in comparison to purchases indicating most of the raw materials purchased were utilised in manufacturing process.	<p>As per Figure 29.13 sales was fluctuating with highest sales of \$1,108,095 recorded in 2013. Although sales decreased in 2010 and 2011, it increased substantially in 2012 and 2013.</p> <p>Cost of goods sold also fluctuated over the years with the highest of \$1,731,957 recorded in 2010 and lowest in 2011 of \$425,771. The percentage of cost of goods to sales was 145% in 2009, 278% in 2010, 93% in 2011, 91% in 2012 and 87% in 2013. This shows that gross profit was achieved in years 2011</p>	Net profits of \$28,333 and \$65,367 were recorded in 2012 and 2013 respectively compared to losses from 2009 to 2011. The profitability was attributed to reduction in expenses except for 2013 whereby profitability was achieved despite increase in expenses. Refer to Figure 29.14	<p>As at 31/12/13, plumber shop's assets comprised of accounts receivable of \$68,283, inventory of \$126,467 and VAT of \$142,702. Account receivable had been gradually increasing over the years with the highest in 2013 at \$68,283. The reason for increase in accounts receivable was due to credit sales and/or slow recovery of debts.</p> <p>Reflected in liabilities were deposits and deductions of \$1,805 and accounts payable of \$ 60,012. Accounts payable</p>	<p>The Ministry should endeavour to maintain profitability by:</p> <ul style="list-style-type: none"> <li>reviewing the current selling prices of its products as material costs are beyond the Ministry's control; and</li> <li>to hire labour based on availability of funding and on needs basis.</li> </ul> <p>The Ministry should employ proper accounting practices and ensure balances are properly disclosed in the balance sheet.</p> <p>The Ministry should</p>

Manufacturing Account	Trading Account	Profit and Loss Account	Balance Sheet	Recommendations
	to 2013.		<p>was nil in 2011 and 2012.</p> <p>Overall, the TMA managed to be profitable in 2012 and 2013 as a result of increase in sales revenue.</p>	<p>ensure accuracy of data input to the Financial Management Information System so that financial data are reliable.</p>

Figure 29.13: Plumber Shop Trading Account Comparison of Sales and Cost of Goods Sold

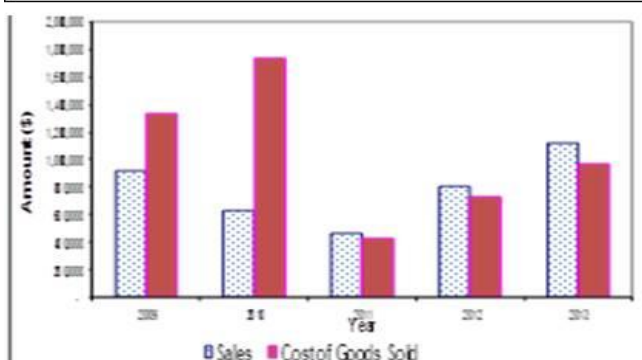


Figure 29.14: Plumber Shop Profit and Loss Account Comparison of Total Income and Total Expenses

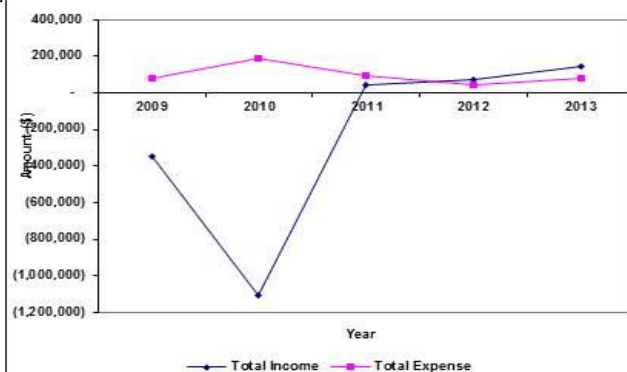
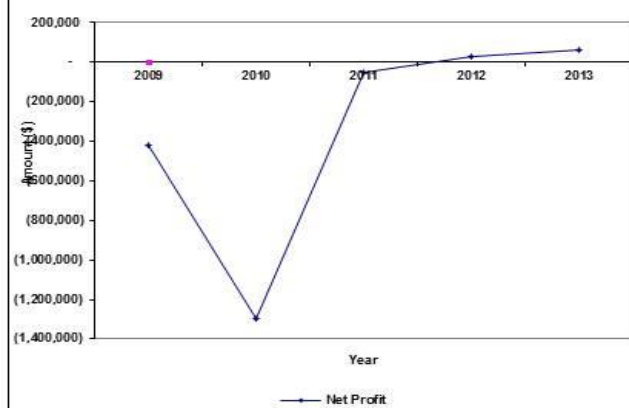


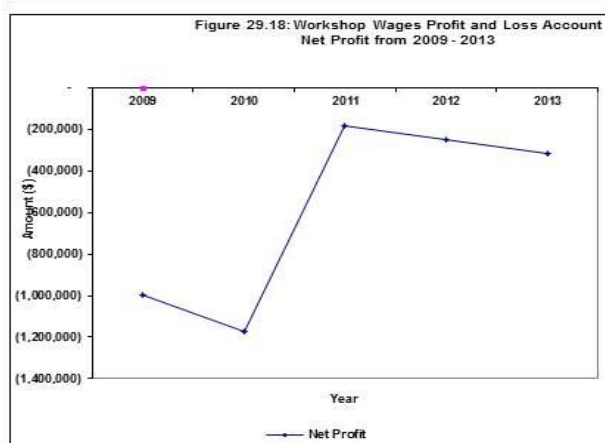
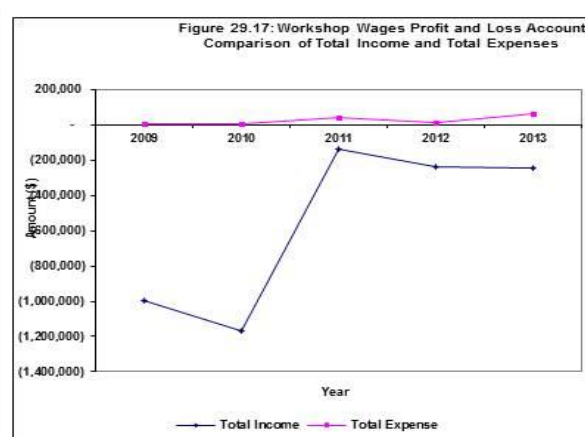
Figure 29.15: Plumber Shop Profit and Loss Account Net Profit from 2009 - 2013



## Workshop Wages

Manufacturing Account	Trading Account	Profit and Loss Account	Balance Sheet	Recommendations
Raw materials utilised in 2009 was valued at only \$9,485 however the associated direct labour cost was a massive \$2,482,024. This clearly indicated that excessive labour was employed in this TMA. It may also indicate that labour was	Given the high labour cost, the TMA recorded gross loss from 2009 to 2013. Refer to Figure 29.16.	Substantial losses carried forward from trading account resulted in net loss from 2009 to 2013. Refer to Figure 29.18	<p>On 31/12/13, accounts receivable was the only asset with a balance of \$74,019 which decreased by \$974 or 1.3% when compared to 2012.</p> <p>Overall, the TMA have been incurring losses</p>	The Ministry should carry out a feasibility study on the viability of the TMA.

Manufacturing Account	Trading Account	Profit and Loss Account	Balance Sheet	Recommendations
<p>still paid for when idle. The same also applied in 2011 where raw material utilised had a value of \$142,315 and direct labour cost was \$2,293,990.</p> <p>In 2010 raw materials utilised was nil however associated direct labour cost was \$2,210,604 indicating idle labour resources was being paid for.</p> <p>In 2013 raw materials utilised amounted to \$293,653 and direct labour was \$904,501. Direct labour was lower when compared to other years.</p> <p>Direct labour was the major cost for workshop wages TMA.</p>			<p>from 2009 to 2013. This is mainly attributed to excessive direct labour cost.</p>	



## 29.10 Operating Trust Fund Account

Within three days of receiving the monthly general ledger reports from the Ministry of Finance, the ledger keeper shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>11</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>12</sup>

Details of balances must be attached to the reconciliation statement.<sup>13</sup> The trust officer shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents.<sup>14</sup>

Trust money is to be accounted for separately from public money and other money<sup>15</sup>, and by convention should always have credit balances. Thus, the Trust Fund Accounts should not at any time be overdrawn.<sup>16</sup>

The accounts officer shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents.<sup>17</sup>

The review of records for the Operating Trust Fund Accounts revealed the following anomalies:

- Operating Trust Fund Account under Program 6 (formerly for the Department of Roads) was still active in 2013. A balance of \$12,214,086.44 at year end, as reflected in the FMIS general ledger, could not be explained by the Ministry. Moreover, the balance could not be substantiated against any reconciliation statement. Refer to Table 29.11 below for details.

**Table 29.11: Operating Trust Fund Account under Program 6**

Account Number	Account Description	Amount (\$)
1-40601-84999-861106	390 PD Govt. Water Rates Charges	(758.50)
1-40601-84999-861920	501 PD Employees FNPF	(23,288.08)
1-40601-91991-861920	51 PD Employees FNPF	(154,365.28)
1-40601-84999-862102	JC Retention Money	(12,035,674.58)
<b>Total</b>		<b>(12,214,086.44)</b>

- The closing balances of the Department of Work's Operating Trust Fund account reconciliation statement did not reconcile with the FMIS general ledger as at 31 December 2013. Refer to Table 29.12 below for details:

**Table 29.12: Variance between Reconciliation Statement and the FMIS General Ledger**

Department/Division	Reconciliation Statement (\$)	FMIS (\$)	Variance (\$)
Divisional Engineer - Central Eastern	1,225,171.17	1,220,094.21	5,076.96
Divisional Engineer – Northern	568,843.71	568,522.35	321.36
Department of Transport	(8,647.42)	(336.22)	(8311.20)

<sup>11</sup> Ministry of Works and Transport Finance Manual 2013 s16.3.3

<sup>12</sup> Ministry of Works and Transport Finance Manual 2013 s16.3.4

<sup>13</sup> Ministry of Works, Transport and Public Utilities Finance Manual 2013 s15.4.2

<sup>14</sup> Ministry of Works, Transport and Public Utilities Finance Manual 2013 s15.4.3

<sup>15</sup> Finance Act s25 (1)

<sup>16</sup> Finance Circular Number 4/98 of 30/03/98

<sup>17</sup> Ministry of Works, Transport and Public Utilities – Finance Manual s15.4.3

- An un-reconciled variance was also noted in the opening balances of the reconciliation statement and the FMIS general ledger. Refer to Table 29.13 below for details.

**Table 29.13: Variance in Opening Balances – Department of Transport**

Department/Division	Reconciliation Statement (\$)	FMIS (\$)	Variance (\$)
Department of Transport	(9,824.66)	(951.63)	(8,873.03)

- Individual account reconciliations were not provided to support the consolidated reconciliation statement. The balances in the summary reconciliation therefore could not be verified. Refer to Table 29.14 below for details.

**Table 29.14: Individual Account Reconciliations Not Provided**

Department/Division	Month	Account Number
Divisional Engineer – Headquarters	May	1-40501-83999-860101
	May	1-40501-83999-860101-03551
	May	Various Tender Deposit
Divisional Engineer - Central Eastern	February	1-40501-95991-861924
	April	1-40501-95991-861601
	July	1-40501-95991-861911
	August	1-40501-95991-861902
		1-40501-95991-861911
		1-40501-95991-861920
	September	1-40501-95991-861599
		1-40501-95991-861601
		1-40501-95991-861602
		1-40501-95991-861716
		1-40501-95991-861902
Divisional Engineer – North	November	1-40501-97991-861913
		1-40501-97991-861920

- The following Operating Trust Fund Accounts had debit balances implying that they were overdrawn as at 31 December 2013. The Ministry could not provide satisfactory explanation for the overdrawn accounts. Refer to Table 29.15 below for details:

**Table 29.15: Overdrawn Trust Fund Accounts**

Account Number	Account Description	Amount (\$)
1-40501-95991-861101	202 PD OPR Current Year	222,288.45
1-40501-97991-861101	202 PD OPR Current Year	312.62
1-40501-95991-861102	384 PD OPR Previous Year	5,089.14
1-40501-95991-861104	208 PD Rent H/A Unest	52,400.74
1-40501-95991-861105	267 PD Rent Public Rental Brd	994.67
1-40501-95991-861106	390 PD Gov Water Rates Charges	11,300.77
1-40501-97991-861106	390 PD Gov Water Rates Charges	29,502.11
1-40501-95991-861202	241 PD CMLA	13,022.03
1-40501-97991-861202	241 PD CMLA	26,003.31
1-40501-95991-861204	244 PD-LICI	51,804.74
1-40501-97991-861204	Payroll Deductions-LICI	6,764.82
1-40501-95991-861206	246 PD Marsh & McClennan	2,702.65

Account Number	Account Description	Amount (\$)
1-40501-97991-861501	286 PD Fiji Public Service Association	10.58
1-40501-95991-861505	290 PD Viti National Union	1,912.93
1-40501-95991-861521	312 PD Sacred Heart Cu	710.00
1-40504-96991-861522	313 PD Viti N.T.W. Cu	60.00
1-40501-97991-861525	316 PD Service Worker Cu	11.39
1-40501-95991-861532	YYY PD Public Employee Union	9,046.58
1-40501-95991-861533	WESRAM Finance	15,456.60
1-40501-97991-861533	WESRAM Finance	170.00
1-40501-95991-861535	Dominion Finance Limited	23.22
1-40501-97991-861536	Handy Finance Limited	710.54
1-40501-95991-861599	XXX PD Others	67,457.24
1-40501-97991-861599	Payroll Deductions –Others	20.00
1-40501-95991-861601	341 PD Maint. - Suva	952.12
1-40501-95991-861602	342 PD Maint-Nausori	756.16
1-40501-95991-861716	XXX PD Rates-Nasinu	115.00
1-40501-97991-861899	440 PD Fixed Rent	108.93
1-40501-95991-861901	201 PD Tax Arrears / PAYE	369,183.07
1-40501-97991-861901	201 PD Tax Arrears / PAYE	3,563.28
1-40501-97991-861911	385 PD Sports & Social	5,116.54
1-40501-95991-861920	501 PD Employees FNPF	437,644.30
1-40501-97991-861920	501 PD Employees FNPF	496,754.81
<b>Total</b>		<b>1,831,969.34</b>

- Reconciliation statements submitted by Departments/Divisions to Headquarters were incorrect. Thus the balances carried forward to the subsequent months' reconciliation could not be relied upon. Refer to Table 29.16 below for details.

**Table 29.16: Incorrect Reconciliations Submitted**

Department/Division	Month	Account No.
North	February	1-40501-97991-861202
		1-40501-97991-861204
		1-40501-97991-861501
		1-40501-97991-861525
		1-40501-97991-861599
		1-40501-97991-861911
	March	1-40501-97991-861105
		1-40501-97991-861106
		1-40501-97991-861202
		1-40501-97991-861204
		1-40501-97991-861525
		1-40501-97991-861533
		1-40501-97991-861599
		1-40501-97991-861899
		1-40501-97991-861901
		1-40501-97991-861911
		1-40501-97991-861920
	April	1-40501-97991-861204
		1-40501-97991-861501
		1-40501-97991-861899
		1-40501-97991-861920
Metrological Services	March	1-40201-81101-861920

- Despite numerous requests, reconciliation statements for the months of January, May, June and October for the Department of Works - Northern Division were not submitted for audit.
- The details of a number of Operating Trust Fund Accounts were not provided in the reconciliation statement for December nor were documents provided during the audit to support the balances.
- Refer to Table 29.17 below for details.

**Table 29.17: Operating Trust Fund Account without Details**

Account Number	Account Description	Amount (\$)
1-40201-83999-861901	PAYE	197,686.70
1-40501-83999-861920	FNPF	17,318.34
1-40501-83999-861204	LICI	1.56
1-40501-83999-861501	Fiji Public Service Association	79.50
1-40501-83999-861525	Service Worker Credit Union	65.50

The overdrawing of the Operating Trust Fund accounts may have resulted from incorrect journal entries posted by the Ministry in the FMIS general ledger. In the absence of proper records/explanations, the audit was not able to substantiate the accuracy of the Operating Trust Fund Accounts for the year ended 31 December 2013.

### **Recommendations**

- **Monthly reconciliation process should be strengthened to mitigate the various issues highlighted above.**
- **Monthly reconciliations should be carried out properly and accurately and Accounts Officers should be proactive in resolving un-reconciled balances between the reconciliation statements and the FMIS general ledger.**
- **Errors and discrepancies in the reconciliation statements should be corrected promptly before subsequent month's reconciliation statement is prepared. The Ministry should seek assistance from the Ministry of Finance where necessary.**
- **The Ministry should investigate and rectify the variances noted between its reconciliation statements and the FMIS general ledger.**
- **The Ministry must ensure that Trust Fund accounts are not overdrawn. Overdrawn accounts should be investigated and appropriate actions taken.**
- **The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

### **Management Comment**

*No comment received from management.*

## **29.11 Drawings Account**

The respective ledger keepers must reconcile all accounts to be submitted to Ministry of Finance within two weeks after the closing of each monthly account.<sup>18</sup> The Assistant Accounts officer and Accounts officer must verify all the reconciliations before signing and submitting it to Ministry of Finance.<sup>19</sup>

<sup>18</sup> Ministry of Works, Transport and Public Utilities – Finance Manual s17.2.4

<sup>19</sup> Ministry of Works, Transport and Public Utilities – Finance Manual s17.2.5



Within 3 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>20</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>21</sup>

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

- Three accounts in the FMIS general ledger were not supported by the reconciliation statements. Refer to Table 29.18 below for details.

**Table 29.18: Accounts Not Supported by Reconciliation Statements**

Account No.	Description	Amount (\$)
1-40601-99991-530201	Drawings	(2,108,771.63)
1-40601-84999-530382	Drawings	5.20
1-40501-95991-535001	Drawings	(475,622.10)
<b>Total</b>		<b>(2,584,388.53)</b>

- Un-reconciled variances were noted between the reconciliation statement and the FMIS general ledger. Refer to Table 29.19 below for details.

**Table 29.19: Variance between FMIS General Ledger and Reconciliation Statement**

Department/Divisions	FMIS (\$)	Reconciliation Statement (\$)	Variance (\$)
DECE	600,762	548,738	52,025
Western	333,656	474,124	(140,469)
Metrological Services	516,243	516,570	(327)
<b>Total</b>	<b>1,450,660</b>	<b>1,539,431</b>	<b>(88,771)</b>

The audit was not able to substantiate the accuracy of the Drawings Account - Operating for the year ended 31 December 2013.

### **Recommendations**

- Monthly reconciliation process should be strengthened to mitigate the issues highlighted above.
- Errors and discrepancies in the reconciliation statements should be corrected promptly before subsequent month's reconciliation statement is prepared. The Ministry should seek assistance from the Ministry of Finance where necessary.

### **Management Comment**

*No comment received from management.*

## **29.12 Variance in Standard Liability Group 84**

The Accounting Head is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>22</sup>

<sup>20</sup> Ministry of Works, Transport and Public Utilities – Finance Manual s16.3.3

<sup>21</sup> Ministry of Works, Transport and Public Utilities – Finance Manual s16.3.4

<sup>22</sup> Ministry of Works, Transport and Public Utilities – Finance Manual Part 16 – Ledger Accounts Introduction paragraph

The audit noted that the Standard Liability Group 84 (SLG 84) Consolidated Summary Account prepared by the Ministry had nil balance as at 31 December 2013, which did not reconcile with balance of \$637,261 reflected in the FMIS general ledger. The balance was made up of the carry-over amounts that were approved by the Ministry of Finance to be spent in 2014.

Refer to Table 29.20 below for details.

**Table 29.20: SLG 84 Balances - FMIS General Ledger**

Account Number	Description	Amount (\$)
1-40201-81101-840103-001	Data Rescue and Digitization Equipment	461,172
1-40201-81101-840103-002	Retention Monies	175,938
1-40501-83999-840602	Withholding Tax Payable	151
<b>Total</b>		<b>637,261</b>

Performing reconciliation of accounts is ineffective if variances between the FMIS general ledger and records maintained by the Ministry are not rectified.

### **Recommendation**

**The Consolidated Summary Account (SLG 84) prepared by the Ministry should be reconciled to the FMIS general ledger. Any variances noted should be investigated and necessary adjustments made to the relevant records.**

### **Management Comment**

*No comment received from management.*

## **29.13 Revenue Receipts not provided for Audit - DECE**

In the exercise of his duties under this Act, the Auditor General or any person duly authorised by him shall be entitled-

- (a) to have access to all records, books, accounts, vouchers, documents, cash, stamps, securities, stores or other Government property under the control of any officer;
- (b) to send for and have the custody of any records, books, accounts, vouchers or documents under the control of any officer, and to keep such records, books, accounts, vouchers or documents for such time as he may require them.<sup>23</sup>

The audit noted that the Revenue Collector for the Trading and Manufacturing Account (TMA) - DECE did not provide for audit the revenue receipts books for the following months:

- January;
- February;
- March;
- April;
- July; and
- August.

<sup>23</sup> Audit Act s7 (2) (a) & (b)

As a result, the audit could not establish whether proper procedures were followed in revenue collection and if all monies received were actually banked. There is potential risk of misappropriation of revenue when records are not maintained and provided for audit.

### **Recommendations**

- Revenue/monies received should be properly receipted and receipt books properly maintained for audit purposes.
- The Ministry should implement stringent controls for cash management and closely monitor the receipting and banking of revenue.
- The misplacement of revenue receipt books should be further investigated.

### **Management Comment**

*No comment received from management.*

## **29.14 Discrepancies in Inventory Management - Divisional Engineer Western (DEW)**

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>24</sup>

The inventory officer shall ensure that the register/ledger is kept up to date at all times.<sup>25</sup>

Generally, inventory management at the Divisional Engineer Western was poor as evidenced by the following anomalies noted during the audit:

- Cost prices of inventory items purchased and inventory codes were not stated in the tally/stock cards, which made it difficult to identify inventory item and to determine the value of inventory items held in stock.

Variances were noted in inventory when records on stock cards were verified to the physical stock maintained. It was difficult to determine the total value of any missing stock when unit prices were not stated in the tally cards. Refer to Table 29.21 below for examples.

**Table 29.21: Comparison: Stock Card vs. Physical stock**

Card Number	Item Description	Quantity As Per Tally/Stock card	Physical Verification	Variance	Cost Price (\$)	Total Value (\$)
S1	Starter	59	54	(5)	0.90	(4.50)
C4	Double connector	418	412	(6)	0.46	(2.76)
M3	Swivel mirror	83	84	1	NS	NS
L4	Louvre glass 5mm	202	440	238	NS	NS

<sup>24</sup> PWD Finance Manual 2011, s 8.1.3

<sup>25</sup> PWD Finance Manual 2011, s8.1.4

Card Number	Item Description	Quantity As Per Tally/Stock card	Physical Verification	Variance	Cost Price (\$)	Total Value (\$)
T6	Timber Mahogany 150 x 75	200m	0	(200)m	NS	NS
T7	Timber Mahogany 100 x 100	89.8m	0	(89.8)m	NS	NS
T27	Timber Mahogany 300 x 25	400m	0	(400)m	NS	NS

\*NS = cost price not stated in the stock cards

- Stock cards that did not show any movement during the year should show opening balance matching with closing balance. However, physical verification of inventories revealed that they did not exist which indicated that either the inventory issued out were not recorded and/or inventory items have been misappropriated. Refer to Table 29.22 below for details.

**Table 29.22: No Records of Stock Movement**

Card Number	Item Description	Opening Balance as per Tally Card 01/01/13	Quantity Issued as per Tally Card	Closing Balance 31/12/13	Physical Verification	Variance
T8	Timber Mahogany 150 x 25	208m	0	208m	0	208m
T14	Yaka 150 x 25	102.9m	0	102.9m	0	102.9m
T23	Timber Damanu 200 x 25	225m	0	225m	0	225m
T24	Weather board 150 x 25	300m	0	300m	0	300m
T29	Boxing timber 300 x 25	250m	0	250m	0	250m

- Some inventory items have been slow-moving or non-moving with inadequate inventory controls implemented by the Ministry for slow-moving inventory. Most items have been in stock for more than three years with some inventories being held in stock since 1994 and may have been obsolete. Refer to Table 29.23 below for examples.

**Table 29.23: No Movement in Stock**

Card Number	Item Description	Stock Held Since	Quantity	Unit Price (\$)	Total Value (\$)
<b>Plumber shop</b>					
PO27	4 liters rust guard paint	16/12/10	2	27.00	54.00
NS	¾ inch copper tee	06/08/10	6	2.07	12.42
B053	1/8 drill shank	09/12/10	19	1.20	22.80
TO06	¾ inch PVC tee	30/06/11	51	0.80	40.80
TO03	½ inch PVC tee	06/01/11	31	0.50	15.50
NS	½ inch copper plain socket	30/09/10	8	NS	NS
V003	Ajax pressure valve	11/04/13	8	160.00	1,280.00
B048	Bolts Round	29/09/10	153	0.32	48.96
T018	½ inch galvanized tee	06/01/11	24	0.48	11.52
DA20802	1½ galvanized plug	26/06/07	3	0.81	2.43
LOC0050	Engineer's chalk	30/09/12	26	0.50	13.00
PO06	1¼ inch sink plug	15/06/06	33	0.35	11.55
E010	½ inch galvanized elbow	06/01/11	28	0.60	16.80
E017	Carbon dioxide fire extinguisher	16/10/94	1	85.00	85.00
N006	1 inch galvanized nipple	24/01/13	27	2.25	60.75
E006	1½ inch PVC elbow	04/08/10	14	1.20	16.80
S013	2 inch PVC plain socket	27/01/12	1	1.00	1.00
S039	Rain coat	26/06/07	9	8.00	72.00
B013	1¼ PVC waste bend	17/12/11	10	1.00	10.00

Card Number	Item Description	Stock Held Since	Quantity	Unit Price (\$)	Total Value (\$)
	<b>Total</b>				<b>1,775.33</b>
<b>Electrical</b>					
R6	PVC Reducer 1½ x 1¼	20/11/07	7	3.80	26.60
M3	Mercury bulb 80 watts	08/08/12	3	26.23	78.69
C59	Orange cable 50mm	03/05/12	6 meters	74.90	449.40
C25	LT Rotor contactor	26/06/07	1	210.00	210.00
J7	PVC joiner 38-40mm	04/04/07	4	2.80	11.20
	<b>Total</b>				<b>775.89</b>
<b>Mechanical Transit Stores</b>					
A2	Alternator brush side	08/07/11	20	4.96	99.20
NS	Pressure hose assorted	22/07/10	4	35.00	140.00
NS	Assorted radiator hose	23/08/10	3	10.00	30.00
NS	Entre Bearing	30/11/10	2	30.00	60.00
NS	Assorted brake hose	08/07/10	2	6.00	12.00
NS	Wheel stud and nut	22/07/10	4	12.00	48.00
NS	Assorted bushings	19/11/11	52	4.00	208.00
NS	Steering coupling	22/07/10	2	11.00	22.00
NS	Assorted oil seal	18/08/11	21	12.00	252.00
NS	Assorted cable	23/08/10	13	15.00	195.00
NS	Pressure hose assorted	22/07/10	4	35.00	140.00
F6	25 AMPS fuse blade	01/08/12	48	0.51	24.48
F10	Ceramic fuse	22/04/10	32	0.50	16.00
F11	Fuse holder	15/02/12	5	5.00	25.00
F13	Glass fuse (small)	02/03/11	10	2.00	20.00
	<b>Total</b>				<b>1,291.68</b>
<b>Joinery</b>					
E2	Eye let	18/10/12	39	NS	NS
F2	Fluss hinges	18/10/12	40	NS	NS
R1	Ramset bullet purple	18/10/12	82	NS	NS
R2	Ramset bullet yellow	18/10/12	50	NS	NS
R3	Ramset nails	18/10/12	150	NS	NS
	<b>Total</b>				<b>NA</b>

\* NS = inventory code and unit price is not stated in the tally card

- Bulk purchase of slowing items resulted in excess items held in stock at year end. Refer to Table 29.24 below for examples.

**Table 29.24: Excessive Purchase of Slow Moving Items**

Card No.	Item Description	Opening Balance 01/01/13	Quantity Purchased/ Taken on Charge	Quantity Issued	Closing Balance 31/12/13
M1	Mounting Block	9	10	1	18
WI4	1.5 3core flex cable	0	418	110	308
C31	Clip wire number 4	1	6	0	7
F5	Fuse 20 AMPS (large)	76	100	0	176
G1	Garnet paper P120	41	211	28	224
M3	Swivel mirror	76	8	0	84
O1	Obscure glass	65	30	0	95

The lack of inventory oversight has manifested in poor inventory management practices increasing the risk of mismanagement of inventories with high cost to the Ministry.

**Recommendations**

**The Ministry should review and improve inventory management practices by ensuring that:**

- Tally/stock cards record inventory codes and cost prices of items purchased;
- inventory items are stored securely with access restricted to authorised personnel only;
- movements of inventory are recorded in tally/stock cards and reconciled with physical stock regularly;
- a review and improve inventory controls for slow-moving/non-moving inventories;
- develop robust procurement plan in line with the projects to be undertaken annually to minimise or avoid bulk buying of slow-moving items that may become obsolete over time;
- take appropriate action when tally/stock card records and physical inventory items do not reconcile; and
- appropriate disciplinary actions are taken against officer for non-compliance with the Ministry's inventory management policies.

**Management Comment**

*No comment received from management.*

**29.15 Incurring of Expenses after Project Completion Date**

Upon the completion of a project, a memorandum is issued by the Ministry to clients to confirm the completion of the project according to the Ministry of Works Construction Standards.

From the review of project ledgers and payments records, the audit noted that requests for procurements of materials, purchases of materials and payments of wages for some projects continued after the handing over dates or the date specified in the memorandum as the completion date. Refer to Table 29.25 for examples.

**Table 29.25: Examples of projects with purchases made after completion date**

Project Name	Completion Date	Total Amount of Materials Purchased after completion date (\$)	Total Amount of Wages Paid after completion date (\$)	Overall Total VIP (\$)
Group 1E - Colo-I-Suva Forestry	02/09/13	3,420.71	52,436.15	55,856.86
Group 21 C - Nasinu Forestry	03/12/13	-	5,063.89	5,063.89
Provincial Administrator's Office, Levuka	29/04/13	11,698.23	1,690.28	13,388.51
Fisheries Office, Levuka	24/04/13	10,369.45	-	10,369.45
<b>Total</b>		<b>25,488.39</b>	<b>59,190.32</b>	<b>84,678.71</b>

The Construction Engineer 1<sup>26</sup> explained that supervisors are usually in charge of multiple projects and it is a common practice to charge expenses on allocations where there are savings when there are delays in the release of funds for projects. However due to insufficient details provided in the ledgers, the audit was not able to verify the payments.

<sup>26</sup> Mr. Jo Naicovi

The above can also indicate that project savings were utilised in an attempt to fully utilise budgeted funds. This could result in unauthorised purchases and payments of goods and services. In addition, this practice could result in overstating project costs.

### **Recommendations**

- **The Ministry should closely monitor cost commitments made for each projects and ensure that funds received for projects are not utilised for other purposes.**
- **Additional purchases and payments charged to projects after completion dates should be further investigated and appropriate actions taken, if necessary.**

### **Management Comment**

*No comment received from management.*

## **29.16 Job Allocations for Operating Fund Account Capital Projects**

The Chart of Accounts for the Financial Management Information System (FMIS) has a 17 digit number allocation with the possibility of a 3 digit extension. Therefore the Department of Works can use a combination of any 11 digit to allocate to the different Operating Fund Account Capital Projects.

The audit noted that there was only one job allocation in the FMIS for all projects funded under the Operating Fund Account Capital Constructions. Consequently, the audit was not able to ascertain and confirm, using the FMIS, the total expenditures incurred and paid for, for the individual projects.

In the absence of the individual project allocation, it would be difficult to ascertain the project cost of each project undertaken. There is also no control over the utilisation of funds as the budget provision is loaded into one FMIS allocation only.

### **Recommendation**

**The Ministry should liaise with Ministry of Finance for the creation of project allocation for each project undertaken as this would assist in monitoring costs for individual projects and to also ensure that costs are contained within the budget allocated for each project.**

### **Management Comment**

*No comment received from management.*

## **29.17 Anomalies in Expenditure and Records- Building Section**

The Ledger Clerk shall enter details on payment vouchers in a cost ledger/commitment ledger. The ledger shall record:

- date of payment and name of payee;
- type and amount of payment ;
- payment voucher number;
- expenditure account;
- cumulative totals.

All payments raised during the week must be totalled and the figure noted in the cost ledger/commitment ledger. At the end of the week the ledger should be ruled and weekly advice of

cost prepared showing actual expenditure brought forward, actual expenditure during the week, outstanding liabilities, provision, balance available and comments on physical progress of the work.<sup>27</sup>

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>28</sup>

The Buildings Section maintains an expenditure ledger for all projects undertaken. From the review of the expenditure ledgers and other records maintained for projects undertaken in 2013, the following anomalies were noted:

- It was difficult to determine whether individual commitments have been paid as there were insufficient details provided in the ledgers. Payment voucher or cheque numbers were not recorded as references.
- Due to insufficient information in the Expenditure Ledgers, payments could not be verified to the FMIS general ledger. The requisition form and the schedule of bill details could not be verified to the FMIS as they were not system generated but manually processed.

In addition, although space was provided for payment voucher details in the report prepared by the Buildings Section, these were not filled in. These were important details that needed to be documented because the requisition forms and the schedule of bills were attachments to the payment vouchers maintained with the Account Sections and were not primary documents for referencing.

- The expenditures stated under each project in the Expenditure Ledgers may not be the actual cost of the project as unrelated costs or costs for other projects were charged to any accounts that have savings. For example:
  - ✓ The fabrication of mould for the Cakaumomo Lighthouse project amounting to \$2,300 was charged to the Nasinu Forestry project.<sup>29</sup> Discussion with Divisional Engineer Central confirmed that the directive was received verbally from Headquarters to source funds within the Department since no additional funds would be allocated to the project.
  - ✓ A leave pay of \$8,622.01 was charged to the Colo-i-Suva Maintenance project. Verification to the FMIS revealed that only \$5,518.80 pertains to the project. The difference of \$3,103.11 could not be explained by the Department.
  - ✓ The cost of the new site hut for the Tonia Nursing Station project was charged to the Colo-i-Suva Maintenance Group 1E project.<sup>30</sup>

The information currently recorded in the Project Expenditure Ledgers does not provide a reliable audit trail. Hence, the audit was not able to confirm the actual expenditure incurred for individual projects and if all commitments entered in the respective ledgers have been paid.

<sup>27</sup> Min of Works Transport & Public Utilities Finance Manual 2011- Maintaining an Expenditure Ledger - 2.8.9 – 2.8.11

<sup>28</sup> PWD 2011 Finance Manual Part 2 Expenditure

<sup>29</sup> Cheque Number 857537

<sup>30</sup> Meeting minutes for the Tonia Nursing Station project



**Recommendations****The Ministry should:**

- ensure proper maintenance of expenditure ledgers;
- ensure that adequate audit trail is maintained through clear documentation;
- implement an effective and efficient communication process between the Buildings and the Accounts Sections so that all necessary details are accurately updated in the respective expenditure ledgers;
- ensure that all expenditure incurred for a particular project are charged to their respective project allocations; and
- monitor project expenditure at regular intervals.

**Management Comment**

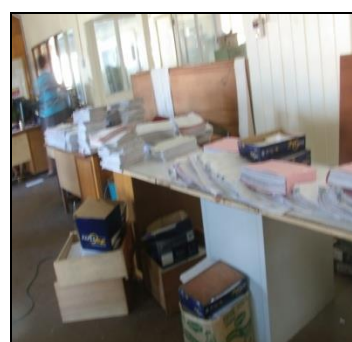
*No comment received from management.*

**29.18 Maintenance of accounting records in DECE**

The Accounting Head is responsible for the safekeeping and proper maintenance of all accounting records or documents of the agency.<sup>31</sup>

In the performance of his or her duties, the Auditor-General or a person authorised by him or her has access to all records, books, vouchers, stores or other government property in the possession or control of any person or authority.<sup>32</sup>

Audit noted that accounting records for the Division were not maintained properly. Payment vouchers were not filed in a sequential order and files were scattered on the floor and on tables. The pictures shown below which were taken on 27/01/14 illustrate the point highlighted above.



In addition, some payment vouchers were not made available for audit when requested. Explanation provided during the audit was that the documents have yet to be bound together. Refer to Table 29.26 below for examples.

**Table 29.26: Examples documents not provided for audit – DECE**

Cheque No.	Date	Amount (\$)
41	31/03/13	1,400.00

<sup>31</sup> PWD 2011 Finance Manual s18.1.3

<sup>32</sup> Constitution of the Republic of Fiji 2013 s152(4)

Cheque No.	Date	Amount (\$)
41	31/03/13	1,075.35
854088	26/02/13	2,840.00
855859	14/03/13	3,262.06
856310	07/08/13	6,270.82
<b>Total</b>		<b>14,848.23</b>

Failure to properly maintain records or provide records when requested hinders the audit process. Appropriate audit procedures could not be performed and there is also potential risk of misappropriation with the unavailability of source documents to substantiate the expenditures incurred.

### **Recommendation**

**The Ministry should ensure that all Divisions comply with the Finance Manual with regards to maintenance and safe keeping of accounting records and their provision for audit purposes.**

### **Management Comment**

*No comment received from management.*

## **29.19 Delay in completion of the Nausori Weather Radar Station**

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 expenditure and corruption do not occur.<sup>33</sup>

The Department of Works was engaged to upgrade the existing Weather Radar Station at Nausori. The project commenced on 9/05/13 and was to be completed within 13 weeks, that is, on 8/08/13. This was after an extension of 6 weeks.

As at January 2014, works on the weather radar station was still to be completed, after a lapse of 24 weeks from the planned completion date.

The audit noted that the initial estimated cost for the project was \$88,808, however, this has increased to \$160,000.

The project was executed based on a design prepared in 2008, which was later found to be incorrect. The existing building comprised of two structures made up of a shipping container and tower. The weather equipment was kept inside the container. The initial design made in April 2008 was to construct a building from the container to be joined to the tower. Based on the design prepared in 2008, the construction work commenced and a sum of \$88,808 was spent. However, the tower was made of metal and it was difficult to cement it to the building. Thus the design was amended in May 2013 and a variation of \$71,192 was approved to extend the building to also house the tower. As a result of the variation, the project cost increased by 80%.

The audit also noted that the weekly advice of cost did not document the progress of the project.

The delays in the completion of the project and the implementation of an unsuitable design have contributed to the increase in cost.

**Recommendations****The Ministry should:**

- ensure that projects are completed within the planned timeframe;
- strengthen supervisory and monitoring of projects;
- properly examine project design before commencing with the construction works;
- perform on site project cost estimation to ensure a more realistic costing of projects; and
- ensure that the weekly cost of advice documents the progress of projects.

**Management Comment**

*No comment received from management.*

**29.20 Contract for Maintenance & Servicing of Government Elevators**

The Government Tender Board in its Meeting No. 6/2013 approved to award the contract for the Maintenance and Servicing of Government Elevators for a period of 2 years to OTIS Elevators at the total cost of \$321,777.28 (VIP), inclusive of 3% supervision cost (\$9,372.16) with effect from the payment of performance bond and signing of contract. In addition, a proper contract should be put in place as soon as practicable and vetted by the Solicitor General's Office. A signed copy was to be forwarded to the Fiji Procurement Office<sup>34</sup>

According to the FMIS general ledger, payments made to Otis Elevators in 2013 totalled \$74,735.13. As at February 2014, the Ministry has yet to put in place a signed contract with Otis Elevators, detailing the terms and conditions for providing the services.

Correspondences obtained during the audit indicated that the Ministry had issued a contract agreement to the supplier on 19/10/13; however, the supplier did not sign the contract. Nevertheless, the Ministry paid the supplier without any contractual agreement.

Without signed contractual agreement with the supplier, there may be potential risk for confusion on the scope of work and the costs involved.

**Recommendation**

**The Ministry should comply with the procurement procedures as stipulated in the Tender No. CTN 263/2012.**

**Management Comment**

*No comment received from management.*

**METEOROLOGICAL SERVICES DEPARTMENT****29.21 Long Service Leave Compensation**

Subject to the other provisions of this Act there shall be assessed, levied and paid a tax to be known as normal tax for each year of assessment on every dollar of chargeable income of -

<sup>34</sup> Tender No. CTN 263/2012 dated 19/3/2013

- (a) an individual whose total income, in the case of a resident, exceeds \$15,600, or any other person, other than a company, in respect of his chargeable income for the year of assessment [but a resident individual shall be exempt from normal tax to the extent that such normal tax, together with [basic tax], would reduce the balance of his total income to \$15,600 or less in any year.<sup>35</sup>

The Director Meteorological Services was paid long service leave compensation on 25 March 2013. He was compensated for 54 long services leave days at a rate of \$136.65 per day, totalling to \$7,379.01.

The audit noted that the Ministry failed to deduct normal tax due to FRCA and FNPF contribution from the long service leave compensation paid.

Non-deduction of normal tax and FNPF contribution is a breach of the Income Tax Act and the Fiji National Provident Fund Act.

### **Recommendation**

**The Ministry should recover the tax and FNPF contributions from the officer concerned and remit to the relevant authorities.**

### **Management Comment**

*No comment received from management.*

## **29.22 Journal Vouchers Not Approved**

The Accounting Head or accounts supervisor must check that:

- i. all relevant details are included on the voucher;
- ii. balances are adequately supported;
- iii. the correct accounts have been debited or credited.<sup>36</sup>

Journal voucher system is an important internal control measure to record and report all accounting adjustments and transactions of non-cash in nature. It is therefore a significant component that comprises the Commission's financial records.

The audit noted a significant breakdown in the internal control system relating to adjusting entries in the general ledger. From the review of journal vouchers processed in 2013, we noted a significant breakdown in the internal control system relating to adjusting entries in the general ledger. Journal vouchers used to effect adjustments in the FMIS general ledger during the year were not properly approved. From the sample selected, journal vouchers posted without approval amounted to \$218,717.

In addition, the audit noted that journal vouchers did not document the signature of the officer preparing the journal nor the person approving the adjustment. Refer to Table 29.27 below for examples.

<sup>35</sup> Fiji Income Tax Act Revised 30 August 2012, s7

<sup>36</sup> PWD Finance Manual 2011 s16.1.4

**Table 29.27: Journal Vouchers Not Approved**

Journal No.	Particulars	Allocation	Amount (Debit) (\$)	Amount (Credit) (\$)	Comments
413109/10/13	Clearance of IDC	1-4024-81401-040333	4,665.72		Not signed by person preparing the journal nor approved by accounts officer.
		1-4024-81401-040333	298.17		
		1-40203-81301-090154	3,732.68		
		1-40203-81301-090154	74.26		
		1-40201-81101-536101		298.17	
		1-40201-81101-536101		3,732.68	
		1-40201-81101-536101		74.26	
		1-40201-81101-536101		298.17	
403153/12/13	Mis-posting to VAT	1-40205-81501-130101	3,165.87		Not approved by accounts officer.
		1-40205-81501-130101	695.19		
		1-40205-81501-130101	2,388.42		
		1-40205-81501-090133		3,165.87	
		1-40205-81501-090133		695.19	
		1-40205-81501-070311		2,388.42	
403154	Indent 34-hydrology	1-40205-81501-090133	21,438.28		Not approved by accounts officer.
		1-40205-81501-130101	3,215.58		
		1-40203-81301-090173	533.79		
		1-40203-81301-090173	96.44		
		1-40201-81101-536101		24,653.86	
		1-40201-81101-536101		533.79	
		1-40201-81101-536101		96.44	
403151/12/13	Clearance of IDC	1-40203-81301-09174	1,537.62		Not approved by accounts officer
		1-40203-81301-040374	1,039.53		
		1-40203-81301-040374	421.29		
		1-40201-81101-536101		1,537.62	
		1-40201-81101-536101		1,039.53	
		1-40201-81101-536101		421.29	
403152/12/13	Post VAT to its allocation	1-4020-81301-130101	5,760.80		Not signed by person preparing the journal nor approved by accounts officer.
		1-4020-81301-130101	2,691.35		
		1-4020-81301-130101	10,030.11		
		1-4020-81301-130101	1,237.18		
		1-40203-81301-090133		5,760.80	
		1-40203-81301-040374		2,691.35	
		1-40203-81301-090174		10,030.11	
		1-40203-81301-040374		1,237.18	
403150	Indent 26-clearance of IDC and 32	1-40205-81501-090133	5,330.05		Not approved by accounts officer
		1-40205-81501-070311	18,312.00		
		1-40205-81501-090133	24,272.70		
		1-40201-81101-536101		23,642.5	
		1-40201-81101-536101		24,272.70	
403149	Indent 29,30,31 and 32	1-40203-91301-09013	44,168.06		Not approved by accounts officer
		1-40203-81301-040374	20,634.59		
		1-40203-81301-090174	76,900.82		
		1-40201-81101-536101		44,168.06	
		1-40201-81101-536101		20,634.59	
		1-40201-81101-536101		76,900.82	
403148	Indent 8 and 13	1-40203-81301-040374	9,299.89		Not approved by accounts officer.
		1-40203-81301-040374	185.60		
		1-40204-81401-040333	918.00		

Journal No.	Particulars	Allocation	Amount (Debit) (\$)	Amount (Credit) (\$)	Comments
		1-40201-91101-536101		9,299.89	
		1-40201-91101-536101		185.60	
		1-40201-91101-536101		918.00	
403049	IDC clearance	1-40203-81301-070499	13,597.01		Not approved by accounts officer.
		1-40201-81101-536101		13,597.01	
403081	Posting for clerk of Works, Ravuama Medunavoca salary into upgrading of Laucala Bay MET office project.	1-40203-81301-080421	12,075.69		Not approved by accounts officer
		1-40202-81201-010101		525.03	
		1-40203-81301-010101		11,550.66	

The finding indicated that these journal vouchers were not reviewed by the Accounts Officer before adjustments were processed in the FMIS general ledger. Therefore, increasing potential risk of unauthorized or fraudulent transactions passed in the FMIS general ledger, which can also result in the incorrect financial reporting for the Ministry.

### **Recommendation**

**Journal vouchers with proper supporting documents should be properly approved by the Accounts Officer. In instances where journal vouchers are prepared by the Accounts Officer, they should be reviewed and approved by another Senior Officer.**

### **Management Comment**

*No comment received from management.*

## **29.23 Construction of New Meteorological Office**

### **29.23.1 Fortech Construction Limited – Contract No. WSC 203/2012**

In the absence of the tender board, the Prime Minister approved the awarding of contract number WSC 203/2012 to Fortech Construction Limited for the construction of the new Meteorological Office in Vatuwaqa, Suva. And in an undated correspondence from the Ministry of Finance, Fortech Construction Limited was informed of the Prime Minister's decision to award the contract for a sum of \$2,170,333(VIP).<sup>37</sup> The contractor was to take site possession on 29/10/12 and the contract to commence on 01/11/12.<sup>38</sup> The completion date for the project was no later than 24 weeks from possession or by the 19/04/13.<sup>39</sup>

The Liquidated and Ascertained Damages amount was set at a rate of \$1,000 per day.<sup>40</sup>

The practical completion certificate was issued on 31 November 2013. The audit noted that this was after a lapse of 32 additional weeks or more that 7 months from the original completion date. Due to the unavailability of relevant documents, audit was not able to substantiate whether proper approval was given for the extension of the completion date to the 30 November 2013. In addition, audit could

<sup>37</sup> Ministry of Finance Undated and Non-Reference Correspondences

<sup>38</sup> Ministry of Works, Transport and Public Utilities Correspondences of 23/10/13

<sup>39</sup> Articles of Agreement - The Proposed New Office of Fiji Meteorological Service

<sup>40</sup> Appendix to the Contract Agreement for the New Suva Meteorological Office

not ascertain whether the contractor was liable to pay Liquidated and Ascertained Damages to Government.

Due to substantial delays in the completion of the project, additional costs totalling \$228,025.60 (increase of 10.5%) were incurred by the contractor. This resulted in the increase of the total project cost from \$2,170,333 (VIP) to \$2,398,358.60 (VIP).

### **29.23.2 Performance bond**

A performance bond is a surety bond issued by an insurance company or a bank to guarantee satisfactory completion of a project by a contractor.

The successful contractor shall be expected to provide a performance bond from a bank or financial institution equivalent of 10% of the contract sum within 7 days from the date the letter of notification. The bond shall be in two equal parts, that is, 5% to be released upon practical completion and the remaining 5% at the end of defects liability period.<sup>41</sup>

The performance bond was 10% of the contract amount or \$217,033.30. The contractor submitted two bank guarantees dated 24/10/12 of \$108,516.65 each totalling to \$217,033.30. The first bank guarantee was to expire on 01/05/13 following the planned practical completion of the project and the second bank guarantee was to expire on 01/05/14 following the completion of planned defects liability period. The defects liability period was for 12 months.<sup>42</sup>

The audit noted that the bank guarantee was not extended or amended to accommodate the changes of delaying the completion of the project to an additional 7 months from the initial completion date stated in the contract.

Similarly, the revised defects liability period would end on 30/11/14. However, the contractor and the Ministry did not make arrangements for the necessary amendments to the second bank guarantee which expired on 01/05/14.

Failure by the Ministry to obtain an amended bank guarantee as performance bond to accommodate the changes in the defects liability period, may not guarantee the contractors obligations to carry out remedial work on any defects according to the contractual agreement.

### **29.23.3 Access to Records**

In the exercise of his duties, the Auditor-General may call upon any officer for any explanation and information he may require or may authorise any officer on his behalf to conduct any enquiry, examination or audit.<sup>43</sup>

The audit noted the following issues while trying to access records regarding the construction of the new Meteorological Office:

- A total of 50 variations were made in the construction of the new Meteorological Office in Vatuwaqa. However, only 17 variations or 34% were provided for audit. Refer to Table 29.28 for details.

<sup>41</sup> Condition of Tender for Proposed New Office for Fiji Meteorological Service Clause 14.1

<sup>42</sup> Condition of Tender for Proposed New Office for Fiji Meteorological Service Clause 21.1

<sup>43</sup> Audit Act 7 (1) (a) & (b)

**Table 29.28: List of Variations**

Variation Number	Variation	Provided to Audit
1	Extension of Time	Yes
2	Deletions of provisional sum allowance	Yes
3	Adjustment to provisional sum	Yes
4	Security access	Yes
5	Deletion of contingency sum of \$197,303.00	Yes
6	Extension of time	Yes
7	Standby Generator	Yes
8	Porte Cochere, Verandah, Windows New Roof Beam	Yes
9	Timber duct skirting	Yes
10	Extension of time	Yes
11	Railing Grade C	No
12	Not stated	No
13	Rotomould tank and pump	No
14	Drainage and hinges	No
15	Kerb	No
16	Verandah beams	Yes
17	Window alteration	Yes
18	Glazing thickness	Yes
19	VPR Number 10 tiles	Yes
20	Access road resealing	Yes
21	Extension of time	Yes
22	Main entrance	No
23	Porte cochere two pack finish	No
24	VPR number 16 Sewer relining	No
25	Doors to existing stairs	No
26	Landscaping	No
27	Fencing to PS	No
28	Fencing to quarters side	No
29	Room signage	No
30	Brass plaque – direct payment	No
31	Prolongation cost	No
32	Storm water drainage	No
33	Front office drainage	No
34	Fencing material at quarters	No
35	Reception alteration	No
36	Additional window at hallway	No
37	Generator shed	Yes
38	Carport alteration	No
39	Frosting	No
40	Fit out	No
41	Supply of office chairs	No
42	Blinds	No
43	Joinery to existing kitchen	No
44	Delete drop screens	No
45	Delete pin boards	No
46	Add pin boards and white boards	No
47	Carport	No
48	Plumbing repair	No
49	Additional clerical works	No
50	Gate post lights	No



- Retention of 10% was held when payments were made to the contractor. The first 5% was to be released after the practical completion and the second and final 5% to be released at the end of defects liability period.

Payment vouchers and supporting documents relating to the payment of the first 5% retention was not provided for audit. Even though some documents were provided after requests were made, the above were not. Therefore, audit could not verify whether retention fund were actually paid after the revised practical completion date

In the absence of the relevant documents, audit could not ascertain whether the articles of Agreement for the new Office were complied with when the actual completion date was 7 months after the initial date stated in the contract.

### **Recommendations**

- **The Ministry must ensure that all documents pertaining to variations, contract extensions and supporting documents are properly maintained and made available for audit purposes when requested;**
- **Unless properly justified and approved, the Ministry should ensure that projects are completed within the cost approved as per the contract; and**
- **Performance bond should be reviewed with any changes in the initial contracts.**

### **Management Comment**

*No comment received from management.*

## APPENDICES

## Appendix 29.1: Variance in TMA Balances

Account	Particulars	General Ledger Figure (\$)	Ministry Figure (\$)	Variance (\$)
<b>DEN – Joinery</b>				
260500	Purchase of Goods & Services	1,476.31	0	1,476.31
<b>DEN – Plumber shop</b>				
260500	Purchase of Goods & Services	295.66	0	295.66
<b>DEN - Fuel and Oil</b>				
260300	Traveling & Communication expenses	0	0	0.00
260400	Maintenance & Operation	21,884.90	21,885.00	(0.10)
260500	Purchase of Goods & Services	0	0	0
260700	Special expenses	0	0	0
270000	Rent & Hire	0	0	0
<b>Total Expenses</b>		<b>21,884.90</b>	<b>678.00</b>	<b>21,206.90</b>
<b>DEW - Fuel and Oil</b>				
	Gross Profit/Loss transferred from Trading Account	(5,876.51)	(5,877.00)	0.49
270300	Commission/OPR	0	0	0
<b>Total Income</b>		<b>(5,876.51)</b>	<b>(35,305.00)</b>	<b>29,428.49</b>
<b>Consolidated TMA</b>				
<b>Manufacturing Account</b>				
580100	Raw Materials (1/1/13)	429,718	431,522	(1,804.17)
260100	Purchases	3,045,400	3,047,737	(2,337.04)
		3,475,118	3,479,259	(4,141.21)
580100	Raw Materials [31/12/13]	234,807	235,644	(837.20)
	Raw Materials Used	<b>3,240,311</b>	<b>3,243,614</b>	<b>(3,303.01)</b>
580200	Add Work in Progress (1/1/13)	0	0	0
250000	Direct Costs	0	0	0
260200	Direct Labour	4,168,356	4,432,884	(264,527.79)
580200	Less Work in Progress [31/12/13]	25,328	25,327	0.53
<b>Cost of Manufactured Goods Transferred to Trading Account</b>		<b>7,383,340</b>	<b>7,651,171</b>	<b>(267,831.33)</b>
<b>Trading Account</b>				
240000	Sales	8,896,751	9,126,417	(229,666.25)
580300	Stock of Finished Goods (1/1/13)	294,265	296,180	(1,915.32)
	Add Cost of Manufactured Goods transferred from Manufacturing Account	7,383,340	7,651,171	(267,831.33)
580300	Less Stock of Finished Goods [31/12/13]	145,938	146,817	(879.00)
<b>Cost of Finished Goods Sold</b>		<b>7,531,666</b>	<b>7,800,534</b>	<b>(268,867.65)</b>

Account	Particulars	General Ledger Figure (\$)	Ministry Figure (\$)	Variance (\$)
<b>Gross Profit/Loss Transferred to P&amp;L</b>		<b>1,365,084</b>	<b>1,325,883</b>	<b>39,201.40</b>
<b>Profit &amp; Loss Account</b>				
	Gross Profit/Loss transferred from Trading Account	1,365,084	1,325,883	39,201.40
270300	Commission/OPR	306	307	(0.87)
<b>Total Income</b>		<b>1,365,391</b>	<b>1,326,190</b>	<b>39,200.53</b>
<b>Expenses</b>				
260300	Traveling & Communication expenses	92,357	189,541	(97,183.97)
260400	Maintenance & Operation	1,785,420	1,748,626	36,794.26
260500	Purchase of Goods & Services	76,623	26,882	49,740.69
260700	Special expenses	1,460	1,296	164.06
270000	Rent & Hire	575	576	(1.16)
<b>Total Expenses</b>		<b>1,809,101</b>	<b>1,966,921</b>	<b>(157,820.10)</b>
<b>Net Profit (Loss)</b>		<b>(443,710)</b>	<b>(640,731)</b>	<b>197,020.63</b>
<b>Balance Sheet</b>				
540000	TMA Dominion Cash WBC Suva	1,023,105	1,785,350	(762,245.36)
560000	Accounts Receivable	1,905,480	2,104,195	(198,714.89)
580100	IC Raw materials	234,806	235,644	(837.55)
580200	Work In Progress	25,327	25,327	0.33
580300	Finished Goods for sales	145,938	146,817	(879.46)
590100	Trusted Assets	0	0	0.00
860000	VAT	296,417	0	296,416.59
<b>Total Current Assets</b>		<b>3,631,073</b>	<b>4,297,334</b>	<b>(666,261.34)</b>
790000	<b>Fixed Assets</b>			
		0	0	0.00
<b>Total Assets</b>		<b>3,631,073</b>	<b>4,297,334</b>	<b>(666,261.34)</b>
<b>Liabilities</b>				
840000	Accounts Payable	27,143	27,143	(0.39)
850000	Accrued Expenses	189,219	191,513	(2,294.06)
860000	Deposits & Deductions	467,907	190,373	277,533.81
<b>Total Liabilities</b>		<b>684,268</b>	<b>409,029</b>	<b>275,239.36</b>
<b>Equity</b>				
940400	Accumulated TMA Surplus	580,228	(781,117)	1,361,344.77
940300	TMA Surplus transferred to Consolidated Fund	2,366,576	4,669,422	(2,302,846.26)
<b>Total Equity</b>		<b>2,946,804</b>	<b>3,888,305</b>	<b>(941,501.49)</b>
<b>Total Liabilities and Equity</b>		<b>3,631,072</b>	<b>4,297,334</b>	<b>(666,262.13)</b>

**Appendix 29.2: Photocopied Source Documents and Not Stamped “PAID”**

Request No.	Date	Job Instruction No.	Remarks
634152	21/2/13	1487689	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	22/2/13	1486711	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	2/5/13	1482324	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	3/5/13	1482351	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	6/5/13	1482375	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	7/5/13	1319402	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	8/5/13	1319429	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	10/5/13	1319491	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	13/5/13	1483316	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	14/5/13	1483351	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	15/5/13	1483375	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	16/5/13	1483502	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	20/5/13	1483557	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	21/5/13	1483587	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	22/5/13	1480917	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	23/5/13	1480953	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	24/5/13	1480989	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	27/5/13	1481315	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	28/5/13	1481355	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	29/5/13	1481151	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	30/5/13	1483625	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	31/5/12	1483651	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	3/6/13	1483678	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
	4/6/13	1481109	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>
634154	1/6/13	1481840	<ul style="list-style-type: none"> <li>• Photocopied Job Instructions Sheet and running sheet attached.</li> <li>• Not stamped paid.</li> </ul>

**Appendix 29.3: Fuel and Oil**

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
<b>Manufacturing Account</b>					
Opening Raw Materials	0	0	0	0	0
Add: Purchases	3,812,156	2,692,715	3,326,702	2,355,669	1,263,397
	3,812,156	2,692,715	3,326,702	2,355,669	1,263,397
Less: Closing Raw Materials	0	0	0	0	0
Raw Materials Used	3,812,156	2,692,715	3,326,702	2,355,669	1,263,397
Direct Labour	110,108	107,992	79,698	58,283	111,625
Opening Work in Progress	0	0	0	0	0
	3,922,264	2,800,707	3,406,400	2,413,952	1,375,022
Less: Closing Work in Progress	0	0	0	0	0
<b>Cost of Goods Manufactured Transferred to Trading Account</b>	<b>3,922,264</b>	<b>2,800,707</b>	<b>3,406,400</b>	<b>2,413,952</b>	<b>1,375,022</b>
<b>Trading Account</b>					
Sales	4,540,452	3,895,245	3,704,237	2,588,453	1,470,849
Opening Finished Goods	186,638	188,565	120,039	153,286	119,675
Add: Cost of Manufactured Goods	3,922,264	2,800,707	3,406,400	2,413,952	1,375,022
	4,108,902	2,989,272	3,526,439	2,567,238	1,494,697
Less: Closing Finished Goods	188,565	120,039	153,286	119,675	88,540
<b>Cost of Goods Sold</b>	<b>3,920,337</b>	<b>2,869,233</b>	<b>3,373,153</b>	<b>2,447,563</b>	<b>1,406,157</b>
<b>Gross Profit</b>	<b>620,115</b>	<b>1,026,012</b>	<b>331,084</b>	<b>140,890</b>	<b>64,692</b>
<b>Profit and Loss Statement</b>					
<b>Income</b>					
Gross Profit/(Loss) transferred from Trading Account	620,115	1,026,012	331,084	140,890	64,692
Other Income	496,412	0	0	0	0
<b>Total Income</b>	<b>1,116,527</b>	<b>1,026,012</b>	<b>331,084</b>	<b>140,890</b>	<b>64,692</b>
<b>Expenses</b>					
Travel and Communications	3,170	7,416	0	90	0
Maintenance and Operation	42,624	601,853	40,780	51,268	70,240
Purchase of Goods and Services	0	0	99	0	9,275
VAT	286,424	339,617	285,611	0	0
<b>Total Expenses</b>	<b>332,218</b>	<b>948,886</b>	<b>326,490</b>	<b>51,358</b>	<b>79,515</b>
<b>Net Profit/(Loss)</b>	<b>784,309</b>	<b>77,126</b>	<b>4,594</b>	<b>89,532</b>	<b>(14,823)</b>
<b>Balance Sheet</b>					
<b>Liabilities</b>					

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
Deposits and Deductions	0	0	970,749	57,533	200,081
Vat Payable	117,429	482,174	0	0	0
<b>Total Liabilities</b>	<b>117,429</b>	<b>482,174</b>	<b>970,749</b>	<b>57,533</b>	<b>200,081</b>
<b>Equity</b>					
TMA Accumulated Surplus/(Deficit)	595,744	672,870	677,464	1,737,745	1,722,924
TMA Surplus	(420,071)	(941,390)	(1,358,894)	(1,511,305)	(1,577,612)
<b>Total Equity</b>	<b>175,673</b>	<b>(268,520)</b>	<b>(681,430)</b>	<b>226,440</b>	<b>145,312</b>
<b>Total Liabilities and Equity</b>	<b>293,102</b>	<b>213,654</b>	<b>289,319</b>	<b>283,973</b>	<b>345,393</b>
<b>Assets</b>					
Accounts Receivables	104,537	93,615	136,033	164,298	187,825
Inventory	188,565	120,039	153,286	119,675	88,539
VAT	0	0	0	0	69,029
<b>Total Assets</b>	<b>293,102</b>	<b>213,654</b>	<b>289,319</b>	<b>283,973</b>	<b>345,393</b>

**Appendix 29.4: Joinery Shop**

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
<b>Manufacturing Account</b>					
Opening Raw Materials	102,622	177,263	163,825	171,786	336,577
Add: Purchases	992,050	590,168	405,843	923,989	1,075,878
	1,094,672	767,431	569,668	1,095,775	1,412,455
Less: Closing Raw Materials	177,263	163,825	171,786	336,577	150,208
Raw Materials Used	917,409	603,606	397,882	759,198	1,262,247
Direct Labour	426,881	543,226	474,758	389,036	657,881
Opening Work in Progress	5,764	4,391	2,000	0	0
	1,350,054	1,151,223	874,640	1,148,234	1,920,128
Less: Closing Work in Progress	4,391	2,000	0	0	21,317
<b>Cost of Goods Manufactured Transferred to Trading Account</b>	<b>1,345,663</b>	<b>1,149,223</b>	<b>874,640</b>	<b>1,148,234</b>	<b>1,898,811</b>
<b>Trading Account</b>					
Sales	2,403,146	814,990	814,801	938,110	2,022,201
Opening Finished Goods	21,352	42,905	41,792	39,944	129,215
Add: Cost of Manufactured Goods	1,345,663	1,149,223	874,640	1,148,234	1,898,811
	1,367,015	1,192,128	916,432	1,188,178	2,028,026
Less: Closing Finished Goods	42,905	41,792	39,944	129,215	15,760
<b>Cost of Goods Sold</b>	<b>1,324,110</b>	<b>1,150,336</b>	<b>876,488</b>	<b>1,058,963</b>	<b>2,012,266</b>
<b>Gross (Loss)/Profit</b>	<b>1,079,036</b>	<b>(335,346)</b>	<b>(61,687)</b>	<b>(120,853)</b>	<b>9,935</b>
<b>Profit and Loss Statement</b>					
<b>Income</b>					
Gross Profit/(Loss) transferred from Trading Account	1,079,036	(335,346)	(61,687)	(120,853)	9,935
Other Income	102,736	0	8,454	0	0
<b>Total Income</b>	<b>1,181,772</b>	<b>(335,346)</b>	<b>(53,233)</b>	<b>(120,853)</b>	<b>9,935</b>
<b>Expenses</b>					
Travel and Communications	30,369	40,490	35,918	30,703	936
Maintenance and Operation	38,892	54,826	37,383	31,734	114,047
Purchase of Goods and Services	0	0	1,421	10,661	51,421
Other Expenses	674	347	0	0	0
Special Expenditures			493	59	205
Rent and Hire	15,273	0	0	0	0
VAT	91,647	190,537	76,601	0	0
<b>Total Expenses</b>	<b>176,855</b>	<b>286,200</b>	<b>151,816</b>	<b>73,157</b>	<b>166,609</b>
<b>Net Profit/(Loss)</b>	<b>1,004,917</b>	<b>(621,546)</b>	<b>(205,049)</b>	<b>(194,010)</b>	<b>(156,674)</b>

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
<b>Balance Sheet</b>					
<b>Liabilities</b>					
Deposits and Deductions	0	0	498,279	(14,565)	17,871
Accounts Payable	(78,625)	26,238	26,884	27,053	71,455
Vat Payable	139,913	352,555	0	0	0
<b>Total Liabilities</b>	<b>61,288</b>	<b>378,793</b>	<b>525,163</b>	<b>12,488</b>	<b>89,326</b>
<b>Equity</b>					
TMA Accumulated Surplus/(Deficit)	5,148,282	4,516,737	4,311,484	4,615,752	4,459,076
TMA Surplus/ (Deficit)	(3,115,585)	(3,257,197)	(2,745,110)	(2,346,454)	(2,454,452)
<b>Total Equity</b>	<b>2,032,697</b>	<b>1,259,540</b>	<b>1,566,374</b>	<b>2,269,298</b>	<b>2,004,624</b>
<b>Total Liabilities and Equity</b>	<b>2,093,985</b>	<b>1,638,333</b>	<b>2,091,537</b>	<b>2,281,786</b>	<b>2,093,950</b>
<b>Assets</b>					
Cash	1,386,796	940,667	1,386,957	1,254,049	1,023,105
Accounts Receivables	482,630	490,049	492,850	561,945	821,532
Inventory	224,559	207,617	211,730	465,792	187,285
VAT	0	0	0	0	62,028
<b>Total Assets</b>	<b>2,093,985</b>	<b>1,638,333</b>	<b>2,091,537</b>	<b>2,281,786</b>	<b>2,093,950</b>



**Appendix 29.5: Lubrication Bay**

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
<b>Manufacturing Account</b>					
Opening Raw Materials	0	0	0	0	0
Add: Purchases	176	0	155	0	315
	176	0	155	0	315
Less: Closing Raw Materials	0	0	0		0
Raw Materials Used	176	0	155	0	315
Direct Labour	35	0	12,880	2,440	6,808
Opening Work in Progress	0	0	0	0	0
	211	0	13,035	2,440	7,123
Less: Closing Work in Progress	0	0	0	0	0
<b>Cost of Goods Manufactured Transferred to Trading Account</b>	<b>211</b>	<b>0</b>	<b>13,035</b>	<b>2,440</b>	<b>7,123</b>
<b>Trading Account</b>					
Sales	0	0	33,772	18,083	30,527
Opening Finished Goods	4,770	9,474	0	8,697	5,838
Add: Cost of Manufactured Goods	211	0	13,035	2,440	7,123
	4,981	9,474	13,035	11,137	12,961
Less: Closing Finished Goods	9,474	0	8,697	5,838	3,781
<b>Cost of Goods Sold</b>	<b>(4,493)</b>	<b>9,474</b>	<b>4,338</b>	<b>5,299</b>	<b>9,180</b>
<b>Gross Profit/(Loss)</b>	<b>4,493</b>	<b>(9,474)</b>	<b>29,434</b>	<b>12,784</b>	<b>21,347</b>
<b>Profit and Loss Statement</b>					
<b>Income</b>					
Gross Profit/(Loss) transferred from Trading Account	4,493	(9,474)	29,434	12,784	21,347
<b>Total Income</b>	<b>4,493</b>	<b>(9,474)</b>	<b>29,434</b>	<b>12,784</b>	<b>21,347</b>
<b>Expenses</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>
<b>Net Profit/(Loss)</b>	<b>4,493</b>	<b>(9,474)</b>	<b>29,434</b>	<b>12,784</b>	<b>21,347</b>
<b>Balance Sheet</b>					
<b>Liabilities</b>					
Deposits and Deductions	0	0	0	0	(401)
<b>Total Liabilities</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>0</b>	<b>(401)</b>
<b>Equity</b>					
TMA Accumulated Surplus/(Deficit)	(6,674)	(16,148)	13,286	26,070	47,418
TMA Surplus/ (Deficit)	16,148	16,148	(4,441)	(20,084)	(43,088)

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
<b>Total Equity</b>	<b>9,474</b>	<b>0</b>	<b>8,845</b>	<b>5,986</b>	<b>4,330</b>
<b>Total Liabilities and Equity</b>	<b>9,474</b>	<b>0</b>	<b>8,845</b>	<b>5,986</b>	<b>3,929</b>
<b>Assets</b>					
Accounts Receivables	0	0	148	148	148
Inventory	9,474	0	8,697	5,838	3,781
<b>Total Assets</b>	<b>9,474</b>	<b>0</b>	<b>8,845</b>	<b>5,986</b>	<b>3,929</b>

**Appendix 29.6: Plant Hire**

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
<b>Manufacturing Account</b>					
Opening Raw Materials	0	0	25,622	0	0
Add: Purchases	1,532,331	77,655	2,162	64,289	134,514
	1,532,331	77,655	27,784	64,289	134,514
Less: Closing Raw Materials	0	25,622	0	0	0
Raw Materials Used	1,532,331	52,033	27,784	64,289	134,514
Direct Labour	3,858,928	3,618,132	2,958,832	2,116,190	1,809,371
Opening Work in Progress	0	0	0	0	0
	5,391,259	3,670,165	2,986,616	2,180,479	1,943,885
Less: Closing Work in Progress	0	0	0	0	0
<b>Cost of Goods Manufactured Transferred to Trading Account</b>	<b>5,391,259</b>	<b>3,670,165</b>	<b>2,986,616</b>	<b>2,180,479</b>	<b>1,943,885</b>
<b>Trading Account</b>					
Sales	9,498,049	9,150,234	6,985,481	6,214,174	3,316,004
Opening Finished Goods	0	0	0	0	0
Add: Cost of Manufactured Goods	5,391,259	3,670,165	2,986,616	2,180,479	1,943,885
	5,391,259	3,670,165	2,986,616	2,180,479	1,943,885
Less: Closing Finished Goods	0	0	0	0	0
<b>Cost of Goods Sold</b>	<b>5,391,259</b>	<b>3,670,165</b>	<b>2,986,616</b>	<b>2,180,479</b>	<b>1,943,885</b>
<b>Gross Profit</b>	<b>4,106,790</b>	<b>5,480,069</b>	<b>3,998,865</b>	<b>4,033,695</b>	<b>1,372,119</b>
<b>Profit and Loss Statement</b>					
<b>Income</b>					
Gross Profit/(Loss) transferred from Trading Account	4,106,790	5,480,069	3,998,865	4,033,695	1,372,119
Other Income	491,156	0	91,093	6,802	158
<b>Total Income</b>	<b>4,597,946</b>	<b>5,480,069</b>	<b>4,089,958</b>	<b>4,040,497</b>	<b>1,372,277</b>
<b>Expenses</b>					
Travel and Communications	90,331	80,239	101,303	49,999	13,839
Maintenance and Operation	4,468,157	4,852,836	4,903,968	3,445,215	1,536,500
Purchase of Goods and Services	0	0	36,881	24,371	14,474
Other Expenses	64,473	21,210	0		0
Special Expenses	0	0	0	1,533	1,255
Rent and Hire	100,731	0	0	0	0
VAT	491,853	563,391	758,378	0	0
<b>Total Expenses</b>	<b>5,215,545</b>	<b>5,517,676</b>	<b>5,800,530</b>	<b>3,521,118</b>	<b>1,566,068</b>

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
<b>Net Profit/(Loss)</b>	<b>(617,599)</b>	<b>(37,607)</b>	<b>(1,710,572)</b>	<b>519,379</b>	<b>(193,791)</b>
<b>Balance Sheet</b>					
<b>Liabilities</b>					
Deposits and Deductions	0	0	1,334,853	222,115	264,840
Accounts Payable	(281)	(190)	90	90	90
Vat Payable	64,888	621,614	0	0	0
<b>Total Liabilities</b>	<b>64,607</b>	<b>621,424</b>	<b>1,334,943</b>	<b>222,205</b>	<b>264,930</b>
<b>Equity</b>					
TMA Accumulated Surplus/(Deficit)	(600,750)	(638,358)	(1,666,855)	(869,582)	(1,063,372)
TMA Surplus	845,922	346,639	867,242	1,314,863	1,574,773
<b>Total Equity</b>	<b>245,172</b>	<b>(291,719)</b>	<b>(799,613)</b>	<b>445,281</b>	<b>511,401</b>
<b>Total Liabilities and Equity</b>	<b>309,779</b>	<b>329,705</b>	<b>535,330</b>	<b>667,486</b>	<b>776,331</b>
<b>Assets</b>					
Accounts Receivables	309,779	304,083	535,330	667,486	753,673
Inventory	0	25,622	0	0	22,658
<b>Total Assets</b>	<b>309,779</b>	<b>329,705</b>	<b>535,330</b>	<b>667,486</b>	<b>776,331</b>

**Appendix 29.7: Plumber Shop**

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
<b>Manufacturing Account</b>					
Opening Raw Materials	42,435	37,279	91,596	83,614	93,141
Add: Purchases	611,036	1,092,959	159,308	252,907	277,644
	653,471	1,130,238	250,904	336,521	370,785
Less: Closing Raw Materials	37,279	91,596	83,614	93,141	84,599
Raw Materials Used	616,192	1,038,642	167,290	243,380	286,186
Direct Labour	711,643	718,916	254,286	472,994	678,171
Opening Work in Progress	0	0	0	0	0
	1,327,835	1,757,558	421,576	716,374	964,357
Less: Closing Work in Progress	0	0	0	0	4,011
<b>Cost of Goods Manufactured Transferred to Trading Account</b>	<b>1,327,835</b>	<b>1,757,558</b>	<b>421,576</b>	<b>716,374</b>	<b>960,346</b>
<b>Trading Account</b>					
Sales	914,651	622,975	458,907	794,088	1,108,095
Opening Finished Goods	27,861	25,025	50,626	46,431	39,537
Add: Cost of Manufactured Goods	1,327,835	1,757,558	421,576	716,374	960,346
	1,355,696	1,782,583	472,202	762,805	999,883
Less: Closing Finished Goods	25,025	50,626	46,431	39,537	37,857
<b>Cost of Goods Sold</b>	<b>1,330,671</b>	<b>1,731,957</b>	<b>425,771</b>	<b>723,268</b>	<b>962,026</b>
<b>Gross Profit/(Loss)</b>	<b>(416,020)</b>	<b>(1,108,982)</b>	<b>33,136</b>	<b>70,820</b>	<b>146,069</b>
<b>Profit and Loss Statement</b>					
<b>Income</b>					
Gross Profit/(Loss) transferred from Trading Account	(416,020)	(1,108,982)	33,136	70,820	146,069
Other Income	69,811	0	8,454	0	0
<b>Total Income</b>	<b>(346,209)</b>	<b>(1,108,982)</b>	<b>41,590</b>	<b>70,820</b>	<b>146,069</b>
<b>Expenses</b>					
Travel and Communications	7,140	14,221	36,557	28,341	65,010
Maintenance and Operation	24,816	140,174	23,954	14,146	15,222
Purchase of Goods and Services	0	0	2,732	0	470
VAT	44,645	35,581	31,406	0	0
<b>Total Expenses</b>	<b>76,601</b>	<b>189,976</b>	<b>94,649</b>	<b>42,487</b>	<b>80,702</b>
<b>Net Profit/(Loss)</b>	<b>(422,810)</b>	<b>(1,298,958)</b>	<b>(53,059)</b>	<b>28,333</b>	<b>65,367</b>
<b>Balance Sheet</b>					
<b>Liabilities</b>					
Deposits and Deductions	18,778	64,048	81,115	(40,694)	1,805
Accounts Payable	(1,028)	(1,028)		0	60,012

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
<b>Total Liabilities</b>	17,750	63,020	81,115	(40,694)	61,817
<b>Equity</b>					
TMA Accumulated Surplus/(Deficit)	(485,114)	(1,784,072)	(1,837,131)	(1,727,764)	(1,662,397)
TMA Surplus	539,091	1,901,565	1,930,803	1,942,800	1,938,032
<b>Total Equity</b>	<b>53,977</b>	<b>117,493</b>	<b>93,672</b>	<b>215,036</b>	<b>275,635</b>
<b>Total Liabilities and Equity</b>	<b>71,727</b>	<b>180,513</b>	<b>174,787</b>	<b>174,342</b>	<b>337,452</b>
<b>Assets</b>					
Accounts Receivables	9,423	38,292	44,743	41,664	68,283
Inventory	62,304	142,221	130,044	132,678	126,467
VAT	0	0	0	0	142,702
<b>Total Assets</b>	<b>71,727</b>	<b>180,513</b>	<b>174,787</b>	<b>174,342</b>	<b>337,452</b>

**Appendix 29.8: Workshop Wages**

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
<b>Manufacturing Account</b>					
Opening Raw Materials	0	0	15,163	0	0
Add: Purchases	9,485	0	127,152	586,231	293,653
	9,485	0	142,315	586,231	293,653
Less: Closing Raw Materials	0	0	0	0	0
Raw Materials Used	9,485	0	142,315	586,231	293,653
Direct Labour	2,482,024	2,210,604	2,293,990	1,379,740	904,501
Opening Work in Progress	0	0	0	0	0
	2,491,509	2,210,604	2,436,305	1,965,971	1,198,154
Less: Closing Work in Progress	0	0	0	0	0
<b>Cost of Goods Manufactured Transferred to Trading Account</b>	<b>2,491,509</b>	<b>2,210,604</b>	<b>2,436,305</b>	<b>1,965,971</b>	<b>1,198,154</b>
<b>Trading Account</b>					
Sales	1,498,112	1,043,123	2,297,454	1,726,415	949,075
Opening Finished Goods	0	0	0	0	0
Add: Cost of Manufactured Goods	2,491,509	2,210,604	2,436,305	1,965,971	1,198,154
	2,491,509	2,210,604	2,436,305	1,965,971	1,198,154
Less: Closing Finished Goods	0	0	0	0	0
<b>Cost of Goods Sold</b>	<b>2,491,509</b>	<b>2,210,604</b>	<b>2,436,305</b>	<b>1,965,971</b>	<b>1,198,154</b>
<b>Gross (Loss)/Profit</b>	<b>(993,397)</b>	<b>(1,167,481)</b>	<b>(138,851)</b>	<b>(239,556)</b>	<b>(249,079)</b>
<b>Profit and Loss Statement</b>					
<b>Income</b>					
Gross Profit/(Loss) transferred from Trading Account	(993,397)	(1,167,481)	(138,851)	(239,556)	(249,079)
Other Income		0	0	1	148
<b>Total (Deficit)/Income</b>	<b>(993,397)</b>	<b>(1,167,481)</b>	<b>(138,851)</b>	<b>(239,555)</b>	<b>(249,931)</b>
<b>Expenses</b>					
Travel and Communications	0	241	3,045	3,006	12,572
Maintenance and Operation	5,243	4,804	37,610	2,035	49,412
Purchase of Goods and Services	0	0	414	4,314	983
Other Expenses	798	0	0	0	575
VAT	97	0	0	0	0
<b>Total Expenses</b>	<b>6,138</b>	<b>5,045</b>	<b>41,069</b>	<b>9,355</b>	<b>63,542</b>
<b>Net (Loss)/Profit</b>	<b>(999,535)</b>	<b>(1,172,526)</b>	<b>(179,920)</b>	<b>(248,910)</b>	<b>(312,473)</b>
<b>Balance Sheet</b>					
<b>Liabilities</b>					

Particulars	2009 (\$)	2010 (\$)	2011 (\$)	2012 (\$)	2013 (\$)
Deposits and Deductions	0	0	98	(15,968)	(17,109)
Accounts Payable	(80)	(80)	0	0	85,626
Vat Payable	0	72	0	0	
<b>Total Liabilities</b>	<b>(80)</b>	<b>(8)</b>	<b>98</b>	<b>(15,968)</b>	<b>68,517</b>
<b>Equity</b>					
TMA Accumulated Surplus/(Deficit)	(1,021,889)	(2,182,118)	(2,362,038)	(2,610,949)	(2,923,422)
TMA Surplus	1,021,915	2,197,235	2,436,672	2,701,910	2,928,924
<b>Total Equity</b>	<b>26</b>	<b>15,117</b>	<b>74,634</b>	<b>90,961</b>	<b>5,502</b>
<b>Total Liabilities and Equity</b>	<b>(54)</b>	<b>15,109</b>	<b>74,732</b>	<b>74,993</b>	<b>74,019</b>
<b>Assets</b>					
Cash	0	0	0	0	74,019
Accounts Receivables	(54)	(54)	74,732	74,993	0
Inventory	0	15,163	0	0	0
<b>Total Assets</b>	<b>(54)</b>	<b>15,109</b>	<b>74,732</b>	<b>74,993</b>	<b>74,019</b>



## Section 30

## Ministry of Agriculture

### Roles and Responsibility

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

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## PART A: FINANCIAL STATEMENT

### 30.1 Audit Opinion

The audit of the 2013 accounts of the Ministry of Agriculture resulted in the issue of a qualified audit report. The qualifications were as follows:

- Included in the Trading and Manufacturing Account (TMA) Balance Sheet is TMA Surplus Capital Retained of \$2,263,536 and TMA Accumulated Surplus of \$422,471. The Ministry was not able to provide appropriate audit evidence to support the balances. As a result, the audit was not able to ascertain the accuracy and completeness of the Trading and Manufacturing Account as at 31 December 2013.
- There is an un-reconciled difference amounting to \$412,959 between the General Ledger (FMIS) and TMA bank reconciliation for Cash at Bank. Accordingly, the audit was unable to ascertain the accuracy and completeness of the TMA Cash at bank of \$782,487 as shown in the TMA Balance Sheet as at 31 December 2013.
- Included in the TMA Trading Account is Closing Stock of Finished Goods of \$1,058,578. The audit did not express an opinion on the accuracy and completeness of Closing Stock of Finished Goods as the Ministry did not carry out an independent stock take for the year ended 31 December 2013.
- The Ministry was not able to provide appropriate audit evidence to reconcile and ascertain the accuracy and completeness of the Trust Fund Cash at bank –Retention Fund (LWRM) balance of \$759,562 and Trust Fund –Retention Fund balance of \$203,063 as shown in the General Ledger (FMIS) with the Trust Fund balance \$323,498 reflected in the Trust Account Statement as at 31 December 2013.
- The Ministry did not submit a Statement of Losses for its fixed assets contrary to Finance Instructions 2010 Section 71(1) (f). In the absence of the updated Fixed Assets Register and Board of Survey report, the losses, if any, that occurred during the year could not be substantiated.

### 30.2 Statement of Receipts and Expenditures

The Ministry of Agriculture collected total revenue of more than \$0.5 million and incurred expenditure totalling \$45 million in 2013. Details are shown in Table 30.1.

**Table 30.1: Statement of Receipts and Expenditures**

Description	2013 (\$)	2012 (\$)
<b>RECEIPTS</b>		
Agricultural produce & inspection fees	1,695	37,254
License	60,558	60,941
Meat inspection	20,256	21,928
Veterinary and animal quarantine	20,525	13,061
Sale of sheep & wool	20,276	15,233
Rental for quarters and building	60,751	38,476
Sale of farm product	48,211	32,203
Sale of surplus farm produce	6,070	4,628
Miscellaneous and other revenue	309,912	535,317
<b>TOTAL REVENUE</b>	<b>548,254</b>	<b>759,041</b>
<b>EXPENDITURES</b>		

Description	2013 (\$)	2012 (\$)
<b>Operating</b>		
Established staff	10,352,996	10,442,106
Government wage earners	5,218,794	4,642,540
Travel & communication	984,850	603,569
Maintenance & operations	2,170,291	1,645,243
Purchase of goods & services	738,443	604,173
Operating grants & transfers	1,736,027	2,108,385
Special expenditures	1,402,921	791,325
<b>Total Operating Expenditures</b>	<b>22,604,322</b>	<b>20,837,341</b>
<b>Capital</b>		
Capital construction	15,748,599	15,303,347
Capital purchases	473,113	712,203
Capital grants & transfers	3,007,303	6,137,172
<b>Total Capital Expenditures</b>	<b>19,229,015</b>	<b>22,152,722</b>
Value added tax	3,150,275	2,771,169
<b>TOTAL EXPENDITURES</b>	<b>44,983,612</b>	<b>45,761,232</b>

- Total revenue declined by \$210,787 or 28% in 2013 due to the decrease in overpayment recoveries by \$294,555 or 76%.
- Government Wage Earners increased by \$576,254 or 12% in 2013 compared to 2012 due to the increase in wages for all government wage earners earning below \$10,000 in 2013.
- Maintenance and Operations increased by \$525,048 or 32% in 2013 compared to 2012 due to increase in the cost of vehicle upkeep and utility charges.
- Special Expenditure increased by \$611,596 or 77% in 2013 compared to 2012 due to the Ministry hosting the Asia Pacific Coconut and Commonwealth Vet Association meeting and organising the Agriculture Show at Northern and Western Divisions.
- The reduction in capital expenditure resulted mainly from the decreases in capital purchases and capital grants and transfers by \$239,090 and \$3,129,869 respectively. The decrease in capital grants by 51% was due to the reduction in grant allocation for 2013 to the Biosecurity Authority of Fiji, drainage subsidy (Drainage Boards) and Dairy Industry Development Support (Fiji Cooperative Dairy Limited).

### 30.3 Appropriation Statement

The Ministry incurred a total expenditure of \$45 million against the revised budget of \$49 million resulting in savings of \$4 million. Details of expenditure against the budget estimate are provided in Table 30.2 below.

**Table 30.2: Appropriation Statement**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	12,006,071	(379,824)	11,626,247	10,352,996	1,273,251
2	Government wage earner	5,684,224	13,566	5,697,790	5,218,794	478,996
3	Travel and communications	813,540	213,244	1,026,784	984,850	41,934
4	Maintenance & operations	2,118,100	156,523	2,274,623	2,170,291	104,332
5	Purchase of goods & services	699,300	109,626	808,926	738,443	70,483
6	Operating grants & transfers	2,091,000	(298,612)	1,792,388	1,736,027	56,361

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
7	Special expenditures	2,411,600	(366,833)	2,044,767	1,402,921	641,846
	<b>Total Operating Expenditure</b>	<b>25,823,835</b>	<b>(552,310)</b>	<b>25,271,525</b>	<b>22,604,322</b>	<b>2,667,203</b>
8	Capital construction	17,540,000	(834,681)	16,705,319	15,748,599	956,720
9	Capital purchases	430,000	26,966	456,966	473,113	(16,147)
10	Capital grants & transfers	4,300,000	(1,292,697)	3,007,303	3,007,303	-
	<b>Total Capital Expenditure</b>	<b>22,270,000</b>	<b>(2,100,412)</b>	<b>20,169,588</b>	<b>19,229,015</b>	<b>940,573</b>
13	Value added tax	3,511,092	31,384	3,542,476	3,150,275	392,201
	<b>TOTAL EXPENDITURE</b>	<b>51,604,927</b>	<b>(2,621,338)</b>	<b>48,983,589</b>	<b>44,983,612</b>	<b>3,999,977</b>

### 30.4 Trading and Manufacturing Account

**Table 30.3: Manufacturing Account**

Details	2013 (\$)	2012 (\$)
Opening raw material	-	-
Add: Purchases	843,816	1,089,728
	<b>843,816</b>	<b>1,089,728</b>
Less: Closing raw material	-	-
<b>Raw material used</b>	<b>843,816</b>	<b>1,089,728</b>
Add: Direct labour	15,120	11,022
<b>Cost of manufacturing goods transferred to trading account</b>	<b>858,936</b>	<b>1,100,750</b>

**Table 30.4: Trading Account**

Details	2013 (\$)	2012 (\$)
Sales	1,122,508	1,406,042
Opening stock of finished goods	1,128,750	988,079
Add: Cost of manufactured goods	858,936	1,100,750
	<b>1,987,686</b>	<b>2,088,829</b>
Less: Closing stock of finished goods	1,058,578	1,128,750
<b>Cost of finished goods sold</b>	<b>929,108</b>	<b>960,079</b>
<b>Gross Profit/(Loss)</b>	<b>193,400</b>	<b>445,963</b>

**Table 30.5: Profit & Loss Statement**

Details	2013 (\$)	2012 (\$)
<b>Income</b>		
Gross Profit transferred from Trading A/C	193,400	445,963
<b>Total Income</b>	<b>193,400</b>	<b>445,963</b>
<b>Expenses</b>		
Travelling & communication expenses	14,284	17,447
Maintenance & operation	179,911	207,167
Other expenses	865	109,244
<b>Total Expense</b>	<b>195,060</b>	<b>333,858</b>
<b>Net (Loss)/Profit</b>	<b>(1,660)</b>	<b>112,105</b>

**Table 30.6: Balance Sheet**

Details	2013 (\$)	2012 (\$)
<b>Equity</b>		
TMA Surplus Capital Retained	2,263,536	2,265,197
TMA Accumulated Surplus	(422,471)	(769,284)
<b>Total Equity</b>	<b>1,841,065</b>	<b>1,495,913</b>
<b>Assets</b>		
Cash	782,487	365,088
Accounts receivable	-	2,075
Finished goods	1,058,578	1,128,750
<b>Total Assets</b>	<b>1,841,065</b>	<b>1,495,913</b>
<b>Liability</b>		
VAT payable	-	-
<b>Total Liabilities</b>	<b>-</b>	<b>-</b>
<b>Total Net Assets</b>	<b>1,841,065</b>	<b>1,495,913</b>

### 30.5 Trust Fund Accounts

**Table 30.7: Land Water Resource Management and Land Resource Planning & Development**

Details	2013 (\$)	2012 (\$)
<b>Receipts</b>		
Retention money	-	134,190
<b>Total Receipts</b>	<b>-</b>	<b>134,190</b>
<b>Payments</b>		
Retention money	6,445	66,487
<b>Total Payments</b>	<b>6,445</b>	<b>66,487</b>
<b>(Deficit) / Surplus</b>	<b>(6,445)</b>	<b>67,703</b>
Opening balance at 1 January	329,943	262,240
<b>Closing balance as at 31 December</b>	<b>323,498</b>	<b>329,943</b>

## PART B: AUDIT FINDINGS

### 30.6 Trading and Manufacturing Accounts

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

- 1) **Commercial Undertaking Livestock (CUT)** operates under the Animal Health & Production Division and is located at the AH&P Divisional Head office in Vatuwaqa. The unit has established market outlets throughout the country to promote services to the rural public with the assistance of extension officers. This includes drugs dispensing, livestock marketing and agro materials distribution to farmers.
- 2) **Crop Extension Machinery Operation Hire (CEMOH)** operates under the Crop Extension Division which is solely responsible for providing quality service to farmers by the hiring of the Agriculture Extension Machinery for land development to the farmers at affordable rate that would contribute to sustainable farming. These machine hire services consist of tractor, digger, mini rice machines, swamp dozer and wheel loader hire.

- 3) **Fuel & Oil** operates under the Crop Extension Divisions which supplies fuel & oil to other sections within the Ministry.

### **30.6.1      *Anomalies noted in the Trading and Manufacturing Account***

Each agency operating a trading and manufacturing activity must prepare:

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

The profit and loss statement and the balance sheet must be prepared on an accrual basis.<sup>1</sup>

The annual profit and loss statements and balance sheet for each current financial year just ended must be prepared and submitted to the Auditor-General in a form suitable for audit and inclusion in the agency's annual report.<sup>2</sup> Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.<sup>3</sup>

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 ledger reconciliation statement shall be forwarded to the Senior Accountant (Operations) weekly. The Divisional Accountants, Assistant Accounts, Clerks and Recorders must ensure that:

- I. All balances are accurate and adequately supported; and
- II. Any misallocations or outstanding balances from the previous month have been journalised to the correct allocation code.<sup>6</sup>

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

- Included in the TMA Balance Sheet for Commercial Undertaking are TMA Accumulated Surplus of \$2,263,536 and TMA Surplus of \$422,472. The audit noted that the Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the balances reflected in the TMA Balance Sheet. As a result, the audit was not able to ascertain the correctness of these amounts.
- The Ministry's stock certificate report reflected a closing stock of \$1,058,577. However, reliance on this balance is limited as the stocktakes were carried out by officers directly involved in maintaining and accounting for the stock without an independent supervision. As a result, audit was not able to ascertain the correctness of the closing stock balance reflected in the agencies financial statement. Refer to Table 30.8 below for details.

<sup>1</sup> Finance Instructions 2010 – Section 30 (1 & 2)

<sup>2</sup> Finance Instructions 2010 – Section 30( 3)

<sup>3</sup> Finance Instructions 2010 – Section 49 (2)

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

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

<sup>6</sup> Ministry of Agriculture – Finance Manual 2011 – Section.16.3.6

**Table 30.8: TMA Inventory Stock Take Balance As At 31 December 2013**

Items	Stock Certificate balance (\$)
Pine Post	57,035.00
Fencing Wires	81,199.00
Dairy Stock	218,250.00
Beef Stock	50,128.00
Pigs Stock	38,389.12
SA Drugs	613,576.49
<b>Total</b>	<b>1,058,577.61</b>

- The net profit balance reflected in the TMA Balance Sheet did not reconcile with the net profit balance reported in the TMA Profit and Loss Statement. The Ministry could not provide explanations for the variance. Refer to Table 30.9 below for details.

**Table 30.9: Variance in Net Loss Figure Reflected in Balance Sheet and the Profit and Loss Account**

Particulars	Amount (\$)
Net Loss balance as per balance sheet	422,471
Net Loss balance as per profit and loss account	1,660
<b>Variance</b>	<b>420,811</b>

- Expenditures totalling \$15,120 which related to normal TMA operations such as maintenance & operations and other expenses were charged to Direct Labour allocation (4-30351-30999-260201 & 4-30451-30799-260201). Refer to Table 30.10 below for examples:

**Table 30.10: Maintenance & Operations and Other Expenses Charged to Direct Labour Allocation**

Month	Journal	Description	Amount (\$)
<b>Allocation: 4-30351-30999-260201</b>			
June	AP0766	Dairy Mesh	4,700.00
June	AP0766	Calf Pellets	3,592.50
December	TMA036	To adjust mis-postings for AH&P	350.00
<b>Allocation: 4-30451-30799-260201</b>			
February	AP0234	Repair of Tractor for SAO	180.00
March	AP1548	Diesel for Tractor	2,000.00
	AP3413	Bearing D/P Wheel	420.00
May	AP3890	Diesel for Ra Tractor GP051-06	1,000.00
	AP6849	32 Pieces Sidchorme set ¾	1,800.00
October	AP0640	Hydraulic Oil Filter	552.00

The above anomalies imply that the Trading and Manufacturing Accounts may not fairly reflect the financial performance and position of the TMA operations. There is also potential risk for mismanagement due to ineffective controls and lack of supervisory checks in the TMA operations.

### **Recommendations**

- The Ministry should maintain proper records and be able to provide evidence to substantiate accounts and balances reported in its Trading and Manufacturing Accounts.**

- The Ministry should ensure that proper reconciliations are carried out and any error is investigated and adjusted accordingly.
- Annual boards of survey must be conducted by Officers who are independent from the custody of the TMA stock.
- The internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies.

### **Management Comment**

*No comment received from the Ministry.*

### **30.6.2 Errors in TMA Bank Reconciliations**

The Assistant Accounts Officer (AAO – Ledgers) and the Bank Reconciliation Clerk shall prepare a bank reconciliation within 5 days of the end of the month. Details of un-presented cheques and other reconciling items should be attached to the reconciliation statement. Once the bank reconciliation is prepared, it should be signed and dated by the Bank Reconciliation Clerk and AAO (Ledgers) and submit to Ministry of Finance through Senior Accounts Officer (Operations). The AAO (Ledgers) must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.<sup>7</sup>

All bank accounts must be reconciled monthly. The bank reconciliation shall list all outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>8</sup> The Principal Accountant shall appoint three officers to be part of a Board of Survey to conduct a physical stock-take of all money on hand and other stock held in safes.<sup>9</sup>

When the operation of Trading and Manufacturing Accounts are approved by the Minister of Finance, a financial ceiling is set for the purposes of operating this account and at no point in time the Chief Accounting Officers who are controlling officers responsible for the operation of this account in the department/ministry can exceed the financial ceiling, as this may be unauthorized and officers responsible may be liable for a surcharge.<sup>10</sup>

Our review of the monthly TMA bank reconciliation noted the following anomalies:

- Board of Survey was not conducted at the end of the year for the TMA cash on hand balance.
- Unexplained variances were noted between the cash at bank balance in the TMA bank statement, the FMIS general ledger and the bank reconciliation, as at 31 December 2013. Refer Table 30.11 below for details.

**Table 30.11: Variances in Cash at Bank Balance**

<b>Cash at Bank Balance as at 31 December</b>	<b>Amount (\$)</b>
FMIS general ledger and financial statements	782,487.08
Bank statement	505,193.11
Ministry's bank reconciliation - December	369,527.79

<sup>7</sup> Ministry of Agriculture – Finance Manual 2011 – Section 7.4.7 to 7.4.10

<sup>8</sup> Finance Instructions 2010 – Section 32(6)

<sup>9</sup> Ministry of Agriculture – Finance Manual 2011 – Section 7.2.1

<sup>10</sup> Finance Circular No. 37 dated 26/11/1984



The December bank reconciliation reflected lodgement not yet credited of \$28,346 and receipts not in cash book of \$61,432. The details of these two balances were not made available for audit. As a result, the audit was not able to ascertain the accuracy and correctness of the TMA bank reconciliation.

- Unexplained variances were noted in the opening and closing monthly cash book balances. Refer Table 30.12 below for details.

**Table 30.12: Variance in Opening and Closing Monthly Balances - Cash Book**

Month	Opening Balance (\$)	Closing Balance (\$)
December (2012)	-	311,189.19
January	221,188.64	394,666.10
February	246,526.89	41,758.46
March	24,521.70	83,194.71
April	24,521.70	114,731.75
May	71,214.45	121,074.31
June	67,764.78	176,346.97
July	129,233.36	195,165.09
August	160,284.54	205,319.65
September	157,057.73	274,065.53
October	Not Available	
November	282,923.26	490,642.54
December	418,116.01	369,527.79

- A TMA bank balance of \$7,533 (allocation 4-30351-30999-540301) was included the TMA bank balance of \$782,487.08 as shown in the FMIS general ledger. The detail of this bank account was not made available for audit.
- The audit could not ascertain the approved TMA cash ceiling amount as there were no records provided for audit.

The accuracy of cash at bank balance as at 31 December 2013 was not able to be substantiated from the audit.

Failure to carry out proper bank reconciliations increases the risk of misappropriation and mismanagement of funds. It also indicated the absence of independent checks and verifications by the Accounts Section to ensure the correctness of the reconciliation statements prior to certification.

### **Recommendations**

- The responsibility of carrying out bank reconciliations should be given to Senior Accounts Officers having adequate knowledge of the bank reconciliation process.
- The Ministry should provide appropriate training to Accounts Officers involved in carrying out accounts reconciliations.
- The internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies.

### **Management Comment**

*No comment received from the Ministry.*

### 30.7 LWRM Trust Fund Account

All bank accounts must be reconciled monthly. The bank reconciliation shall list all outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>11</sup>

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.<sup>12</sup>

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

- Lodgements not credited of \$224,905 reflected in the bank account reconciliation statement remained uncleared throughout the year. There were no supporting documents made available for audit to validate lodgements not credited.
- Interests received and bank fees from January 2010 to November 2013 which totalled \$2,572 and \$224 respectively, have not been adjusted in the cash book. Although the balances have been reflected in the bank reconciliation.
- Unexplained variances were noted in the cash at bank balances stated in the bank statement, FMIS general ledger and the bank reconciliation. Refer Table 30.13 below for details.

**Table 30.13: Variances in Cash at Bank Balance**

Cash at Bank as at 31 December	Amount (\$)
FMIS general ledger	759,562.06
Bank statement	568,734.56
Bank reconciliation	203,063.38

- *Account 9-30101-30075 895013 - Retention Fund ALTA lease* had a balance of \$10,171 as at 31 December 2013. The Ministry did not provide any documentary evidence to support this balance. Although included in the FMIS general ledger, the account is not reflected in the Ministry's Agency Financial Statement as a Main Trust Fund.
- Three accounts that belong under the Ministry of Fisheries and Forestry have not been regularised since 2010. The accounts are shown under the FMIS general ledger for the Ministry of Agriculture. Refer Table 30.14 below for details.

**Table 30.14: Ministry of Fisheries and Forestry Trust Fund Reflected Under Ministry's Head**

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

- Retention funds for contractual payments were not transferred to the Trust Fund Account. The funds were maintained in the respective operating capital allocations until payments are made to

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

<sup>12</sup> Finance Instructions 2010 – Section 58 (2& 3)

the contractors. This practice could affect the following year's budget appropriation due to lapsing of appropriation authority. Refer to Table 30.15 for examples of transactions made during the year for which the retention funds were not transferred to the Trust Fund Account.

**Table 30.15: Details of retention money not transferred to Trust Fund account**

Payment ID	Payment Date	Vendor	Amount (\$)
401	01/03/13	Corerega Environment Consultant	29,187.00
404	01/03/13	Hall Contracting Pty Ltd	588,562.07
850	05/04/13	Hall Contracting Pty Ltd	815,892.40
1248	02/05/13	Corerega Environment Consultants	36,483.75
2024	04/06/13	Corerega Environment Consultants	30,483.75
2930	16/07/13	China Railway First Group Fiji Limited	627,780.54
3368	05/08/13	Multi Works Civil Engineering	53,463.96
358	15/08/13	China Railway First Group Fiji Limited	349,719.46
4145	12/09/13	China Railway First Group Fiji Limited	363,355.51
4145	12/09/13	China Railway First Group Fiji Limited	488,395.60

The audit was not able to substantiate the accuracy of the Main Trust Fund Account Statement of Receipts and Payments for the year ended 31 December 2013.

### **Recommendations**

- **Monthly reconciliation process should be strengthened to mitigate the various issues highlighted above.**
- **The Ministry should ensure that errors and discrepancies identified during the reconciliation process are corrected promptly. The Ministry should seek the Ministry of Finance assistance where necessary.**
- **Proper books of account should be maintained and provided for audit when requested.**
- **Retention funds should be transferred to the Trust Fund Account to ensure that subsequent year's budget appropriation is not affected and that the Ministry will be able to meet the payments to contractors as and when due.**

### **Management Comment**

*No comment received from the Ministry*

## **30.8 Recording of Expenditure**

### **30.8.1 Reconciliation of records**

All payments, including VAT, **must** be immediately recorded in the financial management information system (FMIS) and an Expenditure Ledger.<sup>13</sup>

The audit noted that the Ministry prepared its financial statements from the FMIS general ledger without reconciling to an Expenditure Ledger as there was none maintained by the Ministry.

In the absence of an Expenditure Ledger, there is also no other evidence to indicate that the expenditure accounts have been reconciled to the source documents to provide assurance that all payments incurred have been recorded in the General Ledger.

<sup>13</sup> Section 15 – Finance Instruction 2010  
Ministry of Agriculture

**Recommendation**

**The Ministry should comply with Section 15 of the Finance Instructions or provide evidence of regular reconciliation of expenditure accounts.**

**Management Comment**

*No comment received from the Ministry.*

**30.8.2 Utilising capital budget for operational expenses**

The Accounting Head or accounts supervisor must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.<sup>14</sup>

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes – the ledger account it is charged to.<sup>15</sup>

It has been a common practice for the Ministry to utilise capital budget surplus at the end of the year to meet operational costs. As expenses were incurred in December, the audit was of the view that such practice were for the purpose of utilising unspent capital budgetary allocations before year end. Refer to **Appendix 30.1** for examples.

Failure to properly monitor the utilisation of funds from the capital allocation could lead to extravagant and unplanned expenditures for the sole purpose of utilising surplus budget. In addition, capital expenditure reflected in the financial statements may have been overstated.

**Recommendations**

- **It is recommended that the Ministry separates the capital and operating portion of the expenditures using different FMIS code. This would allow easier tracking of the operating expenses and ensure that funds available for the implementation of projects are not affected.**
- **The Ministry should minimize or avoid unnecessarily spending surplus budget on unplanned expenditures, for the purpose of using up its budget before year end.**
- **The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

**Management Comment**

*No comment received from the Ministry.*

**30.9 Statement of Losses**

Each agency must include in its annual financial statement a statement of losses.<sup>16</sup>

An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register provided that, for agencies that have, in the opinion of the Permanent Secretary a large asset base, the board of survey to be conducted on a cyclical basis so that all assets are checked every three years.<sup>17</sup> Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of

<sup>14</sup> Finance Manual 2011 – Section 2.8.4

<sup>15</sup> Finance Instruction 2011 s.14 (1) g

<sup>16</sup> Finance Instructions 2010 – Section 71 (1) (f)

<sup>17</sup> Finance Instructions 2010 – Section 49 (1)

each board of survey and must be signed and dated by the officers undertaking it.<sup>18</sup> All assets which are not accounted for in the board of survey must be investigated to determine the appropriate recovery or write-off action.<sup>19</sup>

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

- (a) description;
- (b) cost or fair value;
- (c) date of acquisition, where known;
- (d) make, model and identification number, where applicable; and
- (e) location.<sup>20</sup>

Assets whose value is between \$200 and \$2,000 must also be recorded in an Expendable Items Register.<sup>21</sup>

A review of the Statement of Losses and related records revealed the following anomalies:

- The Statement of Losses only reflected losses to livestock as detailed on Table 30.16 below. The audit could not determine if there were losses to other fixed assets as the Fixed Assets Register maintained by the Asset Management Unit (AMU – Headquarters) was not updated for the period ended 31 December 2013.

**Table 30.16: Details of Livestock Losses**

Livestock Commodity	Amount (\$)
Sheep	10,155.48
Pig	853.29
Cattle	8,750.00
Goat	2,842.70
Horse	900.00
<b>Total</b>	<b>23,501.47</b>

- The Ministry did not carry out a Board of Survey for 2013.

The audit was not able to substantiate the accuracy of the Statement of Losses for the year ended 31 December 2013.

Ineffective controls on the management of fixed assets (property, plant & equipment) increases the risk of misappropriation of fixed assets.

### **Recommendations**

- **All property, plant and equipment purchased by the Ministry must be properly recorded in the FAR.**
- **The Ministry should carry out a Board of Survey annually to take stock of all its assets and update its fixed assets records.**
- **Records pertaining to the loss of livestock must be filed properly and made available for audit verification when requested.**

<sup>18</sup> Finance Instructions 2010 – Section 49 (2)

<sup>19</sup> Finance Instructions 2010 – Section 49 (3)

<sup>20</sup> Finance Instructions 2010 – Section 46 (2)

<sup>21</sup> Finance Instructions 2010 – Section 46 (3)

**Management Comment**

*No comment received from the Ministry.*

**30.10 Variance in Drawings Account Balance – Operating Account**

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>22</sup> The Assistant Accounts Officer (Ledgers) must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.<sup>23</sup>

The Principal Accountant shall appoint three officers to be part of a Board of Survey to conduct a physical stock-take of all money on hand and other stock held in safes.<sup>24</sup>

The following anomalies, which could not be explained by the Ministry, were noted from the audit of the Operating Drawings account:

- The balance of the Drawing account as at 31 December 2013 as stated in the reconciliation statement did not reconcile to the FMIS general ledger. An unexplained variance of \$4,556,271 was noted between the two records. Refer Table 30.17 below for details.

**Table 30.17: Variance in Drawings Account Balance**

Description	Ministry's Balance (\$)	FMIS Balance (\$)	Variance (\$)
Drawings Account	2,384,539.85	(2,171,730.85)	4,556,270.70

- A variance of \$5,304,842 was noted between the closing balance of the November 2013 monthly reconciliation statement and the opening balance for December 2013. Refer to Table 30.18 below for details.

**Table 30.18: Variance in Closing and Opening Monthly Balance**

Month	Amount (\$)
Closing – November 2013	6,221,591.58
Opening – December 2013	916,749.31
<b>Variance</b>	<b>5,304,842.27</b>

- Two Drawings accounts in the FMIS general ledger had debit balances totaling \$128,969.53 as at 31 December 2013. Refer Table 30.19 below for details.

**Table 30.19: Drawings Account with Debit Balances**

Allocation	Description	Amount (\$)
1-30101-30102-530201	Drawings WBC Suva	597.76
1-30701-76999-530301	Drawings CNB Suva	128,371.77
<b>Total debit balances</b>		<b>128,969.53</b>

<sup>22</sup> Finance Instructions 2010 – Section 32(6)

<sup>23</sup> Ministry of Agriculture – Finance Manual 2011 – Section 7.4.10

<sup>24</sup> Ministry of Agriculture – Finance Manual 2011 – Section 7.2.1

- There was no Board of Survey carried out for the un-presented cheque listing.

The audit was not able to substantiate the accuracy of the Drawings Account - Operating for the year ended 31 December 2013.

### **Recommendations**

- **Monthly reconciliation process should be strengthened to mitigate the various issues highlighted above.**
- **Errors and discrepancies in the reconciliation statements should be corrected promptly before subsequent month's reconciliation statement is prepared. The Ministry should seek assistance from the Ministry of Finance where necessary.**

### **Management Comment**

*No comment received from the Ministry.*

## **30.11 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>25</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>26</sup> The ledger reconciliation statement shall be forwarded to the Senior Accountant (Operations) weekly. The Divisional Accountants, Assistant Accounts Officer, Clerks and Recorders must ensure that:

- I. All balances are accurate and adequately supported;
- II. Any misallocations or outstanding balances from the previous month have been journalized to the correct allocation code.<sup>27</sup>

An accountable advance will not be approved if an officer had taken an earlier advance and has not been cleared.<sup>28</sup> A *travelling officer* shall retire the accountable advance within seven days of completing travel by submission of an acquittal report with supporting documents.<sup>29</sup>

If an advance has not been fully expended, the *travelling officer* must repay the balance within seven days of completing travel.<sup>30</sup> Where an advance has not been acquitted within seven days after return from official travel, the AAO payments shall inform AAO (Salaries/Wages) to effect recovery of unretired amount with an interest of 12% per annum, through a salary deduction from the concerned officer's salary within six (6) fortnights.<sup>31</sup>

The Ministry of Agriculture's Revolving Fund Account (RFA) - Miscellaneous balance for 2013 constituted all balances appearing in the general ledger (FMIS) under accounts receivables (SAG 560000), prepayments and clearing accounts (SAG 570000) and accounts payable (SLG 840000).

The audit of the RFA – Miscellaneous records revealed the following anomalies:

- The accuracy of the Advances and Withholding Tax accounts, which had balances of \$2,425,892 and \$212,424 respectively, could not be substantiated as details of the accounts were not provided by the Ministry.

<sup>25</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.3

<sup>26</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.4

<sup>27</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.6

<sup>28</sup> Ministry of Agriculture – Finance Manual 2011 – Section 10.1.6

<sup>29</sup> Ministry of Agriculture – Finance Manual 2011 – Section 10.1.12

<sup>30</sup> Ministry of Agriculture – Finance Manual 2011 – Section 10.1.13

<sup>31</sup> Ministry of Agriculture – Finance Manual 2011 – Section 10.1.15

- There were no reconciliation statements prepared for the Agriculture Show and ACIR Project allocations which had balances of \$2,000 and \$26,271.03 respectively as at 31 December 2013.
- Reconciliation statements for the AR Individual account for the months of April to December were not provided for audit; therefore the accuracy of the FMIS general ledger balance of \$413,316 as at 31 December 2013 could not be substantiated.

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

### **Recommendations**

- **Monthly reconciliation process should be strengthened to mitigate the various issues highlighted above. All advances are retired within seven days of completion of travel.**
- **The Ministry should ensure that all the relevant supporting documents for all RFA accounts are properly maintained and produced for audit.**
- **The Ministry should seek assistance from the Ministry of Finance, where necessary, to rectify the anomalies.**

### **Management Comment**

*No comment received from the Ministry.*

## **30.12 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>32</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>33</sup>

The ledger reconciliation statement shall be forwarded to the Senior Accountant (Operations) weekly. The Divisional Accountants, Assistant Accounts Officer, Clerks and Recorders must ensure that:

- I. All balances are accurate and adequately supported;
- II. Any misallocations or outstanding balances from the previous month have been journalized to the correct allocation code.<sup>34</sup>

The Trust Fund Accounts should not at any time be overdrawn.<sup>35</sup>

Operating trust fund comprise superannuation contributions (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 Accounts should have credit balances.

The audit of the Operating Trust Fund Accounts records revealed the following anomalies:

- There was no reconciliation statements prepared for the months of April to December 2013.
- The overall balance of the operating Trust Fund Accounts was a debit balance of \$1,195,464. Thirty of the Operating Trust Fund Accounts had overdrawn balances amounting to \$1,385,673.

<sup>32</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.3

<sup>33</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.4

<sup>34</sup> Ministry of Agriculture – Finance Manual 2011 – Section 16.3.6

<sup>35</sup> Finance Circular No. 4/98 of 30/03/98



As highlighted in previous years, the Ministry could not provide any valid reasons for the overdrawing of the accounts. Refer to Table 30.20 below for details.

**Table 30.20: Overdrawn Operating Trust Account Balance**

Allocation	Description	Balance (\$)
1-30000-00000-861104	208 PD Rent Housing Authority Unestablished	201.00
1-30000-00000-861106	390 PD Government Water Rates Charges	0.44
1-30000-00000-861202	241 PD CMLA	2,849.52
1-30000-00000-861204	244 PD-LICI	3,219.95
1-30000-00000-861206	246 PD Marsh & McLennan	14.21
1-30000-00000-861209	249 PD Marsh & McLennan (HTH/P)	97.03
1-30000-00000-861306	263 PD Housing Authority	359.25
1-30000-00000-861307	264 PD Home Finance Company	90.00
1-30000-00000-861308	266 PD FDB Housing	122.00
1-30000-00000-861402	203 PD Rent Arrears	55.00
1-30000-00000-861501	286 PD Fiji Public Service Ass.	254.25
1-30000-00000-861522	313 PD Viti N.T.W. CU	110.00
1-30000-00000-861525	316 PD Service Worker CU	938.00
1-30000-00000-861532	YYY PD Public Employee Union	327.50
1-30000-00000-861533	320 Wesram Finance	975.50
1-30000-00000-861536	Handy Finance Limited	208.08
1-30000-00000-861599	XXX PD Other S0	912.50
1-30000-00000-861601	341 PD Maint-Suva	142.50
1-30000-00000-861603	343 PD Maint-Rakiraki	37.00
1-30000-00000-861604	344 PD Maint-Tavua	75.00
1-30000-00000-861606	346 PD Maint-Lautoka	15.00
1-30000-00000-861607	347 PD Maint-Nadi	120.00
1-30000-00000-861611	351 PD Maint-Savusavu	50.00
1-30000-00000-861706	361 PD Rates-Lautoka	30.00
1-30000-00000-861716	XXX PD Rates-Nasinu	20.00
1-30000-00000-861816	421 PD Rent Grade VI	56.11
1-30000-00000-861899	440 PD Fixed Rent	994.81
1-30000-00000-861901	201 PD Tax Arrears / PAYE	516,232.99
1-30000-00000-861915	400 PD Fines & Treasury	10.00
1-30000-00000-861920	501 PD Employees FNPF	857,155.69
<b>Total</b>		<b>1,385,673.33</b>

The overdrawing of the Operating Trust Fund accounts may have resulted from incorrect journal entries posted by the Ministry in the FMIS general ledger. In addition, the overdrawn balances have been carried forward from previous years.

### **Recommendations**

- **The Ministry should investigate and rectify the variances noted between its reconciliation statements and the FMIS general ledger.**
- **Monthly reconciliations should be carried out properly and accurately and Accounts Officers should be proactive in resolving un-reconciled balances between the reconciliation statements and the general ledger (FMIS).**
- **The Ministry must ensure that Trust Fund accounts are not overdrawn. Overdrawn accounts should be investigated and appropriate actions taken.**

- **The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

### **Management Comment**

*No comment received from the Ministry.*

## **30.13 Arrears of Revenue**

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

- no further credit shall be extended to the debtor;
- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than a month;
- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.<sup>36</sup>

If a final notice had been issued to one of the debtors listed, the Principal Accounts Officer may approve the case to be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implication and the probability of recovery.<sup>37</sup>

The Ministry had a balance of \$811,131 in arrears of revenue as at 31 December 2013. Refer to Table 30.21 below for arrears of revenue for the past five years.

**Table 30.21: Arrears of Revenue for the Past Five Years**

<b>Year</b>	<b>Amount (\$)</b>
2009	3,992,057
2010	3,995,811
2011	3,979,609
2012	824,986
2013	811,131

The audit noted that a significant portion of the arrears (\$688,334 or 85%) have been outstanding for more than 5 years. The arrears were mainly related to the outstanding repayments from farmers for assistance provided to them under different agricultural programs in previous years. Refer to Table 30.22 below for details.

**Table 30.22: Breakdown details of the Arrears of Revenue**

<b>Debtors</b>	<b>2013 (\$)</b>
Meat Inspection	1,071.32
Research Analysis Test	3,249.14
Water Rates	13,480.68
Electricity	377.29
Sale of Sheep	7,326.21
Cocoa Development	237,460.10

<sup>36</sup> Ministry of Agriculture – Finance Manual 2011 – Section 9.2.1

<sup>37</sup> Ministry of Agriculture – Finance Manual 2011 – Section 9.2.4

Debtors	2013 (\$)
Batiri Pineapples	707.16
Land Development	4,236.66
Revolving Fund Account	428,501.64
Irrigation & Commercial	114,720.42
<b>Total</b>	<b>811,130.62</b>

Ineffective debt collection strategies may have contributed to the delay in collecting outstanding revenues. As a result, there has been a significant accumulation of arrears of revenue over the years which may not be recovered.

### **Recommendations**

- **The Ministry should improve its debt collection strategies to enable the recovery of outstanding revenue.**
- **Long outstanding arrears that could not be collected, after exhausting all avenues, may be recommended for write-off to the Ministry of Finance.**
- **The Ministry must ensure that adequate accounting records are maintained to substantiate arrears of revenue balances at year end.**

### **Management Comment**

*No comment received from the Ministry.*

## **30.14 Demand Driven Approach Program (DDA)**

The long term objective of the Demand Driven Approach Program (DDA) such as Rural and Outer Island Programme (ROI), Export Promotion Program (EPP) and Food Security Program (FSP) is to enhance the livelihoods of people in the rural areas and outer islands of Fiji. The immediate purpose is to increase market access opportunities and services that will enable beneficiaries in the rural areas and outer islands to exploit those opportunities.<sup>38</sup>

Dairy Industry Support (DIS) is also a demand driven project proposal. The long term objective is to enhance the livelihood of dairy farmers in the rural areas, with its purpose to increase raw milk supply to Rewa Cooperative Dairy Company. The DIS program is targeted at revamping the Dairy Industry.<sup>39</sup>

These programmes are not about hand-outs to beneficiaries, but are about empowering them with a view to future sustainability of the farm or agribusiness enterprises.<sup>40</sup>

These programs are integrated market driven agricultural assistance programme targeting progressive farmers, farmer groups or agribusiness in crop, livestock or value added production that meet market demand.<sup>41</sup>

Monitoring of these projects will be carried out in two levels. The first will be at project level where Locality Officers responsible for implementation of projects are expected to draw their work plans directly from the project Design Monitoring Frameworks. Reports on individual project performance will be made on a quarterly basis to heads of divisions. The second will be at programme level where

<sup>38</sup> Guidelines and criteria for sourcing of funds through the Demand Driven Approach (DDA) Programme – Section 1.1

<sup>39</sup> Dairy Industry Support Programme Specification – Annual Corporate Plan 2013

<sup>40</sup> Guidelines and criteria for sourcing of funds through the Demand Driven Approach (DDA) Programme – Section 2.4

<sup>41</sup> Guidelines and criteria for sourcing of funds through the Demand Driven Approach (DDA) Programme – Section 2.1

Economic Planning and Statistics Division with the Technical Working Group will collate and analyse individual project reports from Locality Officers.<sup>42</sup>

### **30.14.1 Information Management - Database for farming assistance programs**

Timely and accurate decisions are necessary for effective management of capital projects.<sup>43</sup> Sound decisions require accurate, current and reliable information which depend substantially on the quality of data available.

The Ministry under its Demand Driven Approach Program (DDA) provides in-kind farming assistance to farmers at commercial, semi-commercial and subsistence levels. For the past five years, around \$19.1 million<sup>44</sup> have been utilised for such programs as detailed on Table 30.23 below:

**Table 30.23: DDA Expenditures**

DDA Program	2013 (\$)	2012 (\$)	2011 (\$)	2010 (\$)	2009 (\$)	Total (\$)
ROI	-	473,172	1,468,225	1,407,525	2,391,726	5,740,648
EPP	984,924	1,692,115	1,001,888	1,922,364	2,192,153	7,793,444
DIS	606,563	307,258	906,116	795,940	573,415	3,189,292
FSP	602,714	902,776	911,530	-	-	2,417,020
<b>Total</b>	<b>2,194,201</b>	<b>3,375,321</b>	<b>4,287,759</b>	<b>4,125,829</b>	<b>5,157,294</b>	<b>19,140,404</b>

From the review of records for farming assistance programmes, we noted that the Ministry do not have a structured information database to consolidate and capture information on the types of assistance provided to farmers/individuals/groups on different programmes, location of farms, document references to confirm delivery of assistance, and project progress/monitoring and evaluation reports.

Common findings and recommendations on projects under each programme could be easily evaluated for improving policies and program design if information are captured and consolidated in a database. Such data can be easily accessible to generate useful information to also guide the allocation of financial resources to effective programs.

The unavailability of consolidated data/information on farmers/individual/groups that have been assisted under the various agricultural programs over the years and their current status provided a limitation to the scope of our audit. Therefore, the farms that were physically verified during the audit were identified on an ad-hoc basis from records made available for audit at the various agricultural stations.

Given the size of the budgets allocated to the programs annually, it is essential that credible data/information are captured not only for audit purposes but for improving systems and processes to minimise potential risks for mismanagement of funds and fraud. In addition, having up to date information on the progress of projects that have benefitted from the different agricultural programmes will also assist management in making informed decisions regarding program design, policy and improved implementations of various agricultural programs.

<sup>42</sup> Guidelines and criteria for sourcing of funds through the Demand Driven Approach (DDA) Programme – Section 5.3, 5.4 and 5.5

<sup>43</sup> Ministry of Agriculture – Finance Manual 2011 - Part 20 Capital Projects

<sup>44</sup> Sourced from FMIS general ledger

**Recommendation**

**It is recommended that the Ministry establish a database to consolidate and capture information on all programmes to assist in reviewing the effectiveness of the programmes and improving policies and guidelines.**

**Management Comment**

*No comment received from the Ministry.*

**30.14.2      *Discrepancies in projects visited***

The current audit of projects assisted through the DDA program was targeted at farming assistance to farmers/individuals/groups in the Central Division, which included Rewa, Tailevu, Naitaisiri, Serua and the Namosi provinces.

Information on the total number of assistance and monetary value to the Central Division was not available for audit. However, over 80 farms in the Central Division with total assistance valued at over \$1.2 million were visited and verified during the audit.

As highlighted in the audit memorandum for the year ended 31 December 2012, it was difficult to determine whether the general objectives of the DDA programs were being achieved due to the absence of consolidated data/information on the monitoring and evaluation of individual projects against their objectives. Nearly all farms visited during the audit did not have monitoring and evaluation reports on the progress of the farms over the years.

An analysis of irregularities identified during the audit indicated a number of issues common in all projects, which are discussed in detail under each project in *Appendix 30.2* and *Appendix 30.3*. The following common anomalies were identified:

- Mechanisms in place to select the farmers/individuals/groups assisted under these programme may be weak as evidence from the following:
  - proper farm assessments, market and road accessibility were not carried out to ensure the continuity and sustainability of the projects assisted;
  - proper assessment of the lease tenure was not carried out during the selection process as a number of projects have failed due to land disputes amongst the ‘Mataqali’, family members and the community. From the review of project files, there were no evidences of consents sought from ‘Mataqali’/family members/churches and I’Taukei Land Trust Board (ILTB);
  - no documentary evidences of any assessments carried out on the financial and farming backgrounds during the selection process; and
  - locality officers were using generic project papers and in most projects it was noted that the expected outputs and the outcomes were the same. Project expectations may have been exaggerated without any concrete basis.
- Overall lack of monitoring/tracking on the progress of the projects by the locality and station officers and the Economic Planning and Statistics Division. A good number of projects verified during the audit have failed and have not been operational, however, not documented in the project files.
- Lack of evidence of awareness, technical support and farm management advice provided by the Ministry’s locality and station officers to those assisted.

- Lack of commitment shown by farmers to progress and grow to semi-commercial or commercial level. This was mainly attributed to the poor farm planning, farm management and farmers not taking heed of the advice provided by the locality officers.
- Failure of “solesolevaki” concept in some group projects. A number of projects failed due to lack of commitment, continuity, teamwork and dispute amongst members.
- Evidence of waste as items supplied to the farms were not fully utilised and have not been properly stored.
- Absence of evidence such as delivery dockets to support delivery of items. Delivery dockets were not filed nor maintained with the farmers to evidence the supply of approved assistance. As a result, audit could not determine in some instances whether all approved assistance was supplied.
- Completion certificates for the digger and tractor works were not filed as evidence that the works were satisfactorily completed.
- Failure to seek technical advice on construction of farm roads.
- The Ministry did not carry out a reconciliation of the approved assistance against the actual assistance and with variances explained. In some instances, audit noted that alterations were made to the assistance provided from planned and approved. The alterations were not properly approved, explained or justified in the project files.
- Advance payment made to the service provider/supplier, but service and goods not supplied in full.

Slow progress or failure of projects indicated gaps in the selection and vetting of project proposals, inadequate technical support to farmers during the implementation stage, inadequate monitoring and progress assessments and the absence of proper documentation and records on the progress or success/failure of projects.

If the current systems and processes in place are not continuously reviewed and strengthened taking into account issues encountered in implementing projects, the general objectives of the DDA programs may not be possible to achieve and would result in wastage of public funds.

### **Recommendations**

**To strengthen the agricultural initiatives, the Ministry should ensure the following:**

- **Continuous assessment of selection and vetting processes to address gaps identified during the practical implementations of the projects.**
- **Projects are monitored on a regular basis to strengthen the implementation process and to also ensure that necessary technical support and advice are provided to farmers.**
- **Applicants have proper lease to the land to be farmed and that ‘mataqali’ concerns and land ownership are addressed prior to the assistance being provided.**
- **Geographical locations of the farm should be assessed against the viability/continuity/sustainability of the project prior to providing assistance.**
- **Proper assessment reports suitable for effective and informed decision-making should be prepared together with pictorial and graphical evidences on progress and production.**
- **Proper documentations are maintained at the various stations and Headquarters. The payment vouchers (copy), delivery dockets, project papers and assessment reports are properly filed in the respective project files and reviewed for improvement opportunities.**
- **Any alterations to approved assistance must be properly authorized and documented.**
- **Reconciliation must be carried out on the approved assistance against actual with variances documented. This may be endorsed by the farmer, Principal Agriculture Officer, Locality Officer and the Accounts Officer.**
- **Performance of locality and station officers should be closely monitored.**

- **Locality and station officers should be provided with training regarding the requirements of the DDA program addressing performance management, monitoring, evaluation and documentation of projects.**
- **Formulate policy to govern agricultural assistance to staff of the Ministry and their close relatives. If considered, declarations of interest must be made/documented and selection to be made in a transparent manner.**
- **Consider policy for reverting expensive machineries such as tractors to the Ministry if farmers are not utilizing the machines economically.**
- **Proper Memorandum of Understanding/Agreement is prepared between a farmer and the Ministry outlining the responsibilities, expectation and the contribution requirement.**
- **Digger works to be properly monitored as the Ministry expended a significant amount of funds on the cost of digger works.**

### **Management Comment**

*No comment received from the Ministry.*

## **30.15 Cocoa Revitalisation Project**

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>45</sup>

In the 2013 budget, the Ministry was allocated \$100,000 for its Agriculture Research Services – Tree Crop. The Ministry utilised \$85,200 for the cocoa rejuvenation program at Naduruloulou Research Station for such works as detailed on Table 30.24:

**Table 30.24: Costs Incurred for the project**

<b>Voucher ID</b>	<b>Date</b>	<b>Vendor</b>	<b>Amount (\$)</b>	<b>Certificate of Completion</b>	<b>Scope of Work</b>
6385	11/12/13	Naitasiri Bole Contractors	35,000	The certificate of completion was signed by Sefanaia Nakidakida and Jonisio Mara	<ul style="list-style-type: none"> <li>- 6 acres land clearing (new site for Coca Germplasm Collection).</li> <li>- Erecting and running barb wire around 6 km boundary fence to secure the Cocoa Research trial blocks.</li> <li>- Application of glyphosate on the cut African tulips for its control.</li> <li>- Clearing and planting of one acre cocoa and one acre tea and coffee germplasm collection.</li> </ul>
6975	19/12/13	Kumar's Earthmoving Contractors	33,000	The certificate of completion was signed by Sefanaia Nakidakida and Epeli Tikoinavunimoli	<ul style="list-style-type: none"> <li>- 1.07 km road clearing of bush and big trees</li> <li>- Formation of drain</li> <li>- Formation of road and gravelling</li> </ul>

The audit noted that the scope of works was certified to be completed without proper inspection and due diligence being carried out which resulted in release of payment. The following anomalies were noted from the site visit to the Naduruloulou Research Station:

<sup>45</sup> Finance Manual 2011 Part 2: Expenditure  
Ministry of Agriculture

- The land was not properly cleared. The site was covered with forest and felled trees were not removed. As a result, the Ministry engaged casual labourers to clear the felled trees.
- No evidence of the fence being erected around 6km boundary to secure the Cocoa Research Trial blocks.
- There was no record maintained to substantiate the quantity and cost of the diesel and glyphosate supplied by the Ministry.
- No evidence of farming development in relation to the planting of one acre of cocoa, tea and coffee trees.



- The scope of work for Kumar's Earthmoving Contractors may have been overstated as there was a road already in existence. The road was not covered with forests to be cleared and for a new road to be constructed. The contractor only upgraded the road by adding gravels and construction of drains.



The costs incurred by the Ministry in comparison to planned scope of work and the actual work done may be uneconomical.

### **Recommendations**

- **The Ministry should conduct proper due diligence to ensure that the actual scope of work for contractors commensurate with the cost of undertaking the work.**
- **Work done by a contractor should be thoroughly verified with supporting documentary evidence before a completion certificate is issued and payments processed.**
- **The Ministry should further investigate the utilization of funds in 2013 for the cocoa rejuvenation program.**

### **Management Comment**

*No comment received from the Ministry.*

## **30.16 Research Equipment not Utilised**

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-expenditure and corruption do not occur.<sup>46</sup>

### High Temperature Forced Air (HTFA) Experimental Unit

The HTFA is an accepted quarantine treatment for fruit fly host commodities to New Zealand and Australia. The experimental HTFA Unit was set up to be used to test other potential export commodities. The machinery is computer driven and designed to accommodate a wide range of temperature for research purposes.

A HTFA machine was installed in 2009 at the Koronivia Research Station. The cost of the machine is detailed in Table 30.25.

**Table 30.25: Details of Cost – HTFA Machine**

Item	Cost (\$)
HFTA Unit	NZ\$169,000
Generator	20,000
Water Tank	2,000
Air Condition Unit	5,000
Renovation	25,000

The audit noted from a site visit in March 2014 that the machine has not been in operation except for a few trials conducted when it was initially installed. In addition, the warranty period of one year has lapsed before the machine is used.



### Livestock Feed Mill

A Livestock Feed Mill was constructed and machines installed and commissioned in 2012 at the Koronivia Research Station. However, the mill has not been in operation since it was commissioned.

The audit could not ascertain the cost involved in the project as no record was produce for audit. Refer below for illustrations.

<sup>46</sup> Finance Manual 2011 Part 2: Expenditure  
Ministry of Agriculture



Value for money have not been realised on the funds invested by the Ministry on the HFTA machine and the livestock feed mill as they have not been utilised by the Ministry since installation.

### **Recommendations**

- **As substantial funds have been invested in the construction/installation of the machines, it is therefore recommended that the Ministry further investigate why the machines have remained inoperative.**
- **Proper feasibility studies should be carried out before funds are invested into such project to ensure its continuity.**

### **Management Comment**

*No comment received from the Ministry.*

## **30.17 Anomalies in procurement and payment process**

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>47</sup>

Permanent Secretaries shall- execute and manage all procurement contracts signed on behalf of their ministry or department.<sup>48</sup>

Any person making payment in returns of a contract for services but not a contract of employment is required under the new regulations to make a deduction for Provisional tax of 15% of gross amount of the payment at the time is credited or paid to the contractor.<sup>49</sup> The Accounting Head or accounts supervisor must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.<sup>50</sup>

From the review of expenditure records, the audit noted numerous breaches of procurement and payments procedures and other basic internal controls resulting in a considerable level of non-compliance with the finance instructions and the procurement regulations of Government. The breaches include the following:

- Competitive quotations were not obtained for purchases of goods and service.
- From a sample selected for audit, payment voucher totalling \$264,097 have been misplaced.
- Payments were processed without adequate supporting documents.

<sup>47</sup> Finance Manual 2011 Part 2: Expenditure

<sup>48</sup> Procurement Regulations 2010 s. 7 (c)

<sup>49</sup> Income Tax Regulations 1976 Legal Notice No 70 Clause 1 (B) (a)

<sup>50</sup> Finance Manual 2011 – Section 2.8.4

- Contracts for services were signed after works have been completed.

Refer to Tables 30.26 to 30.29 below for examples.

**Table 30.26: Competitive quotations not obtained**

Payment ID	Payment Date	Vendor/Supplier	Amount (VEP) (\$)	Particulars
1840	28/05/13	R C Manubhai and Company Limited	3,521.82	Being purchase of 3 chainsaw for cocoa revitalisation project-Labasa.
210992	28/08/13	Peter Chang	4,382.61	Being purchase of 4,200kg of ginger seeds for Tailevu farmers.
3305	01/08/13	Neritak Limited	3,130.43	Being purchase of power tiller – Rewa.
4553	27/09/13	Mosese Vesikara	2,608.69	Being purchase of 10,000 korosi dalo suckers.
5027	17/10/13	Tradeplus (Fiji) Limited	7,591.30	Being payment for the installation of billboard.
2535	28/06/13	Nadro Oil Suppliers	382.26	Being purchase of vehicle parts for GM503.
2602	03/07/13	Dai-Ichi	1,143.48	Being purchase of vehicle parts for GM503.
3589	15/08/13	Marco Polo International Ltd	8,700.04	Being purchase of crates for the farmers in Sigatoka.
4417	23/09/13	Marco Polo International Ltd	6,869.56	Being purchase of greenhouse shade materials for the Extension division.
6977	28/12/13	Marco Polo International Ltd	7,486.96	Being payment for a construction of a greenhouse with roof vent.
1153	23/04/13	Dick Smith Electronics	2,282.61	Being purchase of GPS machine for BTEC (AHP) section.
5914	22/11/13	Kaks Marketing	1,217.39	Being purchase of absolute alcohol for the veterinary pathology lab.
1346	03/05/13	Humes Industries Limited	11,483.74	Being purchase of concrete cattle trough for AHP section.
2270	17/06/13	Mechanical Services Limited	12,000.00	Being purchase of stainless steel coconut scraper and tray.

**Table 30.27: Missing payment vouchers**

Payment ID	Payment Date	Vendor/Suppliers	Amount (VEP) (\$)
1104	18/04/13	Turnbull Maggs Partners	4,565.21
207921	24/01/13	The Tanoa Hotel Group	20,963.48
209629	14/05/13	PS Agriculture	3,377.25
209966	06/11/13	PS Agriculture	4,265.51
215395	12/03/13	PS Agriculture	6,265.80
3760	23/08/13	Tanoa Hotel Fiji	26,951.74
212035	11/08/13	PS Agriculture/Primary Industry	6,035.37
212040	11/08/13	Leo Felicito Borja	6,035.37
2658	07/04/13	C.A.T.D Training Centre	8,882.61
580	15/03/13	Niranjans Autoport Limited	8,608.70
4437	24/09/13	Fairdeal Hardware Supplies	3,000.00
4729	04/10/13	Carpenters Hardware	3,691.30
211247	17/09/13	Jone Tuilau Matawalu	11,862.00
211449	19/11/13	PS Agriculture	2,746.86
4276	17/09/13	Garden Island Root Crop & Co	2,173.91
211651	11/10/13	Amelia Karavanua	6,072.63
4726	04/09/13	Arun's Building Limited	9,913.04
4736	04/10/13	Marco Polo International Limited	6,869.57
5474	07/11/13	Daltron	2,242.61
4763	04/10/13	Adre K. Yagomate	1,539.00
2660	04/07/13	Jaspreet Singh Transport	3,304.35
852	05/04/13	Penaia Contractors & Buses Limited	28,365.66
2759	08/07/13	Viti Vanua Holdings Limited	37,515.64
3575	15/08/13	Bulileka Hire Services	27,713.11
208818	19/02/13	PS Agriculture	9,439.91
1790	24/05/13	Rapco Tyres and Automotive Sup	3,914.78
4434	24/09/13	Adriu Matanibuka	3,434.30
214886	31/12/13	Epeli Turukawa	4,347.83
<b>Total</b>			<b>264,097.54</b>

**Table 30.28: Other payment anomalies**

Payment ID	Payment Date	Vendor/Supplier	Amount (VEP) (\$)	Audit Observations
2059	06-05-13	Professional Stationery Services	4,231.91	Payment was processed without invoice as there was none attached to the payment voucher.
2428	24/06/13	PAO Northern	31,631.00	Acquittals for the utilisation of imprest for the Northern Agriculture Show were not provided with the payment voucher.
3209	26/07/13	Total Fiji Limited	7,428.40	Payment was processed on a scanned document which was illegible.
210720	12/08/13	Supreme Fuels Limited	1,537.40	Supporting documents such as receipt not provided with the payment voucher.
211006	28/08/13	Petrasound Engineering	5,000.00	Purchase Order (PO 30110-002533) provided with the payment voucher.
JV7/11/13		Retirement - Laisa Ralulu	1,710.00	No receipt attached.
5806	18/11/13	Humes Industries Limited	3,413.22	Payment made on the pro-forma invoice without the Ministry of Finance's approval.

**Table 30.29: Details of contract anomalies**

Payment ID	Payment Date	Vendor	Amount (VIP) (\$)	Audit Observations
7009	28/12/13	Bhimas Digging Works	48,200.00	<ul style="list-style-type: none"> <li>Contract was signed on 11/12/13 and the Certificate of Exemption expired on 14/12/13.</li> <li>Provisional Tax was not charged when making payment on 28/12/13.</li> <li>LPO was raised on 18/11/13 and the invoice on 26/11/13. Contractor had been engaged by the Ministry over a month before the contract was signed.</li> <li>Certificate of completion not attached.</li> </ul>
557	13/03/13	Templetec (Fij) Limited	16,695.65	<ul style="list-style-type: none"> <li>Contract was signed by the contractor and government representative two (2) days after the Completion Certificate was issued.</li> <li>Contract signed on 27/02/13 and Completion Certificate was issued on 25/02/13.</li> </ul>

Deviating from established internal control procedures for procurement and payments increases the risk of loss of public funds through uneconomical procurements and mismanagement of funds.

### **Recommendations**

- **The Ministry should ensure that it complies with finance instructions and procurement regulations of government. Any deviation should be properly authorized and supported with documentary evidence.**
- **Officers that have been given authority to approve purchases should be held accountable for their decisions.**
- **The Ministry needs to encourage increased ownership and accountability for purchasing decisions and non-compliance with the procurement policies should be reported to Senior Management for necessary actions.**
- **The internal control procedures in the Accounts Section, especially the supervisory checks should be strengthened to minimize or avoid such discrepancies.**

### **Management Comment**

*No comment received from the Ministry.*

## **30.18 Anomalies in Payroll**

Apart from the budget for capital expenditure, salaries and wages make up a major portion of the Ministry's annual budgetary allocation. In 2013, the Ministry incurred a total expenditure of \$15.5 million for salaries and wages, which was 69% of total operating expenditure.

Generally, there is sound system of internal control policies and procedures in place for payroll. However, there were evidences of non-compliance noted from the audit that have put the internal control objectives at risk. The anomalies were as follows:

### 30.18.1 *Salary and wages reconciliations*

Accounting Head must ensure that payroll reconciliations are carried out fortnightly for salaries and weekly for wages and copies sent to the Ministry of Finance.<sup>51</sup>

The salary reconciliation must reconcile the difference between the previous fortnight payroll report and the current report, and must be prepared prior to each pay date.<sup>52</sup>

Payroll reconciliation was not always carried out on time and as required. The Ministry did not prepare salary reconciliation for Pays 1 and 2 and weekly wages reconciliation for 2013. Although salary reconciliation for Pay 3 and onwards were carried out, they were prepared very late in the 4<sup>th</sup> quarter of 2013. Refer to Table 30.30 for details.

**Table 30.30: Delay in salary reconciliations**

Pay No.	Pay Period	Date prepared	Date checked
1	01/01/13 - 14/01/13	Not prepared	
2	15/01/13 - 28/01/13	Not prepared	
3	29/01/13 - 11/02/13	30/09/13	30/09/13
4	12/02/13 - 25/02/13	27/09/13	30/09/13
5	26/02/13 - 11/03/13	27/09/13	30/09/13
6	12/03/13 - 25/03/13	27/09/13	30/09/13
7	25/03/13 - 08/04/13	27/09/13	30/09/13
8	09/04/13 - 22/04/13	27/09/13	30/09/13
9	23/04/13 - 06/05/13	23/09/13	23/09/13
10	07/05/13 - 20/05/13	23/09/13	23/09/13
11	21/05/13 - 03/06/13	23/09/13	23/09/13
12	04/06/13 - 17/06/13	23/09/13	23/09/13
13	18/06/13 - 01/07/13	06/11/13	06/11/13
14	02/07/13 - 15/07/13	06/11/13	06/11/13
15	16/07/13 - 29/07/13	06/11/13	06/11/13
16	30/07/13 - 12/08/13	06/11/13	06/11/13
17	13/08/13 - 26/08/13	07/11/13	07/11/13
18	27/08/13 - 09/09/13	07/11/13	07/11/13
19	10/09/13 - 23/09/13	07/11/13	07/11/13
20	24/09/13 - 07/10/13	07/11/13	07/11/13
21	08/10/13 - 21/10/13	13/11/13	13/11/13
22	22/10/13 - 04/11/13	13/11/13	13/11/13
23	05/11/13 - 18/11/13	02/12/13	02/12/13

Furthermore, the audit noted that the Ministry had not reconciled its payroll records with its approved staff establishment for both established and government wage earners positions.

Payroll and staff establishment reconciliation is an important internal control mechanism and absence of such reconciliation process will result in the Ministry failing to detect, on a timely basis, possible irregularities in the payments of salaries and wages.

<sup>51</sup> 2010 Finance Instructions Section 17 (7)

<sup>52</sup> Ministry of Agriculture Finance Manual 2013 s.4.6.4

### **Recommendation**

**The Ministry should ensure that regular payroll (salaries/wages) reconciliations are carried out on a fortnightly/weekly basis and that the reconciliation statements are thoroughly checked by the Principal Accounts Officer to minimise or avoid incorrect payments of salaries and wages.**

### **Management Comment**

*No comment received from the Ministry.*

### **30.18.2 Overpayment of Salaries**

Salary advices 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 authorized charges or deductions.<sup>53</sup> Where it becomes necessary to hold, cease or reverse an employee's salary, the Accounts Officer or Assistant Accounts Officer must immediately advise the Ministry of Finance in writing.<sup>54</sup>

The audit noted that some officers that have retired, resigned from the service, seconded and suspended continued to be remunerated resulting in overpayments of salaries. Refer to Table 30.31 for examples.

**Table 30.31: Details of salary overpayment**

Name	EDP No.	Overpaid amount (\$)	Remarks
<b>Overpayment of salary on secondment</b>			
Losalini Leweniqila	56632	21,564.45	The Ministry has not recovered overpayment of salary from the Officer, who is now employed with the SPC. The Officer was seconded to the SPC from 14/03/11 to 13/04/12. Extension on secondment was approved from 14/04/12 to 30/06/13 with the Officer resuming duties 01/07/13. The Officer signed a new contract with SPC with effect from 05/07/13. According to a PSC correspondence dated 06/08/13, the officer was approved leave without salary. The officer did not inform the Ministry of the salary overpayment while on secondment.  2013 overpayment \$12,070.60 Add: 2011 overpayment \$9,493.85 <b>Total overpayment: \$21,564.45</b>
<b>Overpayment of salary on promotion</b>			
Unaisi Waibuta	45746	101.43	Officer overpaid salary on promotion (pay 13).
Kasanita Naivaqa	59203	394.81	Officer overpaid salary on acting promotion to Senior Agricultural Officer (HQ) – (pay 1- 23).
<b>Overpayment of salary on retirement</b>			
Satendra Prasad	59745	4,978.26	The Officer retired from the service with effect from 28/05/13 (pay 11). However, he continued to receive his salary until pay 21. The Officer paid back \$2,504.50 on 22/11/13 and balance has yet to be recovered.
Atish Prasad	41624	2,498.90	The Officer retired from the service with effect from 08/08/13 (pay

<sup>53</sup> Finance Instruction 2010 – Section 17(1)

<sup>54</sup> Ministry of Agriculture – Finance Manual 2011 – Section 4.10.1

Name	EDP No.	Overpaid amount (\$)	Remarks
			16). However, he was continued to be paid until pay 18.
<b>Overpayment of salary on resignation</b>			
Kuini Waqaisavou	90033	169.65	Officer was overpaid salary on resignation. Officer resigned effective from 16/10/13 however the payment of his salary was ceased late on 22/10/13.
Leonard Powell	92164	312.36	Officer was overpaid salary on resignation. Officer resigned effective from 11/01/13 however the payment of his salary was ceased late on 15/01/13.
Bharat Kumar	92442	Salary file not provided	Audit was unable to determine if the correct allowance was paid to officer as the officer's salary file was not provided for verification. The file could not be located.
<b>Overpayment of salary on re-engagement</b>			
Susana Yalikanacea	46178	1,757.26	Officer was overpaid salary on re-engagement. Computation error.
Aseli Boseiwaqa	61226	719.77	Officer was overpaid salary on re-engagement. Computation error.
<b>Overpayment of salary on extension of contract</b>			
Sanaila Turaga	45182	55.85	Officer was overpaid salary on extension of contract. Computation error.
<b>Overpayment of salary on suspension</b>			
Rajnishwar Prasad	49367	1,015.18	Officer was overpaid salary on suspension. The suspension was effective from 19/06/13 and salary ceased with effect from 01/07/13.

The late submission of information on salary change advices to the Ministry of Finance, the absence of adequate supervisory checks on payroll and salary edits reports, delay in payroll reconciliations and the lack of communication and coordination between the payroll and personnel section contributed to the overpayment of salaries and non-recovery of overpayments.

### **Recommendations**

- As recoveries of overpayments of salary/allowance and personal expenses are difficult when an employee leaves the service, the Principal Accounts Officer should be more vigilant in checking salary reconciliations and ensuring that salary payments to those that have retired or resigned are ceased as soon as practicable.
- The Ministry can address the delay in submitting salary change advice by effectively communicating and coordinating matters affecting payroll in a timely manner between the Administration/Stations and the Accounts Sections.
- The leave compensation for those officers who have left the service should be put on hold until a clearance is received from the salary section on salary being ceased on a timely manner. In case of any overpayment, it should be recovered from the leave.
- It is strongly recommended that the Ministry formally write to the SPC seeking assistance in the recovery of salaries overpaid to Losalini Leweniqila.

### **Management Comment**

*No comment received from the Ministry.*



### 30.18.3 Overpayment of wages

All input forms must be signed by the CO (Salaries) and checked and signed by the AAO (Salaries/Wages).<sup>55</sup> Upon completion of data entry into the Payroll System, the Ministry of Finance will print an edit report of the inputted data.<sup>56</sup>

The AAO (*Salaries/Wages*) must collect the edit report and original input forms from the Ministry of Finance.<sup>57</sup> The AAO (*Salaries/Wages*) shall reconcile entries in the edit report to the original input forms. Any corrections shall be done by preparing new input forms.<sup>58</sup>

Edit reports will be printed after completion of data-entry and collected by the CO (*Wages*).<sup>59</sup> The CO (*Wages*) must ensure that details in the edit report correspond to details in the input forms.<sup>60</sup>

The CO (*Wages*) shall correct any errors by raising new input forms. The AAO (*Salaries/Wages*) must check the corrections before they are loaded into the payroll system.<sup>61</sup>

The audit noted an overpayment of \$18,843 to government wages earners in Pay 50/2013. The review of timesheets for the LWRM Project in Ba revealed that the timesheet calculation submitted to the Wages Section was incorrect. The timesheet was not checked/verified by the wages clerk. Refer to Table 30.32 for details.

**Table 30.32: Details of overpayment of wages - Pay 50/2013**

Ba L&WRM Project GWE-pay overpayment –Week ending 18/12/13						
No	Name	FNPF No.	Rate	Actual Gross \$ (Amount that should be paid)	Gross paid \$ (Amount that was paid)	Overpayment \$
1	Priya Priyanka Chand	2585470	4.22	145.59	1,712.73	1,567.14
2	Apisai Delai	2532769	4.24	141.43	1,089.75	948.32
3	Timoci Nasiko	2530546	4.22	182.70	1,742.41	1,559.71
4	Apenisa Secenatagi	2577835	4.18	183.92	1,721.49	1,537.57
5	Peni Tuirabe	OQ187	4.33	188.36	2,007.00	1,818.64
6	Senigai Baula	JD993	4.22	147.00	1,866.23	1,719.23
7	Iliesa Sagole	PJ240	4.22	180.41	1,149.41	969.00
8	Meli Cabemaiucunivatu	QO109	4.24	248.37	1,518.76	1,270.39
9	Rajnish Chand	UC989	4.22	175.77	1,543.77	1,368.00
10	Apisai Donu	WB109	4.22	178.30	1,282.42	1,104.12
11	Ravinesh Chand	WD113	4.64	221.00	2,309.37	2,088.37
12	Ranil B Narayan	WL762	4.22	203.68	2,103.02	1,899.34
13	Pritesh Anish	XJ222	4.33	256.52	1,250.21	993.69
<b>Total</b>				<b>2,453.05</b>	<b>21,296.57</b>	<b>18,843.52</b>

The absence of wages reconciliation and effective supervisory checks in the Accounts Section have resulted in the overpayments of wages.

<sup>55</sup> Ministry of Agriculture Finance Manual s.4.2.6

<sup>56</sup> Ministry of Agriculture Finance Manual s.4.2.10

<sup>57</sup> Ministry of Agriculture Finance Manual s.4.2.11

<sup>58</sup> Ministry of Agriculture Finance Manual s.4.2.13

<sup>59</sup> Ministry of Agriculture Finance Manual s.4.15.12

<sup>60</sup> Ministry of Agriculture Finance Manual s.4.15.13

<sup>61</sup> Ministry of Agriculture Finance Manual s.4.15.14

**Recommendations**

- The Ministry should recover the overpaid wages from the respective staff.
- The Ministry must be vigilant and ensure that the edit reports are properly checked to avoid any discrepancies in payment of wages.
- Wages reconciliation should be carried out on a weekly basis.

**Management Comment**

*No comment received from the Ministry.*

**30.19 Travel Advances not Cleared**

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>62</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>63</sup>

The audit noted that it was a common practice for officers not to retire accountable advances within seven working days of the completion of travel as required. In addition, the audit also noted numerous instances where accountable advances have not been retired at year end. Refer to Table 30.33 for examples.

**Table 30.33: Details of Outstanding Accountable Advances**

Date Advance Issued	Name	EDP No.	Purpose	Amount (\$)	Date advances should be retired
14/10/13	Jonisio Mara	93466	Being payment of advance to cater air fare for trip to the North to visit Quarters	500.00	25/10/13
14/10/13	Jonisio Mara	93466	Being payment of meals, accommodation and incidental for trip to the North from 11/10 to 17/10/13.	800.00	25/10/13
31/10/13	Jojiva Koro	90034	Payment of advance to cater for the meals allowance whilst attending the TB and Brucellosis testing in Levuka from 11/11 to 18/11/13	1,800.00	26/11/13
11/11/13	Tarusila Uludai	64774	Being payment of replanting of coconut seedlings for Lau and Rotuma Farmers 11/11/13 to 25/11/13	6,669.96	03/12/13
12/11/13	Maikali Drauna	47178	Payment of advance to cater meals for 2 staffs while traveling to the North for the Rehab monitoring from 13/11 to 16/11/13.	198.00	24/11/13
13/11/13	Tevita Natasiwai	62907	Payment of advance to officer for the fruit and tree crop stakeholders meeting in Nadi from 13/11 to 15/11/13.	1,242.00	23/11/13

<sup>62</sup> Finance Instructions 2010 s. 44 (3)

<sup>63</sup> Finance Instructions 2010 s. 44 (5)

Date Advance Issued	Name	EDP No.	Purpose	Amount (\$)	Date advances should be retired
15/11/13	Solomoni Nagaunavou	63765	Payment of advance to cater for meals & subsistence for 3 Land-use staff traveling to the North from 16/11-19/11/13 to attend the Commercial Beef project as assigned by MOA.	864.00	28/11/13
21/11/13	Pauliasi Tuilau	64931	Payment of advance for contingency purpose to officer for NZ market scoping from 24/11 to 01/12/13.	9,211.15	09/12/13
26/11/13	Alipate Karikari	90064	Being payment of advance to cater for meal allowance for 3 staffs whilst traveling to the Northern division from 02/12 to 05/12/13.	324.00	13/12/13
27/11/13	Uraia Waibuta	49357	Being payment of advance for meals, accommodation, air fare and ferry fare during trip to Taveuni from 28/11 to 01/12/13.	1,143.75	09/12/13

Non-retirement of accountable advances with seven days from returning to the station is a breach of the finance instructions.

### **Recommendations**

- Salary deductions should be instituted against officers with long outstanding accountable advances
- The Ministry should improve the management of accountable advances to ensure that officers fully account for funds disbursed as advances.

### **Management Comment**

*No comment received from the Ministry.*

## **30.20 Transferring Knowledge from Training**

An Officer who undertakes a course of instruction, attachment or visit shall submit a report in duplicate to the Permanent Secretary for the Public Service through his Head of Ministry. Permanent Secretaries and Heads of Ministry should examine the recommendations in the report and, wherever possible advise the Permanent Secretary for the Public Service accordingly.<sup>64</sup>

An officer who undertakes a course of instruction, attachment or visit shall submit a report in duplicate to the secretary for the Public Service through his Head of Ministry. Permanent Secretaries and heads of Ministry's should examine the recommendations in the report and, wherever possible, take appropriate action and advise the secretary for the Service accordingly.<sup>65</sup>

As the training environment changes in accordance with global trends, it has also become apparent that there needs to be some encompassing policy put in place to safeguard the investment made by the Government of Fiji and its Development Partners, in the training and up skilling of the civil service workforce.<sup>66</sup>

<sup>64</sup> General Orders 902 (a) (b)

<sup>65</sup> General Orders 902 (a) & (b)

<sup>66</sup> PSC Circular 25/13 dated 10/04/13 Paragraph 4

The PSC reiterated the provisions in the General Orders through PSC Circular No. 89 of 2012. However, the audit noted that a high number of officers from the Ministry that attended trainings/workshops overseas have not submitted training reports to the Public Service Commission as required. In addition, the audit also could not substantiate whether reports have been prepared for the purposes of transferring knowledge from the training within the Ministry. Refer to Table 30.34 for examples of training reports that were still pending to be prepared and submitted as at February 2014.

**Table 30.34: Training Reports not prepared or submitted to PSC**

Name/Post	Programme	Country	Duration
Colin Simmons (Director LWRM)	Strategic Planning Meeting Pacific Adaptation to Climate Change.	Samoa	11/02/13 -15/02/13
Api Lumelume Project Manager (LWRM)			
Manoa Iranacolaivalu (Research)	Papaya research trial and technical exchanges with FPP partners	North Queensland Australia	12/04/13 - 24/04/13
Ropate Canivota & Akuila Komainaibili (Extension)	Training on Hybrid Rice comprehensive technology for developing countries	China	08/05/13 -27/08/13
Tomasi Tunabuna (Director AH&P)	81 <sup>st</sup> general session of the world assembly of delegates of the world organization for animal health (IOE)	Paris	26/05/13 -31/05/13
Poasa Nauluvalu (Research)	14 <sup>th</sup> Regular session of the commission on genetic resources for food and agriculture	Rome, Italy	13/04/13 -19/04/13
Susana Wati Yalikanacea/ Malakai Vitilau Vukinvanua (Extension)	APCC- DOA, Thailand International Training on the Processing of value-added coconut products	Bangkok, Thailand	24/06/13 -28/06/13
Vinesh Kumar (LWRM)	Seminar on water governance – CPS – SOPAC	Noumea, New Caledonia	14/05/13 -16/05/13
Mohammed Kadir Khan (Extension)	Package and Labeling Standards for Organic Agrifood Products.	Thailand	08/07/13 – 12/07/13
Unaisi Waibuta (Director Extension)	FAO Consultation on Gender, Food Security and Nutrition	Bangkok, Thailand	24/07/13 – 26/07/13
Malakai Vukunavanua, (Senior Technical Assistant Research)	Improving Soil Health in Support of Sustainable Development in the Pacific	Australia	12/08/13 – 23/08/13
Filimoni Ravouvou Raiyawa (Senior Technical Officer) and Anare Navunivalu, (Agriculture Technical Officer)	Training on Rice Practical Technology	China	29/08/13 – 04/09/13
Joape Kaitani Waqabaca,	Training invitation to participate in Workshop on Developing farming Systems for Climate Change Mitigation.	Sri Lanka	26/08/13 – 30/08/13
Eduari Navukiboro, (Senior Agricultural Officer) (AH&P)	Livestock Technology and Farm Management to be held at Galilee International Management	Israel	16/10/13 – 30/10/13
Amelia Maramanikaivoda Karavanua, (Agriculture Officer Land Resources Planning & Development)			
Tomasi Tunabuna, Director Animal Health & Production	SPC/JCU Food Animal Biosecurity Network IATA Certification Training	Australia	05/11/13 – 07/11/13

Name/Post	Programme	Country	Duration
Division Eduari Navukiboro, Senior Agricultural Officer – Central/Eastern			
Vatimi Rayalu, Principal Agricultural Officer (HR&FI)  Dr. R.C. Joshi, Consultant (HR&FI)	Workshop Coconut Industry Development Workshop for the Caribbean: Shared Vision and Road Map	Georgetown, Guyana	06/10/13 – 07/10/13
Kamalesh Prasad Lakhani, Principal Economic Planning Officer (EP&S)	Workshop on Policy Analysis on Sustainable Agriculture, Poverty Alleviation and Food Security	Bangkok, Thailand	28/10/13 – 01/11/13
Pauliasi Waqa Tuilau,  Principal Economic Planning Officer – Agritrade and Statistics (EP&S)	Meeting on Regional Steering Committee for Asia and the Pacific for the Global Strategy to Improve Agricultural and Rural Statistics	Bangkok, Thailand	01/11/13 – 06/11/13
Nacanieli Waqa, (Director Land Resources Planning & Development )	Global Environment Facility Expanded Constituency Workshop	Apia, Samoa	15/10/13 – 17/10/13

In addition, the audit noted instances officers who attended overseas training that were fully/partially funded by overseas agencies/donors and/or the Ministry did not sign any bond with the Government. Refer to the table 30.35 for examples:

**Table 30.35: Details of Officers not bonded for the training attended overseas**

Name	Program	Year	Country	Sponsor	Duration
Vatimi Rayalu	Workshop Coconut Industry Development Workshop for the Caribbean. Shared Vision and Road Map.	2013	Georgetown, Guyana	Coconut Industry Development (CTA)	06/10/13 to 07/10/13
Tomasi Tunabuna Eduari Navukiboro	Director Animal Health & Product Division	2013	Australia	Food Animal Biosecurity Network (FABN)	05/11/13 to 07/11/13
Nacanieli Waka	Global Environment Facility Expanded Constituency Workshop.	2013	Apia, Samoa	Global Environment Facility (GEF)	15/10/13 to 17/10/13
Pramendra Nair Pasemaca Vatu	Public Sector Financial Management and Expenditure Control	2013	Singapore	Ministry	27/08/13 to 30/08/13

The audit also noted that the Ministry does not have any structured training processes and procedures to disseminate the knowledge and skills learned from the trainings attended.

Failing to submit reports to the PSC on trainings conducted overseas is a breach of the General Order and PSC Circulars.

### **Recommendations**

- **All officers approved to attend trainings/workshops overseas should prepare, on their return and on time, training reports not only for submission to the Public Service Commission but more importantly for knowledge management/transfer purposes within the Ministry.**

- The Ministry should comply with the General Order and PSC Circular No. 89 of 2012 which states that officers failing to submit trainings/workshop report should not be considered to attend future trainings/workshops/conferences and PSC Circular No. 25/2013 which states that the Ministry to safeguard the investment made by the Government of Fiji and its Development Partners, in the training and up skilling of the civil service workforce.
- The Ministry should review its training process and procedures and ensure that the knowledge gained and skills learned are disseminated to other staff.

### **Management Comment**

*No comment received from the Ministry.*

## **30.21 Motor Vehicle Accidents**

The *Supervisor of Transport* shall prepare a quarterly vehicle report on all agency vehicles. The vehicle report must be prepared no later than one week after the end of the quarter.<sup>67</sup>

The vehicle report shall provide the following information:

- Vehicle registration number and model;
- Type and model;
- Station/location of vehicle;
- Date of vehicle acquisition;
- Age of vehicle;
- Total mileage covered for beginning and end of current quarter;
- Odometer reading end of current quarter;
- Fuel and oil cost current quarter;
- Repair and maintenance cost current quarter;
- Total maintenance and repair cost for entire life till the end of current quarter;
- Date of accident current quarter;
- Estimated cost of accident damage.<sup>68</sup>

A copy of the report shall be forwarded to the Ministry of Finance no later than two weeks after the end of the quarter.<sup>69</sup>

Within 24 hours after the accident, the driver shall prepare an accident report.<sup>70</sup> A copy of the accident report shall be submitted to the *Deputy PS* who shall forward copies to the PS, Ministry of Finance and the Solicitor General.<sup>71</sup> The accident report, Police report (if available), Solicitor General's advice and the *Supervisor's* recommendations will all be taken into consideration by the surcharging authority before any surcharge is imposed.<sup>72</sup>

The audit noted that the Ministry has not effectively followed up on the progress of the following cases with Ministry of Finance and Office of the Solicitor General. Refer to the Table 30.36 for details:

<sup>67</sup> Ministry of Agriculture Finance Manual s.12.7.1

<sup>68</sup> Ministry of Agriculture Finance Manual s.12.7.2

<sup>69</sup> Ministry of Agriculture Finance Manual s.12.7.4

<sup>70</sup> Finance Manual 2011 – Section 12.6.4

<sup>71</sup> Finance Manual 2011 – Section 12.6.6

<sup>72</sup> Finance Manual Section 12.6.8

**Table 30.36: Details of Pending Motor Vehicle Accident Cases**

Accident Date	Vehicle Registration	Cost involved in repair (\$)	Tribunal's Comment	Remarks
20/01/11 (6.20am)	GN779  Driver – Etika Mani	33,000.00	The Tribunal recommends to fully surcharge the driver.	The file was pending with Ministry of Finance. Last follow up was done on 29/08/12.
09/02/11 (2.45pm)	GN433  Driver – Seremaia Namosimalia (I Taukei Affairs Driver)	12,231.40	The report has been forwarded to I Taukei Affairs	The case was pending with the Ministry of Finance for recovery of cost.
08/04/11	GN782  Driver – Leone Waqavulavula	5,075.00	Tribunal recommended to fully surcharge the driver	The case was pending with Solicitor General's Office. Last follow up on 16/04/12.
25/10/11	GN812  Driver: Sowane Racumu	47,000.00	Tribunal recommended to surcharge the driver and authorising officer	Case forwarded to the Ministry of Finance for activation of surcharges.
29/11/11	GN782  Driver: Cagilaba Virivirilau	15,691.00	The case has been forwarded to the Solicitor General's Office for legal opinion.	Police report still pending.
19/05/10 10.30pm	GN834  Driver: Wame Davnivosa	24,094.32	Tribunal recommends surcharging the driver and SAO (Lomaiviti).	Report submitted to Ministry of Finance on 13/09/11 by the Solicitor General's Office, however, the Ministry of Finance has yet to inform the Ministry of the recommendation by the Solicitor General. Last follow up was done on 04/03/13.

The audit also noted that the Ministry did not prepare its motor vehicle quarterly returns for 2013. A review of motor vehicle records also revealed numerous accidents involving the Ministry's vehicles from 01/01/13 to 31/03/14. Refer to Table 30.37 for details.

**Table 30.37: Accidents During The Year**

Vehicle No.	Division	Date of Accident	Driver	Remarks
GN836	EP&S	04/09/13	Mosese Bruce	Awaiting report from SG's Office. Estimated cost of \$600
GP328	EP&S	21/07/13	Ilisoni Tuivai	The driver of the vehicle registration GN 704 bumped into vehicle registration number GP 328 whilst reversing. Estimated cost of repair \$2,274.63.
FO644	Extension (Labasa)	24/10/13	Mosese Bobi	Awaiting report from SG's Office. Estimated repair cost not provided.

Vehicle No.	Division	Date of Accident	Driver	Remarks
GN855	Research	12/07/13	Pravin Mohan	Legal opinion obtained for the driver not to be surcharged. Cost of the damage not provided.
GN844	AH&P	06/09/13	Peni Suiqa	The vehicle was driven by Peni Suiqa (Nawaicba Quarantine Station staff) without approval and a valid driver's license. Estimated repair cost was not provided.
GN975	Extension	11/08/13	Aptar Singh	Repaired by Deans Diesel Services. (State owned vehicle). Driver also surcharged. Repair cost of \$2,855.
GP252	HRF&I	22/09/13	Etika Mani	Driver was at fault and surcharged. Repair cost of \$6,570.55.
GN859	Extension			Details not provided by the Ministry.
GN520	AH&P	08/01/13	Veresa Baya	Driver fined for careless driving. Estimated cost of damage \$10,888.50.
GN860/GP362	Extension/AHP	03/03/14	Ifereimi Tiko/Apisalome Navuku	Repairs yet to be done. Report submitted to the SG's Office and Ministry of Finance for necessary actions. Estimated repair cost not provided.
GN836	EP&S	27/02/14	Mosese Bruce	Estimated cost of repair is \$3,065.90.

Drivers may continue to be negligent if appropriate actions are not taken on them. The cost of repairing motor vehicles involved in accidents has financial implications for the Ministry.

### **Recommendations**

- The Ministry should ensure that vehicle quarterly returns are prepared and submitted to Ministry of Finance and the management on a timely manner.
- The Ministry should take a proactive approach in liaising with the Solicitor General's Office and Ministry of Finance to ensure that appropriate actions are taken against the relevant party and costs of repair recovered through surcharges.

### **Management Comments**

*No comment received from the Ministry.*



**APPENDICES****Appendix 30.1: Utilising Capital Expenditure Budget for Operating Expenses**

Date	Cheque Number	Supplier	Amount (\$)	Allocation	Description	Correct Allocation
03/12/13	215401	Jonisio Mara	11,456.54	1-30501-91821-080804 Land Drainage and Flood Protection	Being payment for Deputy Secretary's local expenses whilst official trip to Israel.	RFMF Vote
03/12/13	216129	BA Motor Parts Ltd	1,514.00	1-30302-30201-080638 Agricultural Research Services	Being purchase of parts for GP 226.	SEG 4 – Maintenance and Operation.
04/12/13	215455	Lodhias Travel Services	3,489.00	1-30501-91821-080804 Land Drainage & Flood Protection	Being purchase of air ticket for Sushma Chands travel to Bangkok.	SEG 3- Travel and Communication.
05/12/13	215472	Sushma Chand	2,667.66	1-30501-91821-080804 Land Drainage & Flood Protection	Being payment of per-diem allowance to attend CAPSA meeting Bangkok, Thailand.	SEG 3- Travel and Communication
05/12/13	216869	Depo Parts Sales and Service	7,107.00	1-30202-30201-080516 Cocoa Revitalisation Program	Being purchase of parts for vehicle GM:003	SEG 5 – Purchase of Goods and Services.
09/12/12	216596	Crazy Office Supplies	2,440.01	1-30302-30201-080621 BTEC	Being purchase of tonner for Lawaqa/Kadavu	SEG 5- Purchase of Goods and Services.
12/12/13	216524	Quality Motor Parts and Spares	2,075.80	1-30302-30201-080623 Beef Diversification Program	Being payment for the purchase of spare parts for GM 615.	SEG 4 – Maintenance and Operations.
12/12/13	216459	Nivis Motor & Machinery Co.Ltd	1,255.64	1-30302-30201-080621 BTEC	Being payment for the repair of vehicle GN 321.	SEG 4 – Maintenance and Operations
12/12/13	216450	Asco Motors	1,755.95	1-30302-30201-080643 Apiculture Industry Development	Being payment for the repair vehicle GN 826.	SEG 4- Maintenance and Operations.
13/12/13	216478	C.A.T.D Training Center	6,243.01	1-30501-91821-080804 Land Drainage and Flood Protection	Being payment of accommodation and meals for LRPD staff.	SEG 5 – Purchase of Goods and Services.



Date	Cheque Number	Supplier	Amount (\$)	Allocation	Description	Correct Allocation
13/12/13	216488	JAP Part Mart Co Ltd	2,800.00	1-30302-30201-080699 Livestock Rehabilitation Program	Being purchase of spare parts for vehicle GP225.	SEG 4 – Maintenance and Operations
13/12/13	216613	Town House	1,472.00	1-30202-30201-080612 Rice Revitalisation Program	Being payment to the above named payee for the Accommodation for official duties at HQ.	SEG 3 - Travel and Communication
18/12/13	216750	Crazy Offices Supplies	2,359.00	1-30302-30201-08699 Livestock Rehabilitation Program	Being purchase of projector and screen.	SEG 5 – Purchase of Goods and Services.
18/12/13	216866	Aaron Auto Spares	3,507.50	1-30302-30201-080422 Veterinary Pathology Laboratory Upgrading	Being payment to the above named for body work for GM 331.	SEG 5 – Purchase of Goods and Services.
18/12/13	215696	Tevita Natasiwai	2,884.00	1-30501-91821-080804 Land Drainage & Flood Protection	Being payment for the accountable advance to cater for 2 meals for 88 staffs attending the ACP meeting.	Seg 7 – Special Expenditure
18/12/13	216603	Janta Tek Ltd	576.01	1-30202-30201-080517 Cottage Industry Development	Being payment for purchase of toners for printers for Taveuni and Savusavu.	SEG 5 – Purchase of Goods and Services.
18/12/13	216608	Office Products Graphic Equip Ltd	560.00	1-30202-30201-080516 Cocoa Revitalisation Program	Being payment for repair of Dell laptop for AA Nakorotubu.	SEG 5 – Purchase of Goods and Services.
18/12/13	216870	Dynamic Solutions	3,899.05	1-30302-30201-080625 Livestock Feed Technology	Being purchase of conference table and chair for KRS – Pasture.	SEG 5 – Purchase of Goods and Services.
20/12/13	217017	Fiji Television Limited	2,085.36	1-30501-91821-080804 Land, Drainage and Flood Protection	Being payment of the rental charges for the month of December 2013 and January 2014.	SEG 5- Purchase of Goods and Services.






Date	Cheque Number	Supplier	Amount (\$)	Allocation	Description	Correct Allocation
20/12/13	217035	Pacific Coatings Limited	2,140.78	1-30302-30201-080625 Livestock Feed Technology	Being Purchase of Paints for Quarters 104.	SEG 4 – Maintenance and Operations.
20/12/13	217028	Mass Stationery Supplies Ltd	2,978.01	1-30302-30201-080623 Beef Diversification Program	Being purchase of tonner for the research station.	SEG 5- Purchase of Goods and Services.
20/12/13	216857	Tanoa International Hotel	32,060.00	1-30501-91821-080804 Land Drainage and Flood Protection	Being payment for accommodation and hire facilities for ACP meeting.	SEG 7 – Special Expenditure.
20/12/13	216987	Professional Printers Ltd	4,100.00	1-30501-91821-080804 Land Drainage & Flood Protection	Being payment for printing of annual corporate plan.	SEG 5- Purchase of Goods and Services.
20/12/13	216982	Nivis Motors	1,928.00	1-30302-30201-080621 BTEC	Being purchase of tyre and tube for vehicle GM 426.	SEG 4- Maintenance and Operations.
20/12/13	216960	Asco Motors	7,335.70	1-30302-30201-080621 BTEC	Being payment for the repair of vehicle GN 810 and GN 811.	SEG 4- Maintenance and Operations.
20/12/13	216718	Asco Motors	2,844.96	1-30202-30201-080516 Cocoa Revitalisation Program	Being purchase of tyre and tubes.	SEG 4- Maintenance and Operations.
20/12/13	217315	Rotomould Fiji Ltd	10,000.75	1-30501-91821-080804 Land Drainage & Flood Protection	Being purchase of water tanks for Lomaivuna Agricultural Station	SEG 5 – Purchase of Goods and Services.
23/12/13	216930	Ranish Kumar	4,200.00	1-30302-30201-080699 Livestock Rehabilitation Program	Being payment for the general body work GM 619.	SEG 4 – Maintenance and Operations.
24/12/13	216840	Telecom Fiji Limited	734.72	1-30501-91821-080804 Land Drainage and Flood Protection	Being payment of LWRM HQ telephone bills for the month of November.	SEG 3 – Travel and Communication.
27/12/13	214896	PWD Electrical	15,757.73	1-30203-30369-080638 Agricultural Extension Services Livestock	Being payment for the Electrical Upgrading at Dobuilevu Research Station.	SEG 8 – Construction of Office and Staff Quarters.




Date	Cheque Number	Supplier	Amount (\$)	Allocation	Description	Correct Allocation
27/12/13	214971	GMR Muhammad & Sons Ltd	1,817.10	1-30302-30201-080699 Livestock Rehabilitation Program	Being purchase of material for quarters 104 at KRS.	SEG 4 – Maintenance and Repairs
27/12/13	214971	GMR Muhammad & Sons Ltd	2,075.80	1-30302-30201-080699 Livestock Rehabilitation Program	Being purchase of material for quarters 114 at KRS.	SEG 4 – Maintenance and Repairs
27/12/13	214971	GMR Muhammad & Sons Ltd	1,914.50	1-30302-30201-080699 Livestock Rehabilitation Program	Being purchase of material for quarters 115 at KRS.	SEG 4 – Maintenance and Repairs
30/12/13	217243	Peninsula International Hotel	7,557.00	1-30501-91821-080804 Land Drainage & Flood Protection	Being payment for accommodation for PAO's and SAO's attending 4 <sup>th</sup> quarter TWG.	SEG 3 - Travel and Communication
30/12/13	217218	Brijlal Photo Service	1,399.00	1-30202-30201-080701 Sigatoka Valley Development	Being procurement of one Fujifilm camera for the monitoring purpose.	SEG 5 – Purchase of Goods and Services.
30/12/13	216897	Fiji Bandag	1,300.00	1-30203-303369-080645 Agricultural Research Services	Being purchase of tires.	SEG 5- Purchase of Goods and Services.
30/12/13	216906	Automech	1,530.00	1-30302-30201-080621 BTEC	Being payment for the supply and install of side step for GP 283.	SEG 5 – Purchase of Goods and Services.
30/12/13	216915	Dynamic Solutions	720.00	1-30302-30201-080621 BTEC	Being purchase of the swivel chair with arms.	SEG 5 – Purchase of Goods and Services.
30/12/13	217256	Tri- Dees Spare Limited	1,381.00	1-30302-30201-080621 BTEC	Being purchase of spare parts.	SEG 4 – Maintenance and Operations.
31/12/13	217254	Total Fiji Ltd	2,999.22	1-30202-30201-070101	Being payment of fuel card from June to November 2013.	SEG 4 – Maintenance and Operations.
31/12/13	217297	Nadro Motor Parts	1,956.01	1-30202-30201-080701 Sigatoka Valley Development	Being purchase of vehicle parts.	SEG 4 – Maintenance and Operations.

Date	Cheque Number	Supplier	Amount (\$)	Allocation	Description	Correct Allocation
31/12/13	217313	Town House Apartment	1,950.00	1-30202-30201-080516 Cocoa Revitalisation Program	Being Accommodation for Extension Staffs attending the Business Plan.	SEG 3 – Travel and Communication.
31/12/13	217333	Asco Motors	5,863.75	1-30302-30201-080621 BTEC	Being payment for the repair of vehicle.	SEG 4 – Maintenance and Operations
31/12/13	217334	Crazy Offices Supplies	2,359.00	1-30302-30201-080623 Beef Diversification Program	Being purchase of Projector and the Screen for SRS.	SEG 5 – Purchase of Goods and Services.
31/12/13	215578	Coastal Automotive	3,650.00	1-30202-30201-080619 Export Promotion Program	Being payment for the repair of the vehicle GM 569.	SEG 4 – Maintenance and Operations
<b>Total</b>			<b>182,700.56</b>			




**Appendix 30.2: Anomalies from selected AH&P projects**



Project and Cost	Approved Assistance	Project Objectives	Audit Observations
<b>TAILEVU NORTH</b>			
<b>Sikeli Beef Project - \$10,988</b>  <b>FSP</b> Project Year – 2011	Fencing Materials: <ul style="list-style-type: none"> <li>Pine posts – 500 x 1.8m x 75mm = \$4,498.</li> <li>Barb wire – 30 coils x 18 kg = \$4,348.</li> <li>Staples – 25 kg = \$137.</li> </ul> Farm Tools: <ul style="list-style-type: none"> <li>Barb wire strainer – 1 @ \$350 each = \$350.</li> <li>Knapsack sprayer (15 litres) @ \$55 each = \$55.</li> </ul> Stock: <ul style="list-style-type: none"> <li>Breeding Bull – 1 only @ \$1,600 each = \$1,600.</li> </ul>	<ul style="list-style-type: none"> <li>To establish improved pasture species.</li> <li>To upgrade and subdivide existing paddocks.</li> <li>Purchase of breeding bull to improve existing blood line.</li> <li>Economically the total net farm income derived at the end of the third year was \$38,987.</li> </ul>	<ul style="list-style-type: none"> <li>Items supplied have not been utilised as at January 2014.</li> <li>24 coils of barb wire were not utilised by the farmer (kept under his house).</li> </ul>  <ul style="list-style-type: none"> <li>Pine posts have not been used and not properly kept by the farmer. Record showed that 350 pine posts were purchased; however, only 196 pine posts were delivered.</li> </ul>  <ul style="list-style-type: none"> <li>The paddock was overgrown with non-pasture grass.</li> <li>The Locality Officer explained that the farmer (Sikeli) had faced difficulties in managing the farm on his own due to old age. However, according to the Project Paper, the farm was supposed to be managed by his son, Apenisa Silikibau, who was working in Suva.</li> <li>According to the project paper the farmers land lease will expire in 2018.</li> <li>Audit could not physically verify the stock provided as there was no cattle in the paddock.</li> <li>No documentary evidence filed such as delivery docket to confirm supply of the barb wire strainer.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
	<ul style="list-style-type: none"> <li>1 water tank =</li> </ul>	<ul style="list-style-type: none"> <li>To raise the farm</li> </ul>	<ul style="list-style-type: none"> <li>From the records available for audit,</li> </ul>



Project and Cost	Approved Assistance	Project Objectives	Audit Observations
<b>Apolosa Tikoinasau - \$39,615.02</b>  <b>DIS</b> Project Year – 2011	\$1,396. • 20 coils barb wire = \$2,074. • 200 pine posts = \$2,390.16 • 25 kg staples = \$128.75 • Shed upgrade = \$25,674.32 • 100 hours of digger works = \$5,000. • Platinum (40 kg) = \$2,128.75 • 25 kg agriculture lime = \$416.25 • 20 litres Biobrew = \$181.84 • Glyphosate = \$224.95	production average from 5 litres to 7 litres per cow per day. • Improve the existing dairy sheds to ensure proper dairy hygiene. • Improve paddocks subdivision to ensure good pasture management through rotational grazing. • Improvement of cow's condition through good pasture management. • Through the sales of milk and cattle the expected income would increase from \$9,386 in year 1 to \$20,333.92 in year 4.	the farmer was provided with \$21,118.64 worth of assistance; however, there was no evidence of farming activities underway as at February 2014. • Construction of milking shed was incomplete. • Items supplied have not been utilised.  • Water tank and pine posts lying idle, and not used.  • According to the farmer, 100 pine posts was delivered and the remaining 100 pine posts was yet to be delivered by AH&P. • No completion certificate was issued for the digger works (\$7,500). • No documentary evidence filed such as delivery docket to confirm delivery of barb wires (\$2,173).
<b>Santa Ram \$31,736.84</b>  <b>DIS</b> Project Year – 2011	• 50 Coils Barb Wire = \$7,150. • Pine Posts = \$9,025. • Staples @ 20 Kg = \$110. • Glyphosate @ 20 litres = \$225. • Agriculture Lime (25 bags x 25 kg) = \$416.25 • Platinum 1,050 (25 bags x 40 kg) = \$2,128.75 • Babrew Growth (1 by 20 litres) = \$181.84 • Digger Works (100 hrs @ \$50/hrs) = \$5,000 • Gravel (20 Loads) =	• To raise the farm production average from 6 litres to 8 litres per cow per day. • Cultivate 2 acres fodder bank – Guatemala • Subdivide existing ranches into smaller paddocks to ensure good pasture management through rotational grazing. • The project was expected to record loss in the first year profit slowly accelerated up to year three which is \$17,069.	• Items supplied have not been utilised as at January 2014 - 12 coils of barb wire, pine posts and gravels.    • Approved assistance of \$9,025 for pine post, however, was assisted with \$11,865 worth of pine posts (601 of 1.8m x 100mm and 57 of 3m


Project and Cost	Approved Assistance	Project Objectives	Audit Observations
	\$7,500.		<p>x 150mm).</p> <ul style="list-style-type: none"> <li>Gravels supplied were not used by the farmer to improve the farm access road. The road is in bad condition as a result of soil erosion.</li> <li>No completion certificate issued for the completion of the digger works and spreading of gravels.</li> <li>No evidence of cultivation of "Guatemala" grass (pasture grass to increase the milk production) on the 2 acres of land.</li> <li>No documentary evidence filed such as delivery docket to confirm supply of fertiliser and 25 coils of barb wire.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Suren Singh</b> <b>\$21,605.39</b>  <b>DIS</b> Project Year – 2011	<ul style="list-style-type: none"> <li>1 Water Tank = \$1,396.</li> <li>10 coils barb wire = \$1,500.</li> <li>300 Pine Posts = \$5,700.</li> <li>Shed Materials = \$5,057.60</li> <li>Digger Works (100 hrs) = \$5,000.00</li> <li>Platinum (40Kg) = \$2,128.75</li> <li>Agriculture Lime (25 Kg) = \$416.25</li> <li>Biobrew (20 Litres) = \$181.84</li> <li>Glyphosate (20 Litres) = \$224.95</li> </ul>	<ul style="list-style-type: none"> <li>To raise the farm production average from 5 litres to 7 litres per cow per day.</li> <li>To improve the existing dairy sheds for ensuring proper dairy hygiene.</li> <li>Improve paddocks subdivision to ensure good pasture management through rotational grazing.</li> <li>Improvement of cow's condition through good pasture management.</li> <li>The project was expected to achieve profit of \$7,130 after year one and slowly accelerated up to year three which is \$20,073.</li> </ul>	<ul style="list-style-type: none"> <li>Items supplied have not been utilised as at January 2014</li> <li>Water tank lying idle and unused pine posts have not been kept properly.</li> </ul>   <ul style="list-style-type: none"> <li>No documentary evidence filed such as delivery docket to confirm supply of 10 coils of barb wire (\$1,408).</li> <li>No completion certificate issued to evidence completion of digger works</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Selema Bolavucu</b> <b>\$10,658.30</b>  <b>DIS</b> Project Year – 2008	Pasture Establishment – 1.0 ha <ul style="list-style-type: none"> <li>300 pine posts type 3 @ \$9 = \$2,700.</li> <li>Barb Wire – 20 x 18 Kg @ \$125/coil = \$2,500.</li> <li>Staples (1x25 Kg) =</li> </ul>	<ul style="list-style-type: none"> <li>To increase the average daily production from 55 to 80 litres of milk per day.</li> <li>Improve nutrition through the establishment of</li> </ul>	<ul style="list-style-type: none"> <li>Items supplied have not been utilised as at January 2014 – pine posts.</li> </ul> 






Project and Cost	Approved Assistance	Project Objectives	Audit Observations
	<p>\$140.</p> <ul style="list-style-type: none"> <li>Shed Upgrading = \$4,318.30</li> <li>Water Supply - 1 x 5,000 litres water tank = \$1,000.</li> </ul>	<p>improve pasture in the paddocks through vegetative planting.</p> <ul style="list-style-type: none"> <li>Improvement to the existing fence line.</li> <li>Install water tanks.</li> <li>Upgrading of the existing shed.</li> <li>Economically the project was expected to incur a loss in the first year and achieve a net profit of \$15,027.96 in the third year. Looking at the 3 years of operation, the project will generate a total income of \$61,067.</li> </ul>	<ul style="list-style-type: none"> <li>Water tank is used for household consumption instead of the dairy farm.</li> </ul>  <ul style="list-style-type: none"> <li>According to the delivery docket, the farmer was only supplied with 10 coils of barb wire although 20 coils were approved to be supplied. The reduction in the approved assistance was not documented.</li> <li>No completion certificate issued to evidence completion of digger works.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<p><b>Delainakabuta Sheep Project \$19,162</b></p> <p><b>FSP</b> Project Year – 2011</p>	<p>Pasture Renovation (Fencing, Clearing &amp; Weed Control):</p> <ul style="list-style-type: none"> <li>Fencing – 30 x Goat fence 3 ft = \$2,500.</li> <li>500 x Type 3 = \$4,500.</li> <li>Staples (1x25Kg) = \$140.</li> </ul> <p>Fertilizer:</p> <ul style="list-style-type: none"> <li>200 bags lime = \$3,072.</li> <li>50 platinum 1,050 = \$3,950.</li> </ul> <p>Hire of Machinery:</p> <ul style="list-style-type: none"> <li>100 hours digger work for land clearing = \$5,000.</li> </ul>	<ul style="list-style-type: none"> <li>To improve nutrition of the current stock through indoor feeding system.</li> <li>Improve fencing condition to control the grazing of existing stock.</li> <li>The project is expected to generate \$10,000 within the first three years.</li> </ul>	<ul style="list-style-type: none"> <li>Items supplied have not been utilised as at January 2014.</li> <li>Electric fences were supplied instead of the approved normal fencing and have not been utilised - kept at the farmer's residence.</li> </ul>  <ul style="list-style-type: none"> <li>Water tank used for household consumption instead of the dairy farm.</li> </ul>  <ul style="list-style-type: none"> <li>200 bags of lime and 50 bags of platinum were not delivered to the farmer. A review of the delivery docket revealed alteration against the approved assistance, however, not documented. For instance, 4 culverts, building materials, sawn timbers and 10 coils of barb wires were provided but not in the approved list of items. Audit could not obtain any confirmation as the farmer has passed away.</li> <li>No completion certificate issued to evidence completion of the farm</li> </ul>

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			<p>road and utilisation of 13 loads of gravels.</p> <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Waidewara Milk Supplies - \$26,872.40</b>  <b>DIS</b> Project Year – 2010	Hire of Machinery for 300 hours = \$15,000 Fencing – 3 coils per farmer: <ul style="list-style-type: none"> <li>30 coils barb wire @ \$125/coil = \$3,750.</li> <li>400 pine posts @ \$9.00 = \$3,600.</li> <li>U nails (2 x 25 Kg) = \$240.</li> </ul> Fertilizer; <ul style="list-style-type: none"> <li>Lime @ \$691.20 / tonne = \$1,382.40</li> <li>Alroc No. 3 @ \$58/bag = \$2,900.</li> </ul>	<ul style="list-style-type: none"> <li>The project focuses on the establishment of pasture on dairy farms within Waidewara locality.</li> <li>This project ensure that all the smallholder dairies in the Waidewara locality (members of the Waidewara Cooperative), should have at least 3 acres of improve pastures such as setaria and para grass. This could be used either for grazing and cut and carry purpose.</li> <li>Increase volume of milk supplied to Rewa Dairy.</li> <li>Economically the project was expected to incur a loss of \$4,968.40 in the first year then a gradual increase of farm income after the implementation of the project in the first year.</li> </ul>	<p>Waidewara Cooperative consists of 20 members. Audit visited Kelepi Salakawa's farm (member) and noted the following:</p> <ul style="list-style-type: none"> <li>Items supplied have not been utilised as at January 2014.</li> <li>4 coils of barb wire, fertilizer and lime were not utilized by the farmer.</li> </ul>  <ul style="list-style-type: none"> <li>No evidence of completion certificate issued and filed for the completion of digger works.</li> <li>No documentary evidence filed such as delivery docket to ascertain if full assistance were provided to all 20 farmers.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Tikiko Beef Project - \$12,109.87</b>  <b>FSP</b> Project Year – 2011	Nutrition; <ul style="list-style-type: none"> <li>Weedicides 1x5ltrs glyphosate = \$327.90</li> </ul> Infrastructure; <ul style="list-style-type: none"> <li>20x18kg H/T barb wire = \$2,726.</li> <li>150x1.8x75mm pine posts = \$1,350.</li> <li>70 x 1.8 x 100mm pine post = \$875</li> <li>1 x 25 kg staples = \$120</li> <li>Chainsaw = \$1,629</li> <li>Knapsack sprayer = 20ltr = \$81.97</li> <li>10 stock</li> </ul>	<ul style="list-style-type: none"> <li>To establish improve pasture species.</li> <li>To upgrade and subdivide existing paddocks.</li> <li>Increase beef production and meat quality.</li> <li>Economically the total net income derived at the end of the third year is \$34,421.</li> </ul>	<ul style="list-style-type: none"> <li>Items supplied have not been utilised as at January 2014.</li> </ul>  <ul style="list-style-type: none"> <li>Of the 15 coils of barb wires delivered, 9 coils have not been utilized by the farmer due to lack of pine posts.</li> <li>Pine posts were not delivered, according to the farmer (Tikiko Delai). In addition, there was no documentary evidence such as delivery docket to confirm supply of pine posts.</li> <li>No evidence of progressive</li> </ul>




Project and Cost	Approved Assistance	Project Objectives	Audit Observations
	(heifers/bull calves = \$5,000)		assessment of production and financial progress report being prepared.
<b>Sakeyasi Ravutugaga</b>	No Project Paper	No Project Paper	<ul style="list-style-type: none"> <li>There was no file maintained for the farmer or record of assistance provided at the Central Eastern Office (SAO – AH&amp;P - Eduari).</li> <li>A site visit to the farm in February 2014 revealed that the farmer had one breeding bull that was supplied by the Ministry. However, there was no evidence of farming activities undertaken as the farmer did not have any other cattle prior to the assistance provided.</li> <li>Materials supplied to the farmer; <ul style="list-style-type: none"> <li>Pine Post (numbers unknown)</li> <li>Barb Wire (coils unknown)</li> <li>1 Breeding Bull</li> <li>1 Spray Tank</li> </ul> </li> <li>Items supplied have not been utilised as at February 2014 such as 17 coils barb wire and pine posts.</li> </ul>  
<b>Josateki Radrodro - \$37,511.45</b>  <b>DIS</b> Project Year – 2011	<ul style="list-style-type: none"> <li>Ground water drilling = \$9,200.</li> <li>Water tank stand = \$2,360.35</li> <li>Barb Wire (15 coils x 18 kg) = \$2,130.</li> <li>Staples @ 25 kg = \$122.50</li> <li>Milking shed materials = \$4,910.26</li> <li>100 hours of Digger Works = \$5,000.</li> <li>1 chaff cutter = \$2,062.50</li> <li>Platinum 1,050 (2 tonne/hac) =</li> </ul>	<ul style="list-style-type: none"> <li>To raise the farm production average from 4.0 litres to 6.0 litres per cow per day.</li> <li>Improve water supply to ensure continuous flow of water to the dairy farm and calf shed through-out the year.</li> <li>Improve paddock subdivision to ensure good pasture management through rotational grazing.</li> <li>Improvement of cow's condition though</li> </ul>	<ul style="list-style-type: none"> <li>Items supplied have not been utilised as at February 2014.</li> <li>Of the 10 coils of barb wire received by the farmer, 4 ½ coils were not utilized.</li> <li>An advance payment of \$4,900 was made to a Hirday Laxhan to supply 15 heifers to the farmer. However, according to the farmer, only 6 heifers were delivered.</li> <li>The farmer was supplied with a chain saw which was not included in the initial approved list of items. Justifications for the additional assistance were not documented.</li> <li>No documentary evidence filed such as delivery docket to confirm</li> </ul>





Project and Cost	Approved Assistance	Project Objectives	Audit Observations
	\$2,128. <ul style="list-style-type: none"> <li>• Agriculture lime (3 tonne / hac) = \$416.</li> <li>• Biobrew growth (20 ltrs @ \$15/ltrs) = \$181.84</li> <li>• In-calf heifer (15 @ \$600) = \$9,000.</li> </ul>	proper and good management. <ul style="list-style-type: none"> <li>• Economically, the project is expected to achieve profit of \$2,406 after year one and slowly accelerated to \$13,990 in year three.</li> </ul>	delivery of the following items purchased - pine posts (\$1,982.93) and chaff cutter (\$1,600). <ul style="list-style-type: none"> <li>• No completion certificate issued and filed for the completion of digger works.</li> <li>• No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Tomasi Turaga - \$18,203.35</b>  <b>DIS</b> Project Year - 2011	Pasture Establishment: <ul style="list-style-type: none"> <li>• Pine posts (400 x 1.8 x 75mm @ \$9.00) = \$3,600.</li> <li>• Barb Wire @ 20 x 18 kg @ \$125 = \$2,500.</li> <li>• 25 kg staples = \$140.</li> </ul> Shed Upgrading: <ul style="list-style-type: none"> <li>• Milking yard = \$7,713.35</li> <li>• Milking machine = \$4,250.</li> </ul>	<ul style="list-style-type: none"> <li>• To increase the average production from 7 to 10 litres per cow per day.</li> <li>• Improve nutrition through establishment of improve pasture in the paddocks through vegetative planting.</li> <li>• Improve feeding system of dairy cattle by introducing the Semi Intensive Feeding System.</li> <li>• Improve the farm efficiency by upgrading the existing shed.</li> <li>• The project is expected to generate \$40,000 within the first three years.</li> </ul>	<ul style="list-style-type: none"> <li>• According to the farmer, barb wires were short supplied. A review of the delivery docket indicated that only 5 coils of barb wires were supplied.</li> <li>• Purchases of shed materials worth \$4,068.47 were made from Carpenters Hardware but there was no delivery docket filed to confirm delivery of goods.</li> <li>• No completion certificate issued/filed for the completion of digger works.</li> <li>• No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Waidallice Chilling Centre - \$8,500</b>  <b>DIS</b>  Project Year – 2010	<ul style="list-style-type: none"> <li>• Bore Hole = \$8,500.</li> </ul>	<ul style="list-style-type: none"> <li>• To identify underground water supply source and construct a borehole water facility.</li> <li>• Uninterrupted clean potable water supply at the Milk Collection Centre at all times.</li> <li>• Maintaining the hygiene of the raw milk quality and the standard of cleanliness of the Centre and the equipment used.</li> <li>• Improving the Chilling Centre operations.</li> <li>• Maintaining and or keeping the cost of running the Chilling center as low as possible.</li> <li>• A total of 56 small</li> </ul>	<ul style="list-style-type: none"> <li>• The bore hole has not been constructed as at February 2014.</li> <li>• The Locality Officer (Pita) explained that the delay in construction was a result of the delay from the Department of Mineral Resources in identifying the location in which the bore hole is to be constructed.</li> <li>• Water pump purchased and delivered in 2011 (delivery docket 492134 - 25/10/11), kept by the Locality Officer. This was not documented or recorded in the project file.</li> </ul> 

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
		holder farmers would benefit.	
<b>Saimoni Navukeidrau - \$12,428.80</b>  <b>DIS</b> Project Year – 2011	Pasture Development; <ul style="list-style-type: none"> <li>• Drainage (60 hrs x \$50/hrs) = \$3,000.</li> <li>• Lime 2 tonnes @ \$614.40/tonne = \$1,228.80</li> <li>• Platinum 1,050 2 tonne @ \$1,962.50 / tonne = \$3,925.</li> <li>• Biobrew 1x20 @ \$180 = \$180.</li> </ul> Fencings; <ul style="list-style-type: none"> <li>• Barb wire (15 x 18kg) = \$1,875.</li> <li>• Pine posts 150x1.8mx75mm @ \$9.00 = \$1,350.</li> <li>• Culvert 6x450mmx1220mm @ \$145 = \$870.</li> </ul>	<ul style="list-style-type: none"> <li>• To increase milk production from 3 litres to 5 litres per cow per day through improve nutrition.</li> <li>• Improve nutrition through fertilizer application to improve pastures.</li> <li>• To drain the 5 hectares swampy flatland of excess water by digging new drain.</li> <li>• To fence and subdivide into 10 paddocks, pastured arable land.</li> <li>• To eradicate perennial, Navua sedges and wedelia triobata.</li> <li>• To plough and plant 2 hectares of setaria and paragrass.</li> <li>• The project was expected to rake in a net profit of \$20,096.02 in four years of operation. It was supposed to be an eye opener to the rest of the dairy farmers in the area.</li> </ul>	<ul style="list-style-type: none"> <li>• Items supplied have not been utilised as at February 2014.</li> <li>• Lime, glyphosate and Bio Fertilizer Growth not utilized by the farmer.</li> </ul>   <ul style="list-style-type: none"> <li>• 4 culverts were not utilized. According to the delivery docket, 8 culverts were delivered but this was disputed by the farmer who indicated that he received 6 culverts only. The farmer also confirmed that 150 pine posts were not delivered.</li> </ul>  <ul style="list-style-type: none"> <li>• The farmer was supplied with one Honda 2.5 HP water pump; this was not included in the approved list of items to be supplied. Justification for the additional assistance was not documented.</li> <li>• According to the farmer, only 32 hours was utilized for digger works from the 60 hours allocated and paid for (\$3,000). No completion certificate was issued.</li> <li>• Planting of setaria and para-grass on 2 hectares of land was not done.</li> <li>• No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Din Mohammed - \$29,597.28</b>  <b>DIS</b> Project Year –	<ul style="list-style-type: none"> <li>• Shed upgrading materials = \$7,708.68</li> <li>• Drainage (200 hrs of digger work \$50/hr) = \$10,000.</li> </ul>	<ul style="list-style-type: none"> <li>• To increase the average daily production from 200 to 280 litres per day.</li> <li>• Improve nutrition through establishment</li> </ul>	<ul style="list-style-type: none"> <li>• Items supplied have not been utilised as at February 2014.</li> <li>• 200 bags of lime; and gravels for the farm road were not utilized.</li> </ul>








Project and Cost	Approved Assistance	Project Objectives	Audit Observations
2011	<ul style="list-style-type: none"> <li>30 coils barb wire x 18 kg = \$3,750.</li> <li>Pine posts 500 x 8 x 75mm @ \$9.00 each = \$4,500.</li> <li>200 x 25 kg Lime = \$3,072.</li> <li>2 x 20 ltrs glyphosate @ \$283.30 each = \$566.60.</li> </ul>	<p>of improve pasture in the paddocks through vegetative planting. Establish improve pasture on all existing paddocks.</p> <ul style="list-style-type: none"> <li>Improvement to the existing fence line.</li> <li>Upgrading of the existing dairy shed.</li> <li>Economically the project was expected to incur a loss in the first year and a net profit of \$37,331.20 in the third year.</li> </ul>	  <ul style="list-style-type: none"> <li>According to the farmer and confirmed in the delivery docket, only 378 pine posts were delivered out of the 500.</li> <li>The farmer was also assisted with a chainsaw which was not included in the approved list of items to be supplied by the Ministry. Justifications for the additional assistance were not documented.</li> <li>No completion certificate issued for digger works carried out at the farm.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Navovo Sheep Project - \$10,115.90</b>  <b>FSP</b>  Project Year 2012	<ul style="list-style-type: none"> <li>Fencing Materials = \$7,410.00</li> <li>Water tank = \$1,000</li> <li>Shed Materials = \$1,705.90</li> </ul>	<ul style="list-style-type: none"> <li>To renovate the existing sheep shed and subdivide the farm in to 5 x 1 acre paddocks</li> <li>Increase lamb production for breeding purposes.</li> <li>More grazing area and available pasture all year round.</li> <li>To provide wearers for interested farmers.</li> </ul>	<ul style="list-style-type: none"> <li>Audit could not locate the farm as the Locality Officer was unavailable during the day of site visit.</li> <li>The farm belonged to the wife of the Locality Officer – Pita Wakani. However, no declaration of the interest was made by the officer.</li> <li>From the records available, it was noted that the farmer (Ms Sereki Vara) was to be provided assistance for \$10,115.90 only, however, she received assistance worth \$13,820.22. Justifications for the provision of additional assistance were not documented in the project file provided for audit.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>TAILEVU SOUTH</b>			
<b>Waicoka Piggery Project - \$15,226.65</b> <b>FSP</b>	Building materials for the construction of piggery shed - \$12,826.65	<ul style="list-style-type: none"> <li>Targets the building of piggery shed in Waicoka Village in order to prevent the</li> </ul>	<ul style="list-style-type: none"> <li>Construction of piggery shed was still incomplete as at February 2014.</li> </ul>



Project and Cost	Approved Assistance	Project Objectives	Audit Observations
Project Year – 2011	Breeding Stock - \$2,400	<p>pigs from damaging the other villager's plantation and the mangroves around the seashore. This piggery unit will accommodate all the pigs roaming around in the village that pollutes the seashore and mangroves through their faeces which are harmful to the environment.</p> <ul style="list-style-type: none"> <li>• Improve the pig production in Waicoka to generate income and sustain.</li> <li>• Improved pig breeds (Duroc, Large White, Landrace) available to farmers in the area.</li> <li>• 118 high performance pig breeds sold at farm gate or to FMIB.</li> <li>• Piglet production to supply the local backyard farmers in the area.</li> <li>• The bio-digester will produce fertilizer for the farmers.</li> <li>• Project Benefit Cost Analysis indicates that the project has a Benefit Cost Ratio of 1:8.75 is indicative of a highly viable project. It also has a Net Present Value of \$76,864.91 and an internal rate of return of 19%.</li> </ul>	  <ul style="list-style-type: none"> <li>• From available records, assistance worth \$7,857.94 was provided.</li> <li>• Reasons for not providing full assistance have not been documented.</li> <li>• No documentary evidence to confirm delivery of breeding stock. According to the farmer, breeding stocks were not delivered by the Ministry. Reasons for this were not documented.</li> <li>• Water tank and pipes not utilized as at February 2014.</li> </ul>   <ul style="list-style-type: none"> <li>• The piggery was still operating at a subsistence level</li> <li>• No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Emosi Baledrokadroka - \$15,770</b>  <b>FSP</b> Project Year – 2011	<ul style="list-style-type: none"> <li>• Materials for the construction of calf shed - \$7,374.90</li> <li>• 30 calves - \$2,400.</li> <li>• Supplementary feed - \$5,757.50</li> <li>• Drugs - \$237.60</li> </ul>	<ul style="list-style-type: none"> <li>• To establish a semi-intensive calf rearing shed to effectively rear thirty beef calves per year and increase to sixty calves per year afterwards.</li> </ul>	<ul style="list-style-type: none"> <li>• The Ministry made an advance payment of \$2,400 to a Martin Compain for the supply of 30 calves to the farmer. However, this did not eventuate. The farmer (Emosi) collected the funds from the supplier for his personal use.</li> </ul>




Project and Cost	Approved Assistance	Project Objectives	Audit Observations
		<ul style="list-style-type: none"> <li>To upgrade and sub divide existing paddocks for grazing of the weaner calves.</li> <li>Purchasing of thirty quality calves for faster growth rate.</li> <li>Sales of weaner calves after 6 months to beef farmers.</li> </ul>	<ul style="list-style-type: none"> <li>Cement blocks supplied remained unused as at February 2014.</li> </ul>  <ul style="list-style-type: none"> <li>Purchase of the supplementary calf feed (\$5,518.76) was made however there was no documentary evidence filed such as delivery docket to confirm supply.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>REWA PROVINCE</b>			
<b>Bijen Chand – \$7,297.23</b>  <b>DIS</b> Project Year – 2011	<ul style="list-style-type: none"> <li>Barb wire – 10 x 18 kg = \$1,250.</li> <li>U nails – 25 kg = \$120.</li> <li>200 pine posts @ \$9.00 each = \$1,800.</li> <li>Fertilizer / chemicals = \$1,668.23</li> <li>Water tank 2,000 litres = \$400.</li> <li>Building materials = \$2,059.</li> </ul>	<ul style="list-style-type: none"> <li>To increase the average production per cow per day.</li> <li>Improve nutrition through establishment of improve pasture in the paddocks through vegetative planting. Establish improve pasture on all existing paddocks 1.3 ha.</li> <li>Installation of new water tank.</li> <li>Improvement to the new existing fence line.</li> <li>Construction of a new dairy shed.</li> <li>Economically, the project was expected to have a net loss of \$6,938 and eventually improve to \$6,090 net profit in third year.</li> </ul>	<ul style="list-style-type: none"> <li>Items supplied have not been utilised as at January 2014.</li> <li>130 pine posts were not utilized.</li> </ul>   <ul style="list-style-type: none"> <li>The farmer received 2 of the 10 coils of barb wires, however, not utilised.</li> <li>Water tank used for household consumption instead of the dairy farm.</li> </ul>  <ul style="list-style-type: none"> <li>No documentary evidence filed such as delivery docket to confirm the supply of fertilizer/chemicals. However, the farmer confirmed that some fertiliser/chemicals have been provided.</li> <li>No evidence of progressive assessment of production and report</li> </ul>





Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			<p>being prepared.</p> <ul style="list-style-type: none"> <li>The farmer explained that his land lease has expired.</li> </ul>
<b>Solomoni Drugu - \$7,297.23</b>  <b>DIS</b> Project Year – 2011	<ul style="list-style-type: none"> <li>Barb wire – 10 x 18 kg = \$1,250.</li> <li>U nails – 25 kg = \$120.</li> <li>200 pine posts @ \$9.00 each = \$1,800.</li> <li>Fertilizer / chemicals = \$1,668.23</li> <li>Water tank 2000 litres = \$400.</li> <li>Building materials = \$2,059</li> </ul>	<ul style="list-style-type: none"> <li>To increase the average production per cow per day.</li> <li>Improve nutrition through establishment of improve pasture (1.3ha) in the paddocks through vegetative planting. Establish improve pasture on all existing paddocks.</li> <li>Installation of new water tank.</li> <li>Improvement to the new existing fence line.</li> <li>Construction of a new dairy shed.</li> </ul>	<ul style="list-style-type: none"> <li>Incomplete construction of dairy shed as at February 2014.</li> <li>No evidence of livestock in the shed or paddock.</li> </ul>  <ul style="list-style-type: none"> <li>Water tank was not utilized by the farmer. Kept at his home/village.</li> </ul>  <ul style="list-style-type: none"> <li>According to the farmer, 50 pine posts have been stolen, however, not reported to police.</li> <li>4 coils of barb wire remained unutilised.</li> <li>No evidence of pasture establishment.</li> <li>No documentary evidence filed such as delivery docket to confirm delivery of the milking shed (\$1,649.73) and fencing materials (\$3,678.40)</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Prem Singh - \$9,386.55</b>  <b>DIS</b> Project Year – 2011	<ul style="list-style-type: none"> <li>Materials for new dairy shed - \$6,104.15</li> <li>6 coils x 18 kg barb wire @ \$125/coil = \$750.</li> <li>U nails – 3 kg @ \$4.80 = \$14.40</li> <li>Pine posts – 100 x \$9.00 = \$900.</li> <li>Milk can (2 x 40 litres) = \$380.</li> <li>Water Tank = \$1,238</li> </ul>	<ul style="list-style-type: none"> <li>To facilitate development of small holders dairy farms.</li> <li>To increase milk production.</li> <li>Improve milk quality.</li> <li>Construction of the new dairy shed.</li> <li>Economically, the project was expected to achieve a net profit of \$1,975 and eventually increase to \$3,520 in third year.</li> </ul>	<ul style="list-style-type: none"> <li>Items supplied have not been utilised as at January 2014 - 4 coils of barb wire were not utilized.</li> </ul>  <ul style="list-style-type: none"> <li>No documentary evidence filed such as delivery docket to confirm delivery of milking shed materials (\$5,975), water tank (\$1,000) and fencing materials (\$1,693).</li> </ul>





Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			<ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Waisake Vu - \$7,469.65</b>  <b>DIS</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>Materials for new dairy shed - \$4,525.25</li> <li>6 coils x 18 kg barb wire @ \$125/coil = \$750.</li> <li>U nails – 3 kg @ \$4.80 = \$14.40</li> <li>Pine posts – 100 x \$9.00 = \$900.</li> <li>Milk can (2 x 40 litres) = \$380.</li> <li>Water Tank = \$900</li> </ul>	<ul style="list-style-type: none"> <li>To facilitate development of small holders dairy farms.</li> <li>To increase milk production and milk quality.</li> <li>Improve nutrition through establishment of improved pasture in the paddocks through vegetative planting.</li> <li>Economically, the project was expected to achieve a net profit of \$5,036 and eventually increase to \$6,960 in third year.</li> </ul>	 <ul style="list-style-type: none"> <li>Water tank lying idle, not utilised.</li> <li>No documentary evidence filed such as delivery docket to confirm delivery of milking shed materials (\$4,632.63) and the fencing materials (\$1,555).</li> <li>Paddocks were covered with wild shrubs and Navua surge grass. The farmer did not plant pasture to supplement dairy feeding.</li> </ul>  <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>NAITASIRI PROVINCE</b>			



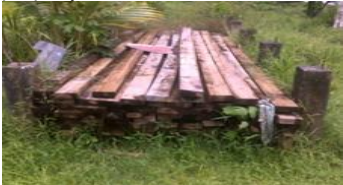
Project and Cost	Approved Assistance	Project Objectives	Audit Observations
<b>Navuso Dairy and Beef Farming - \$65,509.39</b>  <b>DIS/FSP</b>  Project Year – 2011 and 2013 respectively.	Pasture development - \$18,812.00 <ul style="list-style-type: none"> <li>• Drainage</li> <li>• Fencing</li> <li>• Weed control</li> <li>• Fertilizer</li> <li>• Lime</li> <li>• Slashing</li> </ul> Infrastructure development - \$5,865.65 <ul style="list-style-type: none"> <li>• Renovation of the existing dairy shed.</li> </ul> Improvement of farm nutrition = \$2,081.25.	<ul style="list-style-type: none"> <li>• Project aims to develop the Navuso Dairy farm to increase their daily production and to improve the quality of milk supplied to Rewa Dairy.</li> <li>• Pasture development through proper fencing, drainage and weed control.</li> <li>• To renovate the existing milking shed.</li> <li>• Improve farm nutrition.</li> <li>• Economically, the project was expected to achieve a net profit of \$37,200 and eventually increase to \$88,700 in third year.</li> </ul>	<ul style="list-style-type: none"> <li>• Digger works (\$24,750) for the access road to the beef farm were not done properly/satisfactorily. No completion certificate issued/filed to confirm completion of digger works.</li> </ul>  <ul style="list-style-type: none"> <li>• AH&amp;P Officer (Paulini) explained that the school failed to honour its part of the contribution, that is, spreading the gravel on the road soon after the digger work was completed. However, this arrangement was not documented (MOU).</li> </ul>
	Fencing material = \$11,295 Fuel = \$488.45 Hose for water pump = \$2,217 Digger works = \$24,750	<ul style="list-style-type: none"> <li>• To enhance livestock production, food security and income generation through provisions of technical extension services.</li> <li>• To develop 100 acres of the land for beef farming.</li> <li>• Be a model farm for the Navuso Agricultural Vocational student and be a source of training and skills.</li> </ul>	<ul style="list-style-type: none"> <li>• No documentary evidence filed such as delivery docket to confirm the supply of fencing materials (\$11,615). This could not be confirmed as the farm manager that was responsible for the project was no longer employed at the farm.</li> <li>• No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Taniela Ilisevaseva - \$6,295.58</b>  <b>DIS</b>  Project Year – 2011	Materials for the upgrading of milking shed = \$6,295.58	<ul style="list-style-type: none"> <li>• Increase quantity and quality of milk supplied to Rewa Dairy.</li> <li>• Reduce import of dairy products.</li> <li>• Generate economic activity for food security, income security and employment.</li> <li>• Increase milk production from small holder's dairy farms (60 litres to 70 litres per day).</li> <li>• Improve standard and facilities at individual farm level.</li> <li>• Economically, the</li> </ul>	<ul style="list-style-type: none"> <li>• Items supplied have not been utilised as at February 2014.</li> <li>• Water tank stand has not been constructed and as such the water tank was not utilised.</li> </ul>  <ul style="list-style-type: none"> <li>• Cement blocks supplied remained unutilised.</li> <li>• Incomplete construction of calf shed.</li> </ul>




Project and Cost	Approved Assistance	Project Objectives	Audit Observations
		<p>project was expected to achieve a net profit of \$8,840 and eventually increase to \$16,620 in third year.</p>	 <ul style="list-style-type: none"> <li>Poor pasture development. The paddocks were covered with wild shrubs and Navua surge grass.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Adi Cakobau School - \$15,883.59</b>  <b>DIS</b>  Project Year – 2010	<ul style="list-style-type: none"> <li>Dairy shed materials - \$5,107.34</li> <li>Fencing materials and staples = \$2,370.</li> <li>Pine posts = \$3,125.</li> <li>Breeding bull = \$500.</li> <li>Double portable milking machine = \$4,781.25</li> </ul>	<ul style="list-style-type: none"> <li>To facilitate development of small holder dairy farms.</li> <li>To increase milk supply to the School Dining Hall.</li> <li>Improve milk quality.</li> <li>Economically, the project was expected to incur a net loss of \$9,249 and eventually improve to \$12,959 net profit in third year.</li> </ul>	<ul style="list-style-type: none"> <li>Milking machine (\$4,887.50) was not in working condition as at February 2014.</li> </ul>  <ul style="list-style-type: none"> <li>1 coil barb wire was not utilized.</li> <li>Poor pasture establishment.</li> <li>Short supply of the pine post. Only 156 of the 200 pine posts were provided.</li> <li>No evidence to indicate that the breeding bull was delivered. The new farm manager was unaware of such assistance.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Luke Tagi - \$8,727.43</b>  <b>DIS</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>Digger works = \$4,978.</li> <li>Barb wire 10 coil x 25 kg = \$1,280.</li> <li>25 kg staples = \$125.</li> <li>Pine posts - \$900.</li> <li>Shed materials = \$1,444.43</li> </ul>	<ul style="list-style-type: none"> <li>To increase the average daily production from 4 to 5 litres per cow per day.</li> <li>Improve nutrition through establishment of improve pasture in the paddocks through vegetative farming.</li> <li>Improvement to the existing fence line.</li> <li>Upgrading of the existing shed.</li> <li>Economically the project was expected to generate a net</li> </ul>	<ul style="list-style-type: none"> <li>No documentary evidence filed such as delivery docket to confirm supply of the fencing materials (\$2,304) and shed materials (\$1,220.43).</li> <li>The farmer confirmed receiving only 7 of the 10 coils of barb wire.</li> <li>Construction of calf shed was incomplete.</li> </ul> 

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
		income of \$3,962.50 in a first year and increase to \$29,210 by the third year.	<ul style="list-style-type: none"> <li>No completion certificate issued for the digger works carried out at the farm which cost \$4,975.94.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Isaia Beef Project - \$10,193.75</b>  <b>FSP</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>20 coils barb wire (18 kg @ \$125/coil) = \$2,500.</li> <li>Pine posts (150 type 3 pine posts @ \$12.50/post) = \$1,875.</li> <li>20 kg u nail @ \$4.80/kg = \$96.</li> <li>Breeding stock = \$500.</li> <li>20 litres Glyphosate = \$175.85</li> <li>Stockyard (38 pine post [3m &amp; 1.8m], Timber 6x2 (1746R/F), 15 kg 6" nail, 1 coil # 8 wire = \$5,046.90</li> </ul>	<ul style="list-style-type: none"> <li>To improve calving percentage.</li> <li>Reduce calf mortality.</li> <li>Purchase of quality breed heifers for replacements.</li> <li>Renovation of 100 acres of Batiki blue grass.</li> <li>50 ha paddock fully fenced.</li> <li>Economically the project was expected to incur a net loss of \$8,684 in a first year and record a net profit of \$9,514 by the third year.</li> </ul>	<ul style="list-style-type: none"> <li>Items supplied have not been utilised as at February 2014,</li> <li>7 coils of barb wire remained unutilised.</li> </ul>  <ul style="list-style-type: none"> <li>Poor pasture establishment.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared</li> </ul>
<b>Pritvi Raj – \$7,424.43</b>  <b>DIS</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>Digger works (380m x 2m x 1m width) = \$5,980.</li> <li>Building materials = \$1,444.43</li> </ul>	<ul style="list-style-type: none"> <li>To increase the average daily production from 5.8 to 6.5 litres per cow per day.</li> <li>Improve nutrition through establishment of improve pasture in the paddocks through vegetative farming.</li> <li>Grazing is controlled through proper fencing condition on existing paddocks.</li> <li>Proper drainage of the current paddocks and shed cleaning to maintain hygiene.</li> <li>Economically the project was expected to generate a net income of \$17,050 in a first year and increase to \$34,310 by the third year.</li> </ul>	<ul style="list-style-type: none"> <li>Digger works incomplete.</li> <li>Drainage covered with grass, not cleaned or maintained by the farmer.</li> <li>Pine posts supplied have not been utilised as at February 2014.</li> </ul>  <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Nasoni Uluvula - \$13,551.50</b>	<ul style="list-style-type: none"> <li>Materials for the construction of dam = \$13,551.50</li> </ul>	<ul style="list-style-type: none"> <li>Generate economic activity for food security, income</li> </ul>	<ul style="list-style-type: none"> <li>The dam was still not constructed as at February 2014. On discussion with the farmer's son, it was</li> </ul>





Project and Cost	Approved Assistance	Project Objectives	Audit Observations
<b>DIS</b>  Project Year – 2011		security and employment. <ul style="list-style-type: none"> <li>• Increase milk production from small holder dairy farms.</li> <li>• Economically, the project was expected to achieve a net profit of \$13,059.30 and eventually increase to \$30,711.91 in third year.</li> </ul>	<p>revealed the initial site selected was unsuitable due to land slide.</p> <ul style="list-style-type: none"> <li>• Materials worth \$10,007 were procured from Vinod Patel. However, it could not be ascertained from our review of records if the materials were delivered in full to the farmer. The farmer did not maintain a copy of the delivery docket. However, he indicated that some materials were delivered but was not enough to complete the construction.</li> <li>• Justification or explanations were not documented by the Locality Officer for the incomplete dam construction or reasons materials were left with the farmer.</li> </ul>    <ul style="list-style-type: none"> <li>• The 5,200 litres water tank was not utilized at the farm. The tank was used for household consumption.</li> </ul>  <ul style="list-style-type: none"> <li>• No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Mati Brothers - \$13,358.74</b>	<ul style="list-style-type: none"> <li>• Fencing materials = \$5,996.21</li> </ul>	<ul style="list-style-type: none"> <li>• To improve calving percentage.</li> </ul>	<ul style="list-style-type: none"> <li>• Items supplied have not been utilised as at February 2014.</li> </ul>


Project and Cost	Approved Assistance	Project Objectives	Audit Observations
<b>FSP</b>  Project Year – 2012	<ul style="list-style-type: none"> <li>Stockyard materials = \$6,171.54</li> <li>Pasture Establishment = \$640.99</li> <li>Breeding Bull = \$550.</li> </ul>	<ul style="list-style-type: none"> <li>Save male calves for breeding fattening.</li> <li>Reduce calf mortality.</li> <li>Purchase of quality breeding bull.</li> <li>Establishment of improved pasture species.</li> <li>Enhance docility and growth of livestock (cattle).</li> <li>Establish 3 ha of pasture.</li> <li>Economically the project was expected to incur a net loss of \$3,424 in a first year and record a net profit of \$7,622 by the third year.</li> </ul>	<ul style="list-style-type: none"> <li>The chemical (glyphosate) was delivered but not used. </li> <li>10 coils of barb wires supplied were not used. </li> <li>The stockyard was not constructed although building materials have been delivered. Materials not properly stored. </li> <li>Fencing work was incomplete. The farmer explained that most pine posts supplied by Ministry were washed away during the flood in 2011.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Ratu Suliano Lomaca -</b>  <b>\$8,679.50</b>  Naseuvou Waimaro  <b>ISP</b>  Project Year 2010	<b>Project Paper has been misplaced.</b>	<b>Project Paper has been misplaced.</b>	<ul style="list-style-type: none"> <li>One of the farmers in the locality that was provided assistance under the Import Substitution Program.</li> <li>Audit noted that the construction of stockyard was incomplete as at March 2014, farm was not fenced, poor pasture establishment and there were no cattle seen in the farm.</li> </ul>

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			 <ul style="list-style-type: none"> <li>The farmer informed the audit team that his brother was in charge of the farm who resided in Suva.</li> <li>Project paper has been misplaced.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Ranjit Singh Dairy Farm - \$21,929.72</b>  <b>DIS</b>  Project Year - 2011	<ul style="list-style-type: none"> <li>Milking Machine = \$17,293.57.</li> <li>Shed materials = \$4,636.15</li> </ul>	<ul style="list-style-type: none"> <li>Generate economic activity for food security, income security and employment.</li> <li>Increase milk production from small holder dairy farms (250 liters to 275 liters per day milking twice)</li> <li>Improve standard and facilities at individual farm level.</li> <li>Economically the project was expected to generate a net profit of \$50,925 in a first year and increase to \$90,200 by the third year.</li> </ul>	<ul style="list-style-type: none"> <li>According to the Locality Officer<sup>73</sup>, the tender for the purchase of milking machine was not approved, thus not supplied to the farmer. However, no documentary evidence was filed or provided for audit verification to support the explanation provided by the Locality Officer.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Viakara Beef Project - \$11,443.75</b>  <b>FSP</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>30 coils barb wire (18 kg @ \$125/coil) = \$3,750.</li> <li>Pine posts (150 type 3 pine posts @ \$12.50/post) = \$1,875.</li> <li>20 kg u nail @ \$4.80/kg = \$96.</li> <li>Breeding stock = \$500.</li> <li>20 litres Glyphosate = \$175.85</li> <li>Stockyard (38 pine post [3m &amp; 1.8m], Timber 6x2</li> </ul>	<ul style="list-style-type: none"> <li>To improve calving percentage.</li> <li>Reduce calf mortality.</li> <li>Purchase of quality breed heifers for replacements.</li> <li>Renovation of 100 acres of Batiki blue grass.</li> <li>50 ha paddock fully fenced.</li> <li>Economically the project was expected to incur a net loss of \$6,744 in a first year and record a net profit</li> </ul>	<ul style="list-style-type: none"> <li>Stockyard was constructed, however, not maintained properly.</li> </ul>  <ul style="list-style-type: none"> <li>Poor pasture establishment.</li> </ul> 







Project and Cost	Approved Assistance	Project Objectives	Audit Observations
	(1746R/F), 15 kg 6" nail, 1 coil # 8 wire = \$5,046.90	of \$7,956 by the third year.	<ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared</li> </ul>
<b>Onesimo Beef Project - \$10,193.75</b>  <b>FSP</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>20 coils barb wire (18 kg @ \$125/coil) = \$2,500.</li> <li>Pine posts (150 type 3 pine posts @ \$12.50/post) = \$1,875.</li> <li>20 kg u nail @ \$4.80/kg = \$96.</li> <li>Breeding stock = \$500.</li> <li>20 litres Glyphosate = \$175.85</li> <li>Stockyard (38 pine post [3m &amp; 1.8m], Timber 6x2 (1746R/F), 15 kg 6" nail, 1 coil # 8 wire = \$5,046.90</li> </ul>	<ul style="list-style-type: none"> <li>To improve calving percentage.</li> <li>Reduce calf mortality.</li> <li>Purchase of quality breed heifers for replacements.</li> <li>Renovation of 100 acres of Batiki blue grass.</li> <li>50 ha paddock fully fenced.</li> <li>Economically the project was expected to incur a net loss of \$4,394 in a first year and record a net profit of \$7,920 by the third year.</li> </ul>	<ul style="list-style-type: none"> <li>The stockyard was constructed; however the stockyard area was not maintained properly.</li> </ul>  <ul style="list-style-type: none"> <li>Poor pasture establishment.</li> </ul>  <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Semi Ranuku - \$13,519.43</b>  <b>DIS</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>Digger works (800m &amp; 2mx1m drain) = \$12,075.</li> <li>Building materials = \$1,444.43</li> </ul>	<ul style="list-style-type: none"> <li>To increase average daily production from 3 to 4 litres per cow per day.</li> <li>Improve nutrition through establishment of improve pasture in the paddocks through vegetative farming.</li> <li>Grazing is controlled through proper fencing condition on existing paddocks.</li> <li>Proper drainage of the current paddocks and shed cleaning to maintain hygiene.</li> <li>Economically the project was expected to generate a net profit of \$6,961.50 in a first year and increase to \$12,340 by the third year.</li> </ul>	<ul style="list-style-type: none"> <li>No completion certificate issued/filed to evidence the digger works carried out at the farm which cost \$12,074.85.</li> <li>Poor pasture establishment. Paddock covered with weed and Navua surge grass. The drain not maintained properly, covered with overgrown grass.</li> <li>No evidence such as delivery docket to confirm the supply of the fencing materials (\$1,216.70).</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Tevita Vunitabua - \$18,355</b>	<ul style="list-style-type: none"> <li>Shed and water supply upgrading = \$16,050.</li> </ul>	<ul style="list-style-type: none"> <li>To increase the average daily production from 4 to 5</li> </ul>	<ul style="list-style-type: none"> <li>No documentary evidences such delivery dockets to evidence supply of the fencing materials (\$2,874.75).</li> </ul>

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
<b>DIS</b>  Project Year - 2011	<ul style="list-style-type: none"> <li>Fencing materials = \$2,305</li> </ul>	litres per cow per day. <ul style="list-style-type: none"> <li>Improve nutrition through establishment of improve pasture in the paddocks through vegetative farming.</li> <li>Upgrade of the current shed.</li> <li>Construction of a concrete water tank.</li> <li>Economically the project was expected to generate a net profit of \$2,487.50 in a first year and increase to \$6,732.50 by the third year</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>SERUA/NAMOSI</b>			
<b>Netbroz &amp; Vatuvula Beef Project</b> <b>\$34,062.95</b>  <b>FSP</b>  Project Year 2011	<ul style="list-style-type: none"> <li>Digger Works - \$17,812</li> <li>Fencing Materials - \$6,373.50</li> <li>Cattle Yard - \$5,758</li> <li>Chemicals and fertilisers - \$1,311.45</li> <li>Breeding Bull - \$1,000</li> <li>Culverts - \$1,808</li> </ul>	<ul style="list-style-type: none"> <li>Increase beef production</li> <li>Improved standard of living for the mataqali through employment opportunities.</li> <li>Source of genetic improved cattle in the locality.</li> <li>Increase in supply of beef to the local market outlets</li> </ul>	<ul style="list-style-type: none"> <li>The farm road construction was incomplete as at March 2014. The scope of digger works included; the supply of excavator, river hard fill gravel, trucks, drainage, cutting, filing, creation of unloading ramp, construction of the walkway, general formation of the road and cartage at the cost of \$17,000. However according to the farmer, the contractor failed to complete the road and spread the gravel thus the farmer was unable to use the track.</li> <li>Although the road was incomplete, audit noted that a completion certificate was issued by the Ministry.</li> <li>No documentary evidence such as delivery dockets were filed to confirm the supply of approved assistance to the farmer on fencing, fertiliser and cattle yard materials.</li> </ul>
<b>Tevita Nakalevu Beef Project</b> <b>\$8,384</b>	<ul style="list-style-type: none"> <li>Breeding Bull - \$1,000</li> <li>Fencing materials - \$7,384</li> </ul>	<ul style="list-style-type: none"> <li>Increase beef production</li> <li>400 acres of land to be utilised for cattle breeding</li> </ul>	<ul style="list-style-type: none"> <li>Audit noted no evidence of development or farming activities underway as at March 2014.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul> 



Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			

**Appendix 30.3: Anomalies from selected extension projects**

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
<b>TAILEVU SOUTH</b>			
<b>Naisoro Farming Group</b> <b>\$8,142.50</b>  <b>ROI</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>20 litres Gramozone = \$459</li> <li>20 litres Glyphosate = \$319</li> <li>Urea (6 bags x 40 kg) = \$534.50</li> <li>NPK (6 bags x 40 kg) = \$830</li> <li>Tractor hire (\$50/hr) = \$6,000.</li> </ul>	<ul style="list-style-type: none"> <li>To fully utilized their available land through planting of root crops such as dalo and cassava. This in which 4 acres of dalo, 4 acres of cassava and 2 acres of watermelon will be first cultivated within the first 4 years.</li> <li>To generate income for themselves and their families this can improve the education of their children and their living standard.</li> <li>The project was expected to generate net income for the group in a first year of \$23,372.60 and increase to \$39,472.60 from second year onwards.</li> <li>This would be a model farm for the Bau Tikina and nearby farmers who will come over to attend field visits.</li> </ul>	<ul style="list-style-type: none"> <li>No farming activities undertaken as at March 2014.</li> </ul>  <ul style="list-style-type: none"> <li>No documentary evidence such as delivery docket was filed to confirm the supply of approved assistance to the farmers.</li> <li>No completion certificate issued/filed for the tractor works.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Halawalu Farming Group</b> <b>\$32,510</b>  <b>ROI</b>  Project Year 2009	<ul style="list-style-type: none"> <li>Site clearing / digger works (150 hrs).</li> <li>47,000 dalo hybrid suckers.</li> <li>Paraquat (20 litres).</li> <li>Rambo – 20 litres.</li> <li>18 bags NPK – 40 kg bag.</li> <li>2 litres sunclopid</li> <li>2 litres malathion</li> <li>4 litres orthene</li> <li>Farm road gravelling = \$15,000.</li> </ul>	<ul style="list-style-type: none"> <li>To utilise the vacant Mataqali land for the cultivation of high value export crops.</li> <li>Fully develop 6ha of Dalo in the first year and increase to 12 ha for the next 2 years whilst planting assorted vegetables for quick turn-over for the farm.</li> <li>To provide consistent and quality farm produce for exporters, local municipal vendors in order to obtain a substantial return.</li> <li>To act as a model farm for farmers around the vicinity on root crops and vegetables.</li> <li>The project was expected to generate net income for the group in a first year of \$36,460 (6ha) and increase to \$110,320 by year 3 (12 ha)</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of dalo farming activity underway as at January 2014. The farm land was still undeveloped.</li> </ul>  <ul style="list-style-type: none"> <li>No completion certificate issued/filed to evidence digger works and gravelling of the farm road.</li> <li>No documentary evidence such as delivery dockets to confirm the supply of approved assistance to the farmer.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
<b>Vatunileba Youth Group</b> <b>\$7,442.70</b>  <b>ROI</b>  Project Year – 2008	<ul style="list-style-type: none"> <li>10 bags NPK =</li> <li>10 bags urea</li> <li>10 litres Glyphosate</li> <li>10 litres Paraquat</li> <li>2 litres turbo</li> <li>Vegetable seed – 3.16 kg</li> <li>1 M/P power tiller</li> <li>2 knapsack sprayer</li> <li>2 hectares tractor work</li> </ul>	<ul style="list-style-type: none"> <li>The development of 2.0 ha of underutilised land with improved dalo varieties with technology.</li> <li>Model the existing farming system with the introduction of improved package deal and it's cultural and management practices as an individual source of income.</li> <li>Transfer of improved dalo cultivation technologies that the local consumers prefer and exported demand.</li> <li>Use the model as a training venue for farmers in the area.</li> <li>The project was expected to generate net income for the group in a first year of \$6,075 and increase to \$13,248.80 by year 3.</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of farming activity underway as at January 2014.</li> <li>No documentary evidence such as delivery dockets filed to confirm the supply of approved assistance to the farmer.</li> <li>No completion certificate issued/filed for the tractor works.</li> </ul> 
<b>Sam Rabuku Farmers Group</b> <b>\$13,464.44</b>  <b>ROI</b>  Project Year – 2010	<ul style="list-style-type: none"> <li>20 litres agazone = \$528.14</li> <li>20 litres nutrizine flowable. = \$936.30</li> <li>240 hours digger work @ \$50/hr = \$12,000</li> </ul>	<ul style="list-style-type: none"> <li>This project addresses the utilizing of arable land in which the farmers are facing difficulties in developing this land. This will be utilised for dalo, cassava, ginger and other cash crops.</li> <li>More production of food security.</li> <li>Diversify into other cash crops to increase the income level.</li> <li>More than 100 farmers are expected to benefit which includes the neighbouring farmers within Namata and Bau area.</li> <li>The project was expected to generate the net income of \$37,556 in first year to \$99,113 from second year onwards.</li> </ul>	<ul style="list-style-type: none"> <li>Farm site was covered with overgrown grasses and bushes. No evidence of farming activities underway as at January 2014.</li> <li>No documentary evidence such as delivery dockets filed to confirm the supply of approved assistance to the farmer.</li> <li>No completion certificate issued to evidence satisfactory completion of digger works.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul> 
<b>Grace Green Garden</b> <b>\$28,714.39</b>  <b>ROI</b>  Project Year – 2010	<ul style="list-style-type: none"> <li>20 litres agazone = \$528.14</li> <li>20 litres glyphosate = \$347.50</li> <li>20 bags nutrazine flowable = \$624.20</li> <li>40 bags NKP = \$435.55</li> </ul>	<ul style="list-style-type: none"> <li>This project addresses the utilizing of arable land in which the farmers are facing difficulties in developing this land. This will be utilised for dalo, cassava, ginger and other cash crops.</li> <li>More production of food</li> </ul>	<ul style="list-style-type: none"> <li>Audit sighted the completion certificate of the first phase of digger works done in 2010 which cost \$10,000. It could not be ascertained if full digger works of 500 hours (\$25,000) was carried out. As at February 2014, there was no evidence of farming activities underway and</li> </ul>






Project and Cost	Approved Assistance	Project Objectives	Audit Observations
	<ul style="list-style-type: none"> <li>500 hours digger works = \$25,000</li> <li>1 Honda water pump = \$1,779</li> </ul>	<ul style="list-style-type: none"> <li>security.</li> <li>Diversify into other cash crops to increase the income level.</li> <li>More than 100 farmers are expected to benefit which includes the neighbouring farmers within Namata and Bau area.</li> <li>The project was expected to generate the net income of \$37,556 in first year to \$99,113 from second year onwards.</li> </ul>	<ul style="list-style-type: none"> <li>the farm site was covered with overgrown grasses.</li> <li>The Locality Officer explained that the farm is also managed by Sam Rabuku.</li> </ul>  <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Olive Farmers Group</b> <b>\$29,700.00</b>  <b>ROI</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>11 tonnes ginger seed = \$13,200</li> <li>330 hours of digger works @ \$50/hr = \$16,500</li> </ul>	<ul style="list-style-type: none"> <li>This project targets the rapid development of agricultural lands at Raralevu and neighbouring villages through production of demanded crops such as ginger and assorted vegetables.</li> <li>This project shall be implemented by the family members using the solesolevaki farmers approach.</li> <li>More production to cater for the local market, likewise increase their level of income.</li> <li>Diversify into other cash crops to increase the income level.</li> <li>More than 100 farmers are expected to benefit which includes the neighbouring farmers within Namata and Bau area.</li> <li>The project was expected to generate the net income of \$30,305 in first year to \$72,606 from second year onwards.</li> </ul>	<ul style="list-style-type: none"> <li>Olive Farmers Group consists of 11 farmers. There was no farming activities noted as at February 2014.</li> <li><u>Opetaiia Ravai's ginger farm:</u> The farm site was covered with overgrown grasses and bushes. According to the farmer, ginger farming was good in the first year until there was a dispute within the group.</li> </ul>  <ul style="list-style-type: none"> <li>Apart from the delivery dockets numbers to evidence supply of ginger seeds(604987- 7 tons ginger and 604990 – 0.7tons ginger),there were no other delivery dockets filed as evidence that full assistance was provided to the farmer.</li> <li>No completion certificate issued to evidence satisfactory completion of digger works.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Maciu Uluiviti's Farm</b> <b>\$22,462</b>  <b>ROI</b>  Project Year –	<ul style="list-style-type: none"> <li>7,000 Cassava cutting = \$700</li> <li>30,000 dalo suckers = \$3,000</li> <li>Vegetable seeds = \$301</li> </ul>	<ul style="list-style-type: none"> <li>To establish a viable cassava, dalo and vegetable based commercial farm at Dawakoto, Tikina of Nausori.</li> <li>The primary output of this project is to produce 4.8 tonnes of cassava, 8 tonnes</li> </ul>	<ul style="list-style-type: none"> <li>Farm still operating as subsistence farming as at February 2014 rather than semi or commercial level.</li> <li>Farm was managed by a relative while Maciu Uluiviti resided and employed in Suva.</li> </ul>

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
2009	<ul style="list-style-type: none"> <li>Watermelon seeds = \$80</li> <li>Fertilisers = \$ 2,654</li> <li>Digger hiring - \$45/hrs = \$13,454.</li> <li>1 Chainsaw = \$2,273.</li> </ul>	of cassava and 1.6 tonnes of vegetable and 2 tonnes of watermelon in the first phase. And 4.8 tonnes of cassava, 16 tonnes of dalo, 1.6 tonnes of vegetable and 2 tonnes of watermelon in the second phase.	<ul style="list-style-type: none"> <li>No evidence of vegetable and watermelon farming activities.</li> <li>Apart from delivery docket number 554054 for the supply of 3,000 dalo suckers, there were no other delivery dockets filed as evidence that full assistance was provided to the farmer.</li> <li>No completion certificate issued to evidence satisfactory completion of digger works.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Maumi Ginger Farmers</b> <b>\$25,497</b>  <b>ROI</b>  Project Year 2011	<ul style="list-style-type: none"> <li>Glyphosate – 50 liters = \$532.50</li> <li>Altrazine – 50 liters = \$600</li> <li>NPK – 50 bags = \$3,478</li> <li>Urea – 50 bags = \$3,036.50</li> <li>Poultry – 200 bags = \$600</li> <li>Digger works – 345hrs/hr = \$17,250</li> </ul>	<ul style="list-style-type: none"> <li>This project addresses the utilising of arable land in which the farmers are facing difficulties in developing it. This will be utilised for ginger, watermelon and other cash crops.</li> <li>More production to cater for the local market, likewise increase their level of income.</li> <li>More than 400 farmers are expected to benefit which include the neighbouring farmers within Namata, Dravo and Bau area.</li> <li>The project was expected to generate the net income of \$30,305.25 in first year to \$72,066 from second year onwards.</li> </ul>	<ul style="list-style-type: none"> <li>It could not be ascertained if full digger works of 345 hours (\$17,250) was carried out as there was no completion certificate filed to provide evidence.</li> <li>The group consist of 27 members. Although some farms that were visited continued to farm ginger, there were no progressive assessment of production and financial progress report being prepared to indicate monitoring of the project.</li> </ul>
<b>Nadave Training Centre (CATD)</b> <b>\$118,938.95</b>  <b>ROI</b>  Project Year – 2008	Drainage Work = \$7,850.50 <ul style="list-style-type: none"> <li>Storm / Collector drains (630m)</li> <li>Secondary drains (3 x 1125m)</li> <li>Seawall drains (800m)</li> <li>Farm drains (450m)</li> </ul> 500 m road = \$22,600.  Seawall construction (800m) = \$62,798.40  Floodgate construction = \$3,926.70  Culvert crossing =	<ul style="list-style-type: none"> <li>To provide a feasibility study on establishing an agriculture / aquaculture training farm at CATD.</li> <li>Increased in cropping and aquaculture enterprise.</li> <li>Training of CATD students in commercial farming remains to be the projects major justification. In addition, rural Fijian villagers would also have access to the CATD project to attend training courses in commercial farming and provide the initiative to further their own Agricultural Developments.</li> <li>Approximately 1.5 ha would be allocated to cassava, 0.5</li> </ul>	<ul style="list-style-type: none"> <li>The floodgate was not operational as at February 2014. The School Principal explained that it was in operation for only two years after construction. On the advice of the Land and Water Resource Management Unit, the school cleaned the floodgate however did not resolve the problem.</li> </ul> 






Project and Cost	Approved Assistance	Project Objectives	Audit Observations
	\$10,950.72  10% contingency costs = \$10,812.63	ha would be under dalo and 1 ha for assorted vegetables for the first five years of the project period.	<ul style="list-style-type: none"> <li>Due to the flood gate problem, the farm land could not be utilised for farming. The land was waterlogged and covered with overgrown grasses. The Locality Officer explained that the land is not suitable for farming due to the presence of salt water.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> <li>Payment voucher, contract agreement or Memorandum of Understanding to validate the actual cost incurred in the completion of the project were not provided for audit.</li> </ul>
<b>Island Express Company</b> <b>\$54,881.57</b>  <b>ROI</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>3 phase power 1(1,000k VA) = \$26,858.57</li> <li>Construction of packaging shed = \$28,023.00</li> </ul>	<ul style="list-style-type: none"> <li>More than 1,800 farmers are expected to benefit, which include farmers within the Tailevu South area and other parts of Fiji.</li> <li>Supply 4 container of fresh dalo per month to the New Zealand market.</li> <li>Also involved in the supply of frozen cassava, taro, rourou, bhindi.</li> <li>Diversify into other cash crops to meet the demand in the overseas market likewise to improve the income level.</li> </ul>	<ul style="list-style-type: none"> <li>Audit noted that the Ministry made an advance Payment of \$14,650 to National Energy Ltd for internal wiring. However, the contractor failed to carry out the work. Discussion with the owner of the company revealed that the 3 Phase Power was supposed to be constructed by the Ministry before wiring.</li> <li>The project site changed to a place beside the bus company operating in Wainibokasi where the FEA had already installed a 3 phase power for the company.</li> <li>Savings made in the installation of a 3 phase power was diverted towards the construction of a shed. Approval was not sought for the diversion of funds.</li> <li>The total assistance provided by the Ministry to Island Express Company amounted to \$68,286.04. There was no documentary evidence to indicate approval for additional assistance.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Nasautadra Farmers Group</b> <b>\$9,322.98</b>	<ul style="list-style-type: none"> <li>Digger works = \$5,500.</li> <li>Glyphosate = \$314.</li> <li>Urea = \$385.</li> </ul>	<ul style="list-style-type: none"> <li>This project targets the rapid development of agricultural lands at Kiuva and the neighbouring villages</li> </ul>	<ul style="list-style-type: none"> <li>There was no evidence of farming activities as at February 2014 although a piece of land was recently ploughed.</li> </ul>









Project and Cost	Approved Assistance	Project Objectives	Audit Observations
<b>ROI</b>  Project Year – 2012	<ul style="list-style-type: none"> <li>NPK = \$335.</li> <li>CO plough = \$510.</li> <li>CO coulter = \$175.</li> <li>BO plough = \$559.</li> <li>BO coulter = \$175.</li> <li>5" yokke with rim = \$129.</li> <li>Yoke pin pair = \$79.99</li> <li>Harrow chain = \$82.99</li> <li>12" bull chain = \$109.</li> <li>20 tynes harrow = \$521.</li> <li>Scarifier = \$448.</li> </ul>	<ul style="list-style-type: none"> <li>through the production of demanded crops such as watermelon and assorted vegetables.</li> <li>More production of food security with lots of selling locally and export market which increase level of income earned.</li> <li>More than 100 farmers are expected to benefit which includes the neighbouring farmers within the Bau area.</li> <li>The project was expected to produce 36 tonnes of watermelon for the first year with the income of \$43,200 and 60 tonnes of assorted vegetables with \$24,000 income.</li> </ul>	<ul style="list-style-type: none"> <li>The rest of the farm was covered with overgrown grass.</li> <li>No documentary evidence filed such as delivery docket to confirm the supply of full assistance to the farmer.</li> <li>No completion certificate issued to evidence satisfactory completion of digger works.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Burevou Farming Group \$8,142.50</b>  <b>ROI</b>  Project Year – 2010	<ul style="list-style-type: none"> <li>20 litres Gramazone = \$459.</li> <li>20 litres Glyphosate = \$319.</li> <li>10 bags urea = \$534.50</li> <li>10 bags NPK = \$830.</li> <li>120 hours of digger works = \$6,000.</li> </ul>	<ul style="list-style-type: none"> <li>To fully utilize available land through planting of root crops such as dalo and cassava. This in which 6 acres of dalo, 6 acres of cassava and 5.5 acres of vegetables will be first cultivated within the first 4 years.</li> <li>These will be a model farm for the Dravo Tikina and nearby farmers who will come over to attend field visits.</li> <li>The project was expected to generate the net income of \$23,372.60 in first year to \$39,472.60 from second year onwards.</li> </ul>	<ul style="list-style-type: none"> <li>Audit was informed by the Locality Officer that the farm was heavily involved in dalo, cassava and assorted vegetable farming in 2010. However, stopped farming following a dispute within the group.</li> <li>No farming activity undertaken as at February 2014.</li> </ul>  <ul style="list-style-type: none"> <li>No documentary evidence filed such as delivery docket to confirm delivery of approved assistance to the farmer.</li> <li>No completion certificate issued to evidence satisfactory completion of digger works.</li> </ul>
<b>Nakayawa Youth Group \$8,422</b>  <b>ROI</b>  Project Year – 2009	<ul style="list-style-type: none"> <li>20 litres Gramazone = \$240.</li> <li>20 litres Glyphosate = \$160.</li> <li>10 bags urea (40 kg) = \$600.</li> <li>10 bags NPK (40 kg) = \$830.</li> <li>120 hours of tractor</li> </ul>	<ul style="list-style-type: none"> <li>To fully utilize available land through planting of root crops such as dalo and cassava. This in which 6 acres of dalo, 6 acres of cassava and 5.5 acres of vegetables will be first cultivated within the first 4 years.</li> </ul>	<ul style="list-style-type: none"> <li>The farm was covered with overgrown grasses and bushes. No farming activity undertaken as at February 2014 as a result of differences within the group.</li> <li>No completion certificate issued to evidence satisfactory completion of tractor works.</li> </ul>

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
	hire = \$6,000. • 4 coils barb wire = \$592.	• These will be a model farm for the Nausori and nearby farmers who will come over to attend field visits. • The project was expected to generate the net income of \$23,372.60 in first year to \$39,472.60 in the third year onwards.	• No documentary evidence filed such as delivery docket to confirm supply of approved assistance to the farmer. 
<b>U2 Farming Enterprise</b> <b>\$6,000</b>  <b>ROI</b>  Project Year 2008	Land Clearing = \$4,000 Road Upgrading = \$2,000	• To fully develop the 3.77 ha of land with root crops and vegetables. • To produce and supply 45 tonne of roots and vegetables per year for the local and export market. • The project was expected to generate net income of \$31,260 in first year to \$114,302 in the third year onwards.	• A visit to the farm site in January 2014 revealed that the farm was operating well with approximately 5 acres of land planted with dalo.  • According to the farmer's detail contained in the Project Proposal which was prepared by the Locality Field Officer (Siliva Draniikamate), the farm belonged to a Salakabu Ledua of Lot 2, Nakatoka, Kuku, Tailevu. Salakabu Ledua was not at the farm on 22/01/14; however, audit obtained verbal confirmation from a Saimoni Waibuta, who was at the farm during the site visit that the farm belonged to his family. • There was no written confirmation or evidence filed to indicate any change of ownership from the information stated in the project proposal.
<b>NAITASIRI PROVINCE</b>			
<b>Viria Integrated</b> <b>= \$18,225.</b>  <b>ROI</b>  Project Year – 2011	• Land preparation - \$12,725. • Planting materials & agro inputs = \$5,500.	• The project proposal entails to establish a commercial farming venture through establishment of commercial production of root crops – dalo, cassava and assorted vegetables. • The project was expected to	• As at the date of site visit in February, the farmer was in Suva. Audit noted no evidence of farming activities as the farm site was covered with overgrown grasses and bushes. • No evidence of progressive



Project and Cost	Approved Assistance	Project Objectives	Audit Observations
		<p>generate the net income of \$24,275 in first year to \$54,850 in the third year.</p> <ul style="list-style-type: none"> <li>Improving on consistent supply, quality control and enhancing post-harvest handling techniques for export and domestic markets.</li> </ul>	<p>assessment of production and financial progress report being prepared.</p> <ul style="list-style-type: none"> <li>No completion certificate issued to evidence satisfactory completion of digger works.</li> </ul>
<p><b>Lomaivuna Ginger Farmers \$29,950.00</b></p> <p><b>ROI</b></p> <p>Project Year – 2011</p>	<ul style="list-style-type: none"> <li>Digger works (2.9 hectares) = \$26,350.</li> <li>Ginger seedlings (3 tonnes) = \$3,600.</li> </ul>	<ul style="list-style-type: none"> <li>To generate ginger farmer production in Lomaivuna. The project was expected to generate net profit of \$401,034 in the first year and increase to \$681,130 in the third year.</li> <li>Revive ginger production in Lomaivuna through a cultivation of 2.9 ha of land.</li> <li>Estimated production of 60 tonnes of ginger after 1<sup>st</sup> year of harvest.</li> </ul>	<ul style="list-style-type: none"> <li>According to the Locality Officer, assistance was provided to 8 sectors. 5 of the 8 sectors were continuing with ginger farming at subsistence and semi commercial level.</li> <li>Farm lands for the failed projects were overgrown with grasses and bushes as at March 2014:</li> <li>Samuela Ramatau – Sector 2 (Ginger Farming)</li> <li>Seremaia Bubului – Sector 3 - Ginger Farming )</li> <li>Sikeli Materua – Sector 4 (Ginger Farming )</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> <li>No documentary evidence filed such as delivery docket to confirm supply of all approved assistance to the farmer(s).</li> <li>No completion certificate issued to evidence satisfactory completion of digger works.</li> </ul>
<p><b>Gusuisavu Ginger Farmers Group 1 &amp; 2 \$50,684.40</b></p> <p><b>ROI</b></p> <p>Project Year – 2012</p>	Project paper could not be located.	Project paper could not be located.	<ul style="list-style-type: none"> <li>According to the Locality Officer, the funding of the project was approved in late 2012. Digger works was carried out towards the year end and early 2013</li> <li>Famers were planting ginger in small scale and with some farmers opted to plant cassava and dalo.</li> <li>A few farms visited during the audit indicated farming at subsistence level with a few group members were not progressing well;</li> </ul> <p>1. Site 1 – failed.</p>





Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			 <p>2. Site 2 – failed</p>  <p>3. Site Three – Still farming at subsistence level</p>  <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Navolivoli Ginger Farmers Project</b> <b>\$8,290.</b>  <b>ROI</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>Digger works (0.4 hectare) = \$5,000.</li> <li>Ginger seedlings (2 tonnes) = \$2,400.</li> <li>Poultry manure (100 bags) = \$300.</li> <li>NPK (10 bags) = \$450.</li> <li>Altrazine (4 litres) = \$140.</li> </ul>	<ul style="list-style-type: none"> <li>Utilizing vacant land for agriculture development.</li> <li>Improve the production of ginger for the secured export market.</li> <li>To produce high quality ginger to fulfil the export market demands.</li> <li>Boost on the enterprise financial status through income from ginger production.</li> <li>Primary output of the proposal is to cultivate 0.4 ha of land to plant ginger and increase to 1.2 ha by third year.</li> <li>The project was expected to generate net profit of \$1,070 in the first year and increase to \$16,910 in the third year.</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of ginger farming as at February 2014. Discussion with the “Turaga Ni Koro” revealed that only four farmers were currently planting ginger. Inaccessibility of market was given as a reason for farmers opting for other alternatives.</li> <li>A visit to the farm site revealed undeveloped farm land.</li> </ul>  

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			  <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> <li>No documentary evidence filed such as delivery docket to confirm supply of all approved assistance to the farmer.</li> <li>No completion certificate issued to evidence satisfactory completion of digger works.</li> </ul>
<b>Nasautu Farmers Group</b> <b>\$17,240.</b>  <b>ROI</b>  Project Year – 2010	<ul style="list-style-type: none"> <li>Digger works (3 acres) = \$15,000.</li> <li>Poultry manure (300 bags) = \$900.</li> <li>Urea (9 bags) = \$630.</li> <li>Atrazine (10 litres) = \$350.</li> <li>Round up (20 litres) = \$160.</li> <li>Paraquat (20 litres) = \$200.</li> </ul>	<ul style="list-style-type: none"> <li>Utilizing vacant land for agriculture development. 1.2 ha of land cultivated for ginger production.</li> <li>Boost in the ginger production for the export market.</li> <li>Improve the income earning capacity of the farmer through diversification.</li> <li>The project was expected to generate a net profit of \$42,560 in a first year and \$108,180 in the third year.</li> </ul>	<ul style="list-style-type: none"> <li>Most ginger farmers were operating at subsistence level and have diversified to plant cassava and dalo in the off season.</li> </ul>   



Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			 <ul style="list-style-type: none"> <li>According to the Agriculture Officer – Vunidawa, some farmers have relocated to other sites to plant ginger. These were not documented. Audit did not visit these farm sites due to geographical constraints, therefore could not confirm their existence.</li> <li>The group claimed to be doing well; however, there were no evidence of progressive assessments of production and financial progress reports prepared by the Agriculture Officer to support this claim.</li> <li>No documentary evidence filed such as delivery docket to confirm supply of all approved assistance to the farmer(s).</li> <li>No completion certificate issued to evidence satisfactory completion of digger works.</li> </ul>
<b>Qionimaravu Farmers Group</b> <b>\$8,290</b>  <b>ROI</b>  Project Year – 2011	<ul style="list-style-type: none"> <li>Digger works (0.4 hectare) = \$5,000.</li> <li>Ginger seedlings (0.2 tonnes) = \$2,400.</li> <li>Poultry manure (100 bags) = \$300.</li> <li>NPK (10 bags) = \$450.</li> <li>Atrazine (4 litres) = \$140.</li> </ul>	<ul style="list-style-type: none"> <li>Utilizing vacant land 0.4 ha for agriculture development and increase it to 1.2 ha in third year.</li> <li>Contributing for the high market demand for ginger.</li> <li>Increasing the earning capacity of the farmer to increase his livelihood.</li> <li>Boost in the ginger production for export.</li> <li>The project was expected to generate a net profit of \$5,270 in a first year and \$21,110 in the third year.</li> </ul>	<ul style="list-style-type: none"> <li>In January 2014, audit visited the site where digger works were carried out. There was no evidence of ginger farming activities undertaken as the farm land was covered with overgrown grasses.</li> <li>No completion certificate issued to evidence satisfactory completion of digger works.</li> <li>According to the Agriculture Officer (Extension - Vunidawa), the ginger farmers have relocated to other farm sites to plant ginger. The relocations of the farms have not been documented. Audit could not confirm the existence of these farms.</li> <li>Original farm site location.</li> </ul>









Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			 <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> <li>No documentary evidence filed such as delivery docket to confirm supply of all approved assistance to the farmer(s)..</li> </ul>
<b>Delakesa Dalo Farmers</b> <b>\$11,195.06</b>  <b>ROI</b>  Project Year – 2012	<ul style="list-style-type: none"> <li>Planting materials = \$1,330.44</li> <li>Fertiliser = \$7,450.48</li> <li>Glyphosate = \$104.35</li> <li>Sunclopid = \$349.57</li> <li>Overhead = \$1,960.22.</li> </ul>	<ul style="list-style-type: none"> <li>To establish a viable dalo based farm.</li> <li>To further develop 3 hectares dalo cultivation.</li> <li>The production of 30 mt dalo in the first year of the project.</li> <li>Increase in production and economic return of the farmer.</li> <li>Food security status is improved and more food available to the community.</li> <li>The project was expected to generate an income of \$11,738 in a first year and increase to \$35,214 in the fourth year.</li> </ul>	<ul style="list-style-type: none"> <li>Fertiliser supplied have not been utilised by the farmers.</li> </ul>  <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Nasole Farmers Group</b>	<b>Project paper has been misplaced.</b>	<b>Project paper has been misplaced.</b>	<ul style="list-style-type: none"> <li>Audit confirmed during the site visit in February 2014 that the group was assisted with a new tractor and farming implements sometimes in 2010.</li> </ul>

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			<ul style="list-style-type: none"> <li>The group had stopped farming following a dispute and the farmland has remained undeveloped since.</li> <li>Audit noted that the tractor and other farming implements were lying idle and not well maintained/stored.</li> </ul>    
<b>Mataivalu Farmers Group</b> <b>\$7,160</b>  <b>EPP</b>  Project Year – 2010	<ul style="list-style-type: none"> <li>18 acres of digger works = \$3,000.</li> <li>Cartage - \$400.</li> <li>NPK (4 bags) = \$360.</li> <li>Glyphosate (20 litres) = \$200.</li> <li>Paraquat (20 litres) = \$200.</li> <li>Dalo tops (5000) = \$1,000.</li> <li>Farm House materials = \$2,000.</li> </ul>	<ul style="list-style-type: none"> <li>To enhance the farmers develop their lease to obtain maximum commercial outputs.</li> <li>To assist the members learn and apply the best farming practices in order to consistently survive the vigorous competitive market of modern commercial farming.</li> <li>To contribute positively to the national development strategy in improving the agricultural industries.</li> <li>Erection of a farm house at</li> </ul>	<ul style="list-style-type: none"> <li>Audit was unable to visit the farm at the time of audit field work due to adverse weather condition. However, was informed by the Agriculture Officer that the farmer was no longer planting dalo and that there has been no development or farming activities undertaken.</li> <li>No documentary evidence filed such as delivery docket to confirm supply of all approved assistance to the farmer.</li> </ul>



Project and Cost	Approved Assistance	Project Objectives	Audit Observations
		<p>the site to provide 24/7 shelter for the workers, security and storage space.</p> <ul style="list-style-type: none"> <li>The project was expected to generate net income for the group in a first year of \$30,260 and increase to \$32,300 by year 3.</li> </ul>	
<b>REWA PROVINCE</b>			
<b>Navatulevu Development Project</b> <b>\$18,900</b> <b>EPP</b> Project Year 2010	Land Preparation (Digger) = \$14,000 Fertiliser = \$700 Weedicide = \$200 Planting Materials = \$3,000 Farmers Training = \$1,000	<ul style="list-style-type: none"> <li>Utilisation of resources by natives for agriculture development.</li> <li>Clearing 5ha of land with Mechanisation Work by Digger.</li> <li>Encourage landowners into commercial ventures.</li> <li>Use the farm as a model for training center around Suva Tikina.</li> <li>Improve standard of living of the targeted families in the project.</li> <li>The project was expected to generate a net profit of \$14,500 in a first year (5 ha) and \$36,750 in the third year (7ha).</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of any development or farming activities underway as at January 2014.</li> </ul>  <ul style="list-style-type: none"> <li>The farmer was a full time employee of the Fiji Corrections Department. There was no one to manage the farm.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Rainima Dalo Farm Project</b> <b>\$18,900</b> <b>EPP</b> Project Year 2010	<ul style="list-style-type: none"> <li>Land Preparation (Digger) = \$14,000</li> <li>Fertiliser = \$700</li> <li>Weedicide = \$200</li> <li>Planting Materials = \$3,000</li> <li>Farmers Trainig = \$1,000</li> </ul>	<ul style="list-style-type: none"> <li>Utilisation of resources (20ha land) by natives for agriculture development.</li> <li>Clearing 5ha of land with Mechanisation Work by Digger.</li> <li>Encourage landowners into commercial ventures.</li> <li>Use the farm as a model for training center around Suva Tikina.</li> <li>Improve standard of living of the targeted families in the project.</li> <li>The project was expected to generate a net profit of \$14,500 in a first year (5 ha) and \$36,750 in the third year</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of any development or farming activities underway as at January 2014.</li> </ul>  <ul style="list-style-type: none"> <li>No evidence of progressive</li> </ul>

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
		(7ha).	assessment of production and financial progress report being prepared.
<b>Waiqanake Farming Group</b> <b>\$17,400</b>  <b>EPP</b>  Project Year 2010	Land Preparation (Digger) = \$12,500 Fertiliser = \$700 Weedicide = \$200 Planting Materials = \$3,000 Framers Training = \$1,000	<ul style="list-style-type: none"> <li>Utilisation of resources by natives for agriculture development.</li> <li>Clearing 5ha of land with Mechanisation Work by Digger.</li> <li>Encourage landowners into commercial ventures.</li> <li>Use the farm as a model for training center around Suva Tikina.</li> <li>Improve standard of living of the targeted families in the project.</li> <li>The project was expected to generate a net profit of \$14,500 in a first year (5 ha) and \$36,750 in the third year (7ha).</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of any development or farming activities underway as at January 2014.</li> </ul>  <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>SERUA/NAMOSI</b>			
<b>Serua Ginger Farmers Group</b> <b>\$8,204</b>  <b>ROI</b>  Project Year 2011	<ul style="list-style-type: none"> <li>Ginger Materials - \$6,400</li> <li>NPK - \$864</li> <li>Urea - \$560</li> <li>Others - \$380</li> </ul>	<ul style="list-style-type: none"> <li>To increase ginger production from 27 metric tonnes to 40.5 metric tonnes in 2014.</li> <li>To fully utilise the arable land and assist farmers with ginger planting material to meet the increasing market demand.</li> <li>To have enough ginger planting material for the next cropping season.</li> <li>To diversify the existing root crop farming through planting ginger to meet the increasing local and overseas market demands.</li> <li>To produce and supply first grade quality ginger to Kaiming Agro processing Ltd at Naitata, Navua, for its Export and local processing.</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of any development or farming activities underway as at March 2014.</li> <li>The group blamed the poor ginger seed quality supplied by the Ministry. However, according the Locality Officer, the group failed to adhere to farming advice and best practices.</li> </ul>  
<b>Veivatuloa Ginger Farmers Group</b> <b>\$8,621</b>	<ul style="list-style-type: none"> <li>Ginger Planting Materials - \$6,400</li> <li>NPK - \$1,044</li> <li>Urea - \$632</li> <li>Altrazine - \$165</li> </ul>	<ul style="list-style-type: none"> <li>To increase ginger production from 40.5 metric tonnes to 54 metric tonnes in 2013.</li> <li>To fully utilise the arable</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of any development or farming activities underway as at March 2014.</li> <li>No evidence of progressive</li> </ul>

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
<b>ROI</b> Project Year 2011	<ul style="list-style-type: none"> <li>Others - \$380</li> </ul>	land and assist farmers with ginger planting material to meet the increasing market demand. <ul style="list-style-type: none"> <li>To have enough ginger planting material for the next cropping season.</li> <li>To diversify the existing root crop farming through planting ginger to meet the increasing local and overseas market demands.</li> <li>To produce and supply first grade quality ginger to Kaiming Agro processing Ltd at Naitata, Navua, for its Export and local processing.</li> </ul>	assessment of production and financial progress report being prepared. 
<b>Kovukovu Ginger Farmers Group</b> <b>\$8,544</b> <b>ROI</b> Project Year 2011	<ul style="list-style-type: none"> <li>Ginger Planting Materials - \$6,400</li> <li>NPK - \$864</li> <li>Land Preparation - \$900</li> <li>Others - \$380</li> </ul>	<ul style="list-style-type: none"> <li>To increase ginger production from 40.5 metric tonnes to 54 metric tonnes in 2014.</li> <li>To fully utilise the arable land and assist farmers with ginger planting material to meet the increasing market demand.</li> <li>To have enough ginger planting material for the next cropping season.</li> <li>To diversify the existing root crop farming through planting ginger to meet the increasing local and overseas market demands.</li> <li>To produce and supply first grade quality ginger to Kaiming Agro processing Ltd at Naitata, Navua, for its Export and local processing.</li> </ul>	<ul style="list-style-type: none"> <li>No evidence of any development or farming activities underway as at March 2014.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul> 
<b>Volavola's Vegetable Project</b> <b>\$20,200</b> <b>ROI</b> Project Year 2010	<ul style="list-style-type: none"> <li>4 x4 Tractor</li> <li>1 Disc Harrow</li> <li>1 Disc Plough</li> <li>1 Trailer</li> </ul>	<b>Project Paper has been misplaced.</b> According to the Locality Officer, there were 33 members in the Family Farming Cooperative. The cooperative targeted to utilise 2 acres per member with total of 66 acres to be utilised in the first year.	<ul style="list-style-type: none"> <li>No evidence of any development or farming activities underway as at March 2014.</li> </ul>  <ul style="list-style-type: none"> <li>The audit team was informed</li> </ul>

Project and Cost	Approved Assistance	Project Objectives	Audit Observations
			<p>by Volavola's daughter that the tractor together with the farming implements have been sold off by his father before he passed away.</p> <ul style="list-style-type: none"> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Namosi Farmers Group</b> <b>\$22,300</b>  <b>ROI</b>  Project Year 2010	<ul style="list-style-type: none"> <li>Diger Works (Land, Clearing and drainage) - \$10,000</li> <li>Tractor Works - \$4,000</li> <li>NPK - \$1,800</li> <li>Poultry Manure - \$3,500</li> <li>Paraquat - \$1,500</li> <li>Solo K/sprayer - \$1,500</li> </ul>	<ul style="list-style-type: none"> <li>Return currently unproductive land to dalo farming.</li> <li>Encourage landowners and farmers into commercial ventures.</li> <li>Use the farm as model farm for training center around Namosi Tikina.</li> <li>The project was expected to generate operating profit in first year of \$35,500 to \$50,750 in third year.</li> </ul>	<ul style="list-style-type: none"> <li>Following a discussion with the Locality Officer, it was revealed that there have been no farming activities undertaken and the farm site was still undeveloped. The farmers had stopped farming due to inaccessibility of market.</li> <li>No completion certificate filed to evidence satisfactory completion of digger and tractor works.</li> <li>No evidence of progressive assessment of production and financial progress report being prepared.</li> </ul>
<b>Veitacini Youth Group</b> <b>\$8,615</b>  <b>ROI</b>  Project Year 2009	<ul style="list-style-type: none"> <li>NPK 10 Bags</li> <li>Urea 10 Bags</li> <li>Grammaxone 4 x 20 liters</li> <li>Rounder 4 x 20 liters</li> <li>Tausala Suckers 10,000</li> <li>Chainsaw</li> <li>Knapsack Sprayer</li> </ul>	<b>Project paper has been misplaced.</b>	<ul style="list-style-type: none"> <li>Following a discussion with the Locality Officer, it was revealed that there have been no farming activities undertaken and the farm site was still undeveloped. The farmers had stopped farming due to inaccessibility of market.</li> <li>No documentary evidence filed such as delivery docket to provide evidence for the supply of the dalo suckers and fertilisers.</li> </ul>

## 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 2013 accounts of the Ministry of Lands and Mineral Resources resulted in an unqualified audit report.

## 31.2 Statement of Receipts and Expenditures

The Ministry collected revenue totalling \$15.2 million and incurred a total expenditure of \$21.2 million in 2013. Details are shown on Table 31.1 below.

**Table 31.1: Statement of receipts and expenditure for 2013**

Description	2013 (\$)	2012 (\$)
<b>REVENUE</b>		
Land and Property Rent	12,816,448	10,586,966
Rental for Quarters	370	1,337
Fees Charges, Fine & Penalties	715,575	629,460
Hire of Plants & Vehicles	1,586	5,376
License	71,877	88,705
Sale of Publications	1,423	90
Mining Fees	523,165	1,311,533
Chemical	11,823	11,772
Stamp Duty	243,197	186,986
Commission	4,244	1,567
Miscellaneous	813,878	1,207,628
<b>Total Revenue</b>	<b>15,203,586</b>	<b>14,031,420</b>
<b>EXPENDITURE</b>		
<b>Operating Expenditure</b>		
Established Staff	7,060,204	6,719,377
Government Wage Earners	854,201	799,210
Travel & Communication	495,603	402,851
Maintenance & Operations	7,885,794	4,393,006
Purchase of Goods & Services	1,159,126	843,707
Operating Grants & Transfers	32,100	31,651
Special Expenditures	136,150	123,715
<b>Total Operating Expenditure</b>	<b>17,623,178</b>	<b>13,313,517</b>
<b>Capital Expenditure</b>		
Capital Construction	1,488,848	2,212,247
Capital Purchases	237,915	307,909
Capital Grants and Transfers	429,593	2,169,825
<b>Total Capital Expenditure</b>	<b>2,156,356</b>	<b>4,689,981</b>
Value Added Tax	1,415,420	1,102,419
<b>Total Expenditure</b>	<b>21,194,954</b>	<b>19,105,917</b>

Total revenue increased by \$1.2 million or 8% in 2013 compared to the 2012 due to the vigorous measures implemented by the Ministry to collect revenue including arrears of revenue due to Government.

Total expenditure increased by \$2.1 million or 11% in 2013 compared to 2012 due to increases in maintenance and operations by \$3.5 million, however, this increase was cushioned by the decrease in capital grants and transfers by \$1.7 million.

## 31.3 Appropriation Statement

The Ministry incurred expenditure totalling \$21.2 million in 2013 against a revised budget of \$22.2 million resulting in a savings of \$1 million. The reduction in the budget resulted from a redeployment of \$4.3 million by the Ministry of Finance. Details of expenditure against the budget estimate are provided in Table 31.2.

**Table 31.2: Appropriation statement for 2013**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	7,376,586	(114,100)	7,262,486	7,060,204	202,282
2	Government Wage Earners	903,001	-	903,001	854,201	48,800
3	Travel & Communication	509,079	90,300	599,379	495,603	103,776
4	Maintenance & Operations	6,297,403	1,748,108	8,045,511	7,885,794	159,717
5	Purchase of Goods & Services	1,414,650	(163,054)	1,251,596	1,159,126	92,470
6	Operating Grants & Transfers	32,100	-	32,100	32,100	-
7	Special Expenditures	148,953	-	148,953	136,150	12,803
	<b>Total Operating Expenditure</b>	<b>16,681,772</b>	<b>1,561,254</b>	<b>18,243,026</b>	<b>17,623,178</b>	<b>619,848</b>
	<b>Capital Expenditure</b>					
8	Construction	2,685,000	(793,813)	1,891,187	1,488,848	402,339
9	Purchases	300,000	-	300,000	237,915	62,085
10	Grants and Transfers	5,200,000	(4,765,250)	434,750	429,593	5,157
	<b>Total Capital Expenditure</b>	<b>8,185,000</b>	<b>(5,559,063)</b>	<b>2,625,937</b>	<b>2,156,356</b>	<b>469,581</b>
13	Value Added Tax	1,703,300	(308,474)	1,394,826	1,415,420	(20,594)
	<b>TOTAL EXPENDITURE</b>	<b>26,570,072</b>	<b>(4,306,283)</b>	<b>22,263,789</b>	<b>21,194,954</b>	<b>1,068,835</b>

### 31.4 Statement of Losses

There was no loss of money, revenue and fixed assets recorded by the Ministry for the year ended 31 December 2013.

## PART B: AUDIT FINDINGS

### 31.5 Recording of Expenditure

All payments, including VAT, *must* be immediately recorded in the financial management information system (FMIS) and an Expenditure Ledger.<sup>1</sup>

The audit noted that the Ministry prepared its financial statements from the FMIS general ledger without reconciling to an Expenditure Ledger as there was none maintained by the Ministry.

In the absence of an Expenditure Ledger, there is also no other evidence to indicate that the expenditure accounts have been reconciled to the source documents to provide assurance that all payments incurred have been recorded in the General Ledger.

The issue has been included in the Auditor's Report as "Other Matter".

#### Recommendation

**The Ministry should comply with Section 15 of the Finance Instructions or provide evidence of regular reconciliation of expenditure accounts.**

#### Management Comment

*No comment received from the Ministry.*

<sup>1</sup> Section 15 – Finance Instruction 2010

### **31.6 Presentation of Trust Account Statement of Receipts and Payments**

One of the objectives of agency financial statements is to provide information that is useful to the Ministry in making economic decisions.

A review of the Trust Account Statement of Receipts and Payments submitted for audit revealed that the statement did not detail the types or nature of revenue received and expenditure paid from the trust accounts. Instead, it merely reflected the different trust fund accounts maintained by the Ministry with a summary of monthly cash inflows and outflows reflected as part of the notes to the financial statements.

The current presentation method limits the usefulness of the Trust Account financial statement in assisting the Ministry and other users in their decision-making process regarding the operations of the Trust Fund Accounts.

The issue was raised with the Ministry in the 2012 audit; however changes have yet to be seen in the presentation of the financial statements.

#### **Recommendations**

- **The Ministry should consider reflecting the nature or types of receipts and payments in the Trust Account Statement of Receipts and Payments.**
- **The Ministry should consider preparing separate Statements for each Trust Fund Account.**

#### **Management Comment**

*No comment received from the Ministry.*

### **31.7 Anomalies in Trust Fund Account (Main Trust Funds)**

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>2</sup>

Within 5 days after the end of each month, the Clerical Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.<sup>3</sup> The Accounts Officer shall certify and date the reconciliation statement after ensuring that all balances in the statement are verified to supporting documents.<sup>4</sup>

The Senior Account Officer must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.<sup>5</sup> If cheques remain in the un-presented cheque list for more than 3 months, the Senior Accounts Officer must attempt to locate the payees and have their cheques presented before they become stale. The Senior Accounts Officer shall review the un-presented cheque list and determine whether a replacement cheque should be issued for cheques that are stale.<sup>6</sup>

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<sup>2</sup> Finance Instruction 2010 s58(3)

<sup>3</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 s15.4.1

<sup>4</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 s15.4.3

<sup>5</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 s7.4.11

<sup>6</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 s7.5.1 – 7.5.2



The Ministry maintains three Main Trust Fund Accounts with separate bank accounts for each Department. The Main Trust Fund Accounts are as follows:

- Lands
- Minerals – Mining Trust
- Minerals – Non-mining Trust

A review of the Main Trust Fund Account and related records revealed un-reconciled variances between the Ministry's records and the FMIS general ledger, which the Ministry could not explain or provide supporting documents to substantiate the variances. In addition, there were also irregularities noted in the cash at bank records. The anomalies are discussed below:

- Variances were noted when recalculating receipts and payments balances as shown on Table 31.3.

**Table 31.3: Variance in receipts and payments – Department of Lands**

Trust Fund Account	Audit Recalculation (\$)	Department (\$)	Variance (\$)	Comments
Receipts - December	4,051,507	4,045,932	5,575	Receipts No. 263460 - 263462 were not included in the revenue for December, although the amounts have been lodged to the bank as evidenced by the bank stamp on the Bank Lodgement Form.
Payments	673,419	676,466	3,047	Payments under the Statement of Trust Account for the Department of Mineral Resource were overstated in the months of February and December.

- The opening and closing balances of the reconciliation statement did not correspond with the balances reflected in the FMIS general ledger. Refer to Table 31.4 below for details.

**Table 31.4: Variance in trust fund account - Consolidated**

Account	Reconciliation Statement (\$)	FMIS General Ledger (\$)	Variance (\$)
Opening Balance	4,805,913.84	4,815,193.78	9,279.94
Closing Balance	5,956,862.67	5,835,068.60	121,794.07

- There was un-reconciled variance of \$31,878 between the closing balance of the audited Trust Account Statement for year ended 2012 and the opening balance for 2013 as reflected in the FMIS general ledger. Refer to Table 31.5 below for details.

**Table 31.5: Un-reconciled variance - Consolidated**

Account	Amount (\$)
Closing Balance – Trust Account Statement as at 31/12/12	4,783,316.00
Opening Balance – FMIS general ledger as at 1/1/13	4,815,193.78
<b>Variance</b>	<b>31,878</b>

- A total of \$6,900.85 were receipted during the year and deposited into the trust fund bank account for the Department of Lands. These receipts, however, were not included in the bank statements

although the bank lodgement forms had been stamped by the bank. Refer to Table 31.6 below for details.

**Table 31.6: Details of lodgement not yet credited – Department of Lands**

Receipt No.	Particulars	Receipt Date	Bank Stamp Date	Amount (\$)
263301	Lorima Bulitanitani	06/05/13	06/05/13	2,238.60
263302	Asali Rokotuiwakaya	06/05/13	06/05/13	500.25
263307	Dividamu Gravel Supply	27/05/13	27/05/13	437.00
263143	Mohd Hazzan	17/09/13	17/09/13	275.00
263412	Levuka Town Council	07/10/13	07/10/13	3,450.00
<b>Total</b>				<b>6,900.85</b>

- Cheques that were marked as void in the cheque register report (AP470 report) extracted from the FMIS appeared as presented cheques in the bank statement. Refer to Table 31.7 below for details.

**Table 31.7: Details of voided cheques – Department of Lands**

Cheque No.	Date Presented	Amount (\$)
311	07/03/13	411.00
313	07/03/13	137.00
315	15/03/13	30,000.00
316	26/03/13	10,125.00
317	19/03/13	56,250.00
318	18/03/13	9,750.00
319	19/03/13	8,250.00
320	18/03/13	7,500.00
357	22/05/13	2,195.00
<b>Total</b>		<b>124,618.00</b>

- Cheques presented and recorded in the bank statement were not captured in the cheque register (AP470 report). Refer to Table 31.8 below for details.

**Table 31.8: Presented cheques not recorded in cheque register - Department of Lands**

Cheque No.	Date Presented	Amount (\$)
495	27/09/13	6,065.00
502	14/10/13	12,172.69
601	17/12/13	16,905.00
602	17/12/13	212.75
606	13/12/13	5,252.45
<b>Total</b>		<b>40,607.89</b>

- A total of \$42,692.89 was directly credited to the Trust Fund bank account for the Department of Lands as shown in the bank statement; however, this amount was not receipted or shown as receipt in Trust Account statement of Receipts and Payments.
- Cheque No. 456 of \$600 which was appearing in the un-presented cheque listing for the Department of Lands was not recorded in the cheque register.

- Un-presented cheques as at 31 December 2013 totalled \$211,397. Of this amount, a total of \$76,927 was for stale cheques. Refer to Table 31.9 for details.

**Table 31.9: Stale cheques – Department of Lands**

<b>Cheque No.</b>	<b>Date</b>	<b>Amount (\$)</b>
11	2012	75
14	2012	420
242	2012	125
250	2012	300
293	11/01/13	27
367	16/05/13	22,500
368	16/05/13	34,500
369	16/05/13	18,750
398	12/06/13	230
<b>Total</b>		<b>76,927</b>

According to the Ministry, voided cheques in the bank statement, the presented cheques not in the cheque register and direct credit into the trust fund bank accounts relate to operating revenue received through the trust fund account before being paid into the consolidated fund account. This was done to cater for the direct payments of land leases, which are operating revenue, made to the Department's bank account for Trust Funds. However, it was also noted that the Ministry did not maintain a record of all payments received through the trust fund bank account so as to reconcile the amounts paid to the consolidated fund account.

The practice defeats the purpose of opening a separate bank account for trust monies which are required to be kept separate from the operating fund account of Government.

The above could also be the contributing factor to variances noted in the Trust Fund Accounts and other related records.

### **Recommendations**

#### **The Ministry should:**

- ensure that reconciliation is carried out correctly and that variances between the trust account reconciliation statements, cashbook and the FMIS general ledger are rectified;
- liaise with the relevant bank to resolve lodgements not yet credited to the Department's bank account;
- clarify with evidence and with the concurrence of the Ministry of Finance the reasons voided cheques were not reflected in bank statements;
- clarify with evidence and with the concurrence of the Ministry of Finance the reasons presented cheques were not included in the cheque register report;
- liaise with the Ministry of Finance on other appropriate ways to account for direct payments of leases made through bank transfers;
- reconcile operating revenues receipted through trust fund bank account to transfers made to consolidated funds; and
- improve management of un-presented cheques by complying with Section 7 of the Finance Manual.

### **Management comment**

*No comment received from the Ministry.*

### 31.8 Variances in Drawings Accounts

The Senior Accounts Officer shall certify all financial reports that must be submitted to the Ministry of Finance. These reports include:

- weekly & monthly cash flow forecasts;
- monthly drawings reconciliation statements;
- monthly expenditure & commitment reports;
- revolving fund, inter-departmental clearance and cash clearance reports;
- quarterly TMA performance reports;
- quarterly overdue debt reports;
- quarterly write-off reports; and
- quarterly vehicle reports.<sup>7</sup>

The audit noted that the closing balances of the Ministry's reconciliation statements did not correspond to the balances reflected in the FMIS general ledger. Refer to Table 31.10 below for details.

**Table 31.10: Variances in reconciliation statements and general ledger**

Department	Description	Reconciliation Statement (\$)	FMIS General Ledger (\$)	Variance (\$)
Mineral Resources	Drawings	120,541.06	132,305.77	11,764.71
Lands Department	Drawings	303,979.60	329,179.97	25,200.37

In addition, the Drawings Account reconciliation statement for the Department of Lands showed that cheques totalling \$793,057 were issued; however, these were not reflected in the FMIS general ledger. Expenditures may be understated by the same amount. Refer to Table 31.11 below for details.

**Table 31.11: Cheques issued but not recorded in FMIS general ledger**

Date	Payee	Amount (\$)
18/04/2013	I-Taukei Land Trust	44,468.95
18/04/2013	I-Taukei Land Trust	199,068.53
19/04/2013	I-Taukei Land Trust	426,037.61
19/04/2013	Telecom Fiji Ltd	3,995.01
24/04/2013	Josefa Vuniamatana	63.00
29/04/2013	Tanoa Waterfront Hotel	135.00
29/04/2013	Faiyaz Ali Service	1,086.00
29/04/2013	FIRCA	116,265.74
29/04/2013	Wing Lee Ltd	127.00
29/04/2013	Laisenia Kidianaceva	405.00
29/04/2013	Apisai Vulawalu	90.00
29/04/2013	Aliposo Tomasi	1,000.00
29/04/2013	Charles Ryland	45.00
29/04/2013	Mika Kavetani	270.00
<b>Total</b>		<b>793,056.84</b>

The Department of Lands did not perform monthly reconciliations for the Drawings Account. There was one reconciliation statement prepared for the months of February to June 2013.

<sup>7</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 s17.3.1

Delay in performing reconciliations contributed to the variances noted above. Performing reconciliation of accounts is ineffective if variances noted in the FMIS general ledger and other books of accounts are not investigated and rectified.

### **Recommendations**

- **The Ministry should investigate the variances noted above and ascertain the proper accounting treatment to rectify the variances between the reconciliation statements and the FMIS general ledger.**
- **The Ministry should ensure that monthly reconciliations are carried out properly and accurately.**
- **Cheques issued but not reflected in the FMIS general ledger should be investigated and adjustments made to the general ledger, where necessary.**

### **Management Comment**

*No comment received from the Ministry.*

## **31.9 Reconciliations of Other Underline Accounts**

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.<sup>8</sup>

Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>9</sup>

A ledger reconciliation statement shall be signed and dated by the Accounts Officer.<sup>10</sup>

The ledger reconciliation statement shall be forwarded to the Senior Accounts Officer. The Senior Accounts Officer must ensure that:

- (i) all balances are accurate and adequately supported; and
- (ii) any misallocations or outstanding balances from the previous month have been dealt with.<sup>11</sup>

The Senior Accounts Officer shall certify and date the reconciliation. If required by the Ministry of Finance, the reconciliation statement shall be forwarded to them by the date specified by the Ministry.<sup>12</sup>

The audit noted the following anomalies from the review of other Underline Accounts and related records:

- The Department of Mineral Resources did not provide certified copies of the underline accounts (Operating Trust Fund, Revolving Fund, Inter-departmental Clearance Account) reconciliation statements. Statements that have not been certified raise concerns on the accuracy and timeliness of the reconciliations. This is an internal control issue that exist in the Ministry.

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<sup>8</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 s16.3.1

<sup>9</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 s16.3.4

<sup>10</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 s16.3.5

<sup>11</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 s16.3.6

<sup>12</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 s16.3.7

- Reconciliation of the Operating Trust Fund Account and Interdepartmental Clearance Accounts for the Department of Lands were not performed on time. Failure to perform accounts reconciliations on time is a breach of the Finance Instructions and Manual which can allow material misstatements to be undetected for a period of time contributing to un-reconciled variances and errors in the financial statements. Refer to Table 31.12 for details.

**Table 31.12: Certification dates for reconciliation statements**

Month	Interdepartmental Clearance Account	Operating Trust Account
January	27/02/13	18/03/13
February	11/04/13	21/08/13
March	12/04/13	26/08/13
April	07/06/13	26/08/13
May	11/06/13	10/09/13
June	17/07/13	12/09/13
July	29/08/13	18/09/13
August	12/09/13	15/11/13
September	24/10/13	18/11/13
October	22/11/13	27/01/13
November	17/12/13	05/02/14
December	05/02/14	05/03/14

- The Operating Trust Fund Account for the Department of Lands had a balance of \$1,269,158 as at 31 December 2013. The Ministry was unable to provide the details of deductions held under the account.
- Included in the Operating Trust Fund reconciliation statement for the Department of Lands is a balance of \$10,713. The amount relate to *Allocation 1-33101-33999-899988* of the FMIS general ledger which is a Main Trust Fund Account under Fund 9. The details of this balance were not provided during the audit.

The untimeliness of performing reconciliations will delay the identification of errors that may need to be adjusted and other anomalies or items that may require further investigation.

### **Recommendations**

- **The Ministry should ensure that reconciliation of all underline accounts are performed monthly, properly checked and approved on time.**
- **The Ministry should comply with the procedures relating to the preparation of reconciliation statements as stated in the Finance Manual to strengthen the reconciliation process.**

### **Management Comment**

*No comment received from the Ministry.*

## **31.10 Accounts Receivable**

An account receivable generally arises after a sale of goods or services where payment is not immediately received. It is important to have in place stringent credit policy and debt recovery procedures to counter the risk of losses from irrecoverable debts.<sup>13</sup>

<sup>13</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 Part 9

A register of debtors shall be maintained to record details of people or organizations that have been approved to buy goods or services on credit from the agency.<sup>14</sup> The credit officer shall record the following information in the register:

- i. Name of debtor and address;
- ii. Date credit extended and name of credit officer approving credit;
- iii. Description of goods or services to be supplied on credit;
- iv. Credit terms extended; and
- v. Details of overdue amounts and recovery action taken.<sup>15</sup>

The credit officer must ensure that the register is kept undated.<sup>16</sup>

The Department of Lands was not able to provide for audit the details of Accounts Receivable totaling \$954,816 as reflected in the FMIS general ledger.

A high Accounts Receivable balance could imply that the revenue receipting process in the Accounts Receivable module of the FMIS is incomplete as the Department is required to create the debtors account in the FMIS general ledger and receipt revenue in the same instance. This may have resulted in an overstated Accounts Receivable balance as at 31 December 2013.

### **Recommendation**

**The Accounts Receivable Register should be maintained, kept up to date, and regularly reconciled to the FMIS general ledger.**

### **Management Comment**

*No comment received from the Ministry.*

## **31.11 Arrears of Revenue**

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

- no further credit shall be extended to the debtor;
- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than a month;
- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within 14 days.<sup>17</sup>

If a final notice had been issued to one of the debtors listed, the Principal Accounts Officer may approve the case to be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implication and the probability of recovery.<sup>18</sup>

The audit noted that the recovery of arrears of revenue have been slow as the balances over the past five years have been increasing. The arrears of revenue for Department of Lands as at 31/12/13 totalled \$25.2 million, an increase of \$7.2 million or 40% since 2010. Refer to Table 31.13 and Figure 31.1 or details.

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<sup>14</sup> Ministry of lands & Mineral Resources Finance Manual 2011 s9.1.2

<sup>15</sup> Ministry of lands & Mineral Resources Finance Manual 2011 s9.1.3

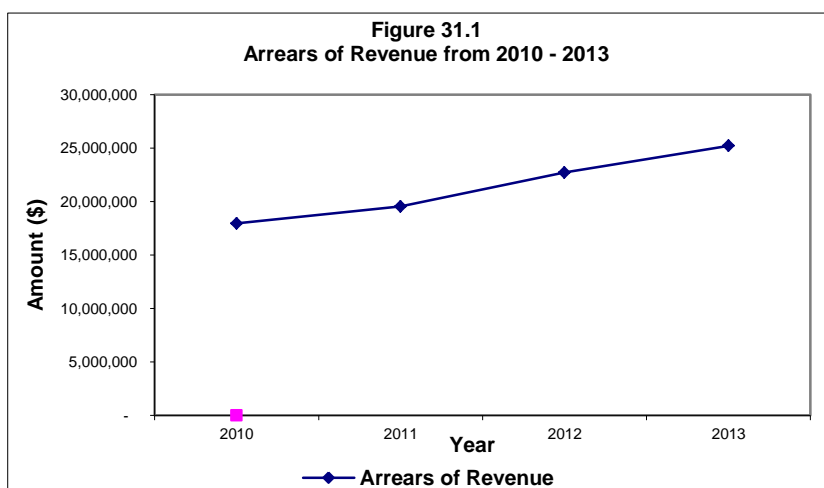
<sup>16</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 s9.1.4

<sup>17</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 s9.2.1

<sup>18</sup> Ministry of Lands & Mineral Resources Finance Manual 2011 s9.2.4

**Table 31.13: Arrears of revenue**

Year	Balance (\$)
2010	17,970,765
2011	19,561,844
2012	22,729,013
2013	25,228,981



Although a Taskforce Unit was established in 2008 to enforce collection of land rent, arrears of revenue continue to increase.

The major component of the arrears is from Crown Lease totalling \$24.7 million or 98%. In addition, 24% of the Crown Lease arrears have been outstanding for over 5 years and 29% between 2 to 5 years.

**Table 31.14: Details of arrears of revenue**

Arrears of Revenue	Amount (\$)
Valuers Registration Arrears	35,856.41
Surveyor Registration Arrears	26,813.75
Narere Barracks Arrears	60,020.00
Taxi Base Arrears	40,699.77
Premium Arrears	282,990.19
Crown Lease Arrears	24,782,601.16
<b>Total</b>	<b>\$25,228,981.28</b>

There is potential risk of not recovering crown lease arrears if left outstanding for too long.

### **Recommendations**

**It is recommended that the Ministry:**

- take appropriate steps to vigorously follow-up for recovery long outstanding debts;
- follow up the outstanding debts in accordance with the debt recovery procedures prescribed in the Ministry's Finance Manual; and
- review the effectiveness of the Taskforce Unit that was established to enforce the collection of land rent.

### **Management Comment**

*No comment received from the Ministry.*



### 31.12 Authority to Collect Revenue

Where officers are authorized to collect revenue (revenue collectors) the Permanent Secretary must provide them with a letter of appointment as evidence of authority. The letter of appointment shall include a copy of the procedures in the manual that are applicable to them.<sup>19</sup>

One copy of the signed letter should be retained by the Revenue Collector (Revenue Clerk) and the other copy filed by the Senior Accounts Officer.<sup>20</sup>

The Ministry collects substantial revenue annually. The audit noted that some Revenue Collectors have not been formally appointed. There was no evidence to indicate that they have been properly authorised by the Permanent Secretary through letters of appointment. Refer to Table 31.15 for details.

**Table 31.15: Officers collecting revenue without authority letters**

EDP No.	Name	Position	Department
60662	Rajnish Prasad	Acting Senior Accounts Officer	Lands – Headquarters
63851	Vono Mafoa	Acting Senior Accounts Officer	Lands – Headquarters
90368	Jiofiliti Vakacegu	Acting Accounts Officer	Lands – Raojibhai Patel Street
93022	Inoke Vuakaca	Clerical Officer	Lands - Northern
92055	Kerosini Matasau	Acting Assistant Accounts Officer	Lands – Western
49799	Seleima Logamoce	Clerical Officer	Lands – Western

By allowing certain Officers to collect revenue without proper authorisation through issuance of appointment letter, the Ministry has breached its Finance Manual.

There is a risk that the above irregularity may result in misappropriation and theft of cash.

#### **Recommendations**

**The Ministry should ensure that:**

- revenue collectors are issued with appointment letters endorsed by the Permanent Secretary;
- only authorised Officers are entitled to collect revenue; and
- all revenue collection authority letters are filed properly and made available for audit review.

#### **Management Comment**

*No comment received from the Ministry.*

### 31.13 Adjustments to FMIS General Ledger

In the exercise of his duties, the Auditor-General may call upon any officer for any explanation and information he may require or may authorise any officer on his behalf to conduct any enquiry, examination or audit<sup>21</sup>.

<sup>19</sup> Ministry of Lands and Mineral Resources Finance Manual s5.1.1

<sup>20</sup> Ministry of Lands and Mineral Resources Finance Manual s5.1.2

<sup>21</sup> Audit Act 7 (1) (a) & (b)

Adjustments totalling \$882,752 were made by the Ministry of Finance to write-off balances in the FMIS general ledger under the Ministry of Lands. These balances have been brought forward from previous years. Refer to Table 31.16 below for details:

**Table 31.16: Details of adjustments made by Ministry of Finance**

Allocation	Account	Amount (\$)
1-33301-79101-570101	Prepaid Expenses	19,792.65
1-33301-79102-570301	Advances	83,882.52
1-33301-79101-530301	Drawings	(1,288,586.48)
1-33101-33101-861521	312 PD Scared Heart CU	101.00
1-33301-79102-570302	Dishonoured Cheques	309,833.89
1-33401-33999-861202	241 PD CMLA	(27.32)
1-33401-33999-861204	244 PD-LICI	(19.75)
1-33401-33999-861532	YYY PD Public Employee Union	(5.00)
1-33401-33999-861901	201 PD Tax Arrears / PAYE	(10,505.83)
1-33401-33999-861920	501 PD Employees FNPF	(7,053.56)
9-33201-33066-910102	Mining Trust Fund	16,922.33
9-33201-33067-910102	APP Surp & Defct – Current Year	(7,086.66)
<b>Total</b>		<b>(882,752.21)</b>

The audit could not substantiate the adjustments as they were made without any supporting documents.

### **Recommendation**

**Adjustments made to the FMIS general ledger should be adequately supported with relevant documentations.**

### **Management Comment**

*No comment received from the Ministry.*

## **31.14 Salary Reconciliation Not Prepared On Time**

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.<sup>22</sup>

The salary reconciliation must reconcile the difference between the previous fortnight payroll report and the current report, and must be prepared prior to each pay date.<sup>23</sup> The salary reconciliation shall be signed by the Accounts Officer and forwarded to the Manager Finance or Senior Accounts Officer with a copy to the Ministry of Finance fortnightly.<sup>24</sup>

The audit noted that salary reconciliations were not performed fortnightly prior to each pay date nor were the statements sent to the Ministry of Finance within one week from the pay date as required. Although the 26 salary reconciliations statements were prepared for 2013, the reconciliations were performed and statements prepared very late which would have made it difficult for the Ministry to detect and act upon any payroll discrepancy in a timely manner.

<sup>22</sup> Ministry of Lands and Mineral Resources Finance Manual s4

<sup>23</sup> Ministry of Lands and Mineral Resources Finance Manual s4.6.4

<sup>24</sup> Ministry of Lands and Mineral Resources Finance Manual s4.6.5

Refer to Table 31.17 below for the details of the salary reconciliations prepared in 2013.

**Table 31.17: Salary reconciliation statements prepared in 2013**

Pay No.	Date Reconciliation Prepared and Signed
01 – 08 (January - March)	04/06/13
09 – 14 (April – June)	09/08/13
15 – 24 (July – September)	03/12/13
25 – 26 (October – December)	15/01/14

Salaries and wages reconciliation is an important internal control mechanism and absence of such reconciliations process may result in the Ministry failing to detect, on a timely basis, possible irregularities in the payment of salaries and wages.

### **Recommendation**

**The Ministry should ensure that regular payroll (salaries/wages) reconciliations are performed on a fortnightly/weekly basis and that the reconciliation statements are thoroughly checked by the Principle Accounts Officer to minimise or avoid incorrect payments of salaries and wages.**

### **Management Comment**

*No comment received from the Ministry.*

## **31.15 Incorrect Payments 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>25</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>26</sup>

Where it becomes necessary to hold, cease or reverse an employee's salary, the Assistant Accounts Officer (Salaries) must immediately advise the Ministry of Finance in writing.<sup>27</sup>

The audit of payroll revealed numerous instances of incorrect payments of salaries in 2013 that the Ministry failed to resolve on a timely basis. Refer to Table 31.18 below for details.

**Table 31.18: Sample of over/underpayment of salaries in 2013**

Employee	Department	EDP No.	Amount (\$)	Remarks
David Chang	Lands	46311	24.08	Underpayment
William Singh	Lands	46430	168.64	Underpayment
Intaz Hussein	Lands	58440	1,323.41	Overpayment
Apisai Vulawaqa	Lands	61012	211.96	Underpayment
Josefa Vuniamatana	Lands	61117	148.30	Underpayment

<sup>25</sup> General Orders 2011 Section 401

<sup>26</sup> Finance Instructions 2010 Section 17(1)

<sup>27</sup> Ministry of Lands and Mineral Resources Finance Manual s4.10.1

Employee	Department	EDP No.	Amount (\$)	Remarks
Sanjesh Kumar	Lands	64481	339.03	Overpayment
Sammer Ali	Lands	60385	57.48	Underpayment
Maselina Robinson	Lands	62019	223.29	Underpayment
Jone Vuki Cavu	Lands	49287	321.13	Underpayment
Thomas Fesau	Lands	47797	76.75	Underpayment
William Cesar	Lands	64501	36.93	Underpayment
Alena Mocolutu	Lands	00916	413.42	Underpayment
Kavita Prasad	Lands	63393	111.62	Underpayment
Peni Cuqu	Lands	48115	101.34	Underpayment
Tevita Ligani	Lands	93425	1,553.60	Underpayment
Mereoni Buatoka	Lands	46442	1,876.26	Underpayment
Ilaisa Dredregasa	Lands	18839	1,876.38	Underpayment
Oliver Thoman	Lands	14415	104.72	Underpayment
Paserio Samisoni	Lands	17487	3,055.92	Underpayment
Ilaitia Navunisaravi	Lands	17470	2,665.78	Underpayment
Filipe Rokovasa	Lands	16145	1,068.07	Underpayment
Rakesh Prasad	Lands	59154	239.16	Overpayment
Salata Sivo	Lands	60174	368.44	Overpayment
Peniasi Nakautoga	Lands	41159	1,075.39	Overpayment
Mohinash Narayan	Lands	91810	4,225.91	Underpayment
Aman Sundar	Lands	90642	587.91	Overpayment
Semi Bolalailai	Mineral Resources	91305	123.79	Underpayment
Akata Takala	Mineral Resources	46435	223.93	Underpayment
Apete Soro	Mineral Resources	63188	500.54	Overpayment
Joseva W Raika	Mineral Resources	60394	47.19	Overpayment
Josevata Turaga	Mineral Resources	92005	67.87	Underpayment
Epeli Bola	Mineral Resources	63478	580.99	Overpayment
Elena Bola	Mineral Resources	92718	32.29	Underpayment

The incorrect payments of salaries that were not detected during the year resulted from ineffectiveness of the salary reconciliation process. It also indicated that supervisory controls have not been effectively implemented to ensure that changes in payroll are regularly monitored.

### **Recommendations**

#### **The Ministry should**

- **implement an effective and efficient communication process between the Personnel and Payroll Sections to ensure that changes in payroll are processed on time to minimize or avoid incorrect payments of salaries;**
- **take appropriate action on the incorrect payments of salaries as highlighted on Table 31.18; and**
- **salary reconciliations should be performed on a fortnightly basis and thoroughly reviewed by the Principal Accounts Officer.**

### **Management Comment**

*No comment received from the Ministry.*

### 31.16 Overpayment – Government Wage Earners

The timecards and timesheets shall be checked for accuracy and signed by the supervising officer for wage employees before transferring to the Wages Section for processing payment.<sup>28</sup> Wages shall be paid on a weekly basis and computed by multiplying the hours an employee has worked in a week by the hourly rate of pay.<sup>29</sup> The pay increase for the General Civil Servants including the Government Wage Earners will be paid to all eligible Officers and employees with effect from 01/01/2013. The pay increase shall not be backdated.<sup>30</sup>

The audit of payroll records revealed that some Government Wage Earners were paid at rates which differed from their approved wage rates. Refer to Table 31.19 below for details.

**Table 31.19: Overstated wage rate**

Name	Positions	FNPF No.	Approved Rates (\$)	Rate Paid (\$)	Variances (\$)	Remarks
Peni Serevi	Driver	QA338	4.33	4.36	0.03	Overpaid per hour
Epeli Semani	Chainman II	QS559	4.37	4.39	0.02	Overpaid per hour
Rebecca Lockington	Messenger	PY785	4.22	4.26	0.04	Overpaid per hour
Livai Karuru	Chainman II	TE604	4.37	4.39	0.02	Overpaid per hour
Manoa Rokovalu	Driver	VJ150	4.33	4.36	0.03	Overpaid per hour
Vilomena Vakalevulevu	Messenger	PR745	4.22	4.26	0.04	Overpaid per hour
Filimoni N Musuka	Driver	OP907	4.33	4.36	0.03	Overpaid per hour
Milika Galovuki	Messenger	VU502	4.22	4.26	0.04	Overpaid per hour

The above indicated the lack of supervisory checks on wages records including reconciliation statements to ensure that payments to employees are within the approved rates. Overpayment of wages could result in over-expenditure in the Government Wage Earners (GWE) budget allocation.

#### Recommendations

**The Ministry should:**

- immediately make necessary adjustments to the respective officers' wage rates so that they are paid in accordance with the approved rates; and
- take appropriate action on the incorrect payments of wages as highlighted on Table 31.19.

#### Management Comment

*No comment received from the Ministry.*

### 31.17 State Land Schedule A and B Lands (SSA/B)

Pursuant to Decree Nos. 14 and 15 of 2000, the ownership, management and administration of all Crown Lands (State land) Schedule 'A' and 'B' (SSA/AAB) will be transferred to the Native Land Trust Board.<sup>31</sup>

<sup>28</sup> Ministry of Lands and Mineral Resources Finance Manual 2011- Processing of Wages Payment – 4.14.3

<sup>29</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 - Processing of Wages Payment – 4.14.4

<sup>30</sup> PSC Circular Number 87/2012

<sup>31</sup> Government Gazette No. 73 of 2000

All contracts, agreements, conveyance, deeds, leases, licences and other instruments or undertakings which-

- (a) were entered into by, or made with and addressed to the Director of Lands (whether alone or with any other person);
- (b) were in force at the commencement of this Decree; and
- (c) relate to land allotted or dealt with under section 19(1) of the principal Act before the commencement of this Decree, are on or after that date, to the extent that they were at any time before that date binding upon or enforceable by or against the Director of Lands, binding and enforceable by or against the Board as fully and effectively as if, instead of the Director of Lands the Board had been a party to them or bound by them or entitled to the benefit of them.<sup>32</sup>

The audit noted the following from the review of the SSA/B files:

### **31.17.1 Transmission of leases from State to Native Land**

The Ministry was still in the process of transferring the ownership, management and administration of all crown lands Schedule A and B to the *i-Taukei Land Trust Board*<sup>33</sup> as at August 2014. The audit could not really determine the exact status of the project as there were limited documentation on the progress and status of the project provided for audit.

From unconfirmed information and explanations provided during the audit, a total of 512 files have been transferred to Native Land since 2000. The Ministry of Lands have also transmitted some SSA/SSB land; however, no record of the number transmitted was maintained.

According to the Fiji Land Information System (FLIS), there were a total of 3,343 leases on SSA/SSB land. However, from physical count by the SSA/SSB project team on the number of actual files, there was a variance of 638 files between the two records.

The delay in the transmission of leases has been attributed to lack of resources as some officers with the project team formed in 2002 have been moved to other areas of work within the Ministry.

### **Recommendations**

- The Ministry should ensure compliance with Decree No. 14 - Native Land Trust Act (Amendment) Decree 2000 and Decree No. 15 - Native Land Act (Amendment) Decree 2000.
- The status and progress of the project should be properly documented.

### **Management Comment**

*No comment received from the Ministry.*

### **31.17.2 Rent and Rent Arrears on SSA/SSAB Land**

- According to information provided during the audit<sup>34</sup>, total rental arrears for SSA/SSB leases totalled \$1,170,508.72 as at the date of audit<sup>35</sup>. However, the figure provided may not be definite as the Project Team was still verifying all State land Schedule A and B lease files. The audit also noted that the above figure was not reflected in the Arrears of Revenue of the Ministry as these accounts have been closed following Cabinet Gazette No. 73 of 01/12/00.

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<sup>32</sup> Decree No.14 of 2000 – Native Land Trust Act Amendment Decree 2000 s6(1)

<sup>33</sup> Previously known as Native Lands Trust Board

<sup>34</sup> Information provided by the IT Section

<sup>35</sup> 04/08/14

- Rent arrears were not recovered prior to the transfer of Schedule A and B lease. Refer to Table 31.20 for examples.

**Table 31.20: Examples of rent arrears not recovered prior to transfer of files**

File Reference	Amount Outstanding as at 31/12/2000	Period Outstanding
4/1/2236	355.10	Arrears since 1988
4/1/955	471.81	Arrears since 1993
4/1/791	100.00	Arrears for 2000
4/11/625	101.20	Arrears for 2000
4/9/3524	497.13	Arrears for 2000
4/9/3894	525.72	Arrears since 1997
4/14/2144	35.62	Arrears for 2000
4/9/3448A	1,021.02	Arrears from 1999

- Lessees' continue to make rental payments to the Ministry after the effective date of Decrees Nos. 14 & 15 of 2000. However, the audit noted that the Ministry has reimbursed iTLTB without settling the lessee's rental arrears prior to the effective date of the Decrees. According to the Project team, these payments to iTLTB should be made after subtracting the rental owed by the lessee up to the date the Decrees came into effect. Refer to Table 31.21 for examples.

**Table 31.21: Examples of rental overpaid to iTLTB**

File Reference	Total receipt after 31/12/00 (\$)	Arrears as at 31/12/00 (\$)	Amount to be refunded to iTLTB (\$)	Refunds made as per Lessee's Statement (\$)	2000 Lease rentals arrears paid to iTLTB (\$)
4/1/2236	721.25	355.10	366.15	500.48	134.33
4/1/1145	1,668.15	-	1,668.15	2,279.26	611.11
4/1/955	1,017.50	471.81	545.69	951.50	405.81
4/1/791	312.00	100.00	212.00	312.00	100.00

- Payments were made to iTLTB for lessees' who continue to make rental payments to the Ministry after 31/12/00. The audit noted that the Ministry had incorrectly calculated amounts to be paid to iTLTB. This occurred as the lessees had made advance payments to the Ministry at the end of 2000. Refer to Table 31.22 for examples.

**Table 31.22: Examples of underpayment to iTLTB**

File Reference	Total Payment To Be Made (\$)	Payment Made (\$)	Short-Payment to iTLTB (\$)
4/14/2034	332.50	255.50	77.00
4/14/2036	220.00	165.00	55.00
4/11/625	1,076.00	1,038.80	37.20

- Rent payments made by the lessees were not captured in the lessee's Statement of Account. Refer to the following for examples:
  - Pershuram (File No. LD 4/9/1468) settled his arrears of \$585 on 25/04/14 (Receipt No. 544079). Subsequent review revealed that the above payment has not been reflected in the lessee's Statement of Account.

- Babu Lal (File No. LD 4/9/2765A) had arrears of \$48.50 as at 31/12/00. The lessee later made a payment of \$280. However, the Ministry in a letter dated 06/03/14 notified the lessee that as at 31/12/00 he had arrears of \$231.50, which the lessee settled (Receipt No. 544016) on 09/04/14. This payment of \$231.50 was not reflected in the lessee's Statement of Account.
- The Ministry received rental payments of \$99,450 for Lease File No. LD 4/7/3319 after 31/12/2000. The Ministry paid this amount to iTLTB (Cheque No. 1757) on 07/11/05 and was receipted by iTLTB (Receipt No. 156348) on the same date. The audit noted that this refund was not reflected in the lessee's account. However, the audit further noted a refund of \$79,200 dated 28/05/04 was already reflected in the lessee's Statement of Account. The audit was not able to confirm as to whom this refund was made to due to insufficiency of information maintained by the Ministry.
- In addition, the following crown lease files could not be located by the Registry Clerk at Raojibhai Patel:
  - ✓ 4/16/2423
  - ✓ 4/16/5752
  - ✓ 4/10/1302
  - ✓ 4/16/7730
  - ✓ 4/16/1230

The above indicated that proper documentation and records were not maintained by the Ministry and that the Statement of Accounts could not be relied upon as transactions were not being updated.

Failure to recover rent arrears prior to 31/12/2000 have resulted in loss of revenue to the Government.

### **Recommendations**

#### **The Ministry should:**

- ensure that all the SSA/B Lands files are successfully transferred to iTLTB;
- sort legal advice on the treatment of lease arrears prior to 2000;
- liaise with iTLTB and/or lessee to recover all rental arrears owed as at 31/12/00;
- correctly calculate rent owed to iTLTB and refund them accordingly;
- ensure that rental payments receipted by the Ministry should be properly accounted for and reflected in the lessees' Statement of Accounts;
- confirm to whom the refund of \$79,200 was made to for LD 4/7/3319; and
- further investigate the cases highlighted above and take corrective actions where necessary.

### **Management Comment**

*No receipt received from the Ministry.*

## **31.18 Journal Vouchers Not Approved**

Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts.<sup>36</sup> Only the Senior Accounts Officer or Accounts Officer shall approve journal adjustments.<sup>37</sup> The Senior Accounts Officer or Accounts Officer must check that:

<sup>36</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 Section 16.1.1

<sup>37</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 Section 16.1.2



- i. all relevant details are included on the voucher;
- ii. balances are adequately supported;
- iii. the correct accounts have been debited or credited.<sup>38</sup>

The audit noted a significant breakdown in the internal control system relating to adjusting entries in the FMIS general ledger. Journal vouchers used to effect adjustments in the general ledger during the year were not approved by the Senior Accounts Officer or Principal Accounts Officer. This was a recurring issue with the Ministry. From a sample tested, journal vouchers posted without proper approval amounted to \$167,981.

Refer Table 31.23 for examples.

**Table 31.23: Sample Journal Vouchers not Approved**

Date	Journal Voucher Number	Amount (\$)	Department	Comments
02/04/13	38/03/13	7,245.71	Mineral Resources	Adjustment of misposting
13/06/13	115/06/13	23,977.52	Mineral Resources	Reversal of charges incorrectly incurred.
03/09/13	184/09/13	1,020.00	Mineral Resources	Clearance of accountable advance
02/09/13	181/08/13	1,101.48	Mineral Resources	Adjustment of misposting
31/10/13	218/10/13	13,278.50	Mineral Resources	Adjustment of misposting
31/10/13	217/10/13	21,628.64	Mineral Resources	Adjustment of misposting
06/11/13	219/11/13	8,304.60	Mineral Resources	Clear of IDC indent charges
18/12/13	259/12/13	51,543.95	Mineral Resources	IDC clearance of indent
02/01/14	269/12/13	4,395.00	Mineral Resources	Adjustment of misposting
10/01/14	80/12/13	20,194.00	Lands	Adjustment for overspent allocation for administration
10/01/14	79/12/13	15,292.00	Lands	Adjustment for overspent allocation for administration
<b>Total</b>		<b>167,981.40</b>		

The finding indicated that the journal vouchers were not always reviewed by the Senior/Principal Accounts Officer before processing of the adjustments in the FMIS general ledger. This increases the risk of unauthorized or fraudulent transactions passed in the general ledger, which can result in the incorrect financial reporting.

### **Recommendations**

- All journal vouchers should be reviewed and properly approved by the Senior Accounts officer before posting to the FMIS general ledger.
- The Senior Accounts Officer should be held accountable for not reviewing journal vouchers before they are posted to the FMIS general ledger.

### **Management Comment**

*No comment received from the Ministry.*

<sup>38</sup> PWD Finance Manual 2011 s16.1.4

### 31.19 Anomalies in the Procurement and Payment Processes

Any procurement of goods, services or works shall be issued so as to promote the following principles

-

- (a) value for money;
- (b) maximise economy and efficiency and the ethical use of Government resources;
- (c) promote open and fair competition amongst suppliers and contractors;
- (d) promote the integrity of, fairness and public confidence in the procurement process; and
- (e) achieve accountability and transparency in the procedures relating to procurement.<sup>39</sup>

A minimum of three competitive quotes must be obtained for the procurement of goods, services or works valued at \$1,000 and more but \$50,000 and less.<sup>40</sup>

The Accounts Clerk preparing a payment voucher must ensure that all information required under Finance Instruction 14-(1) has been included on the payment voucher or attached to it, before passing it to the Senior Accounts Officer or Accounts Officer for certification.<sup>41</sup>

The Senior Accounts Officer or Accounts Officer must not certify a payment as correct unless they are satisfied that:

- i. It is in accordance with the LPO, indent, contract, invoice or other authorization;
- ii. There is documentation that the goods, services or works have been received;
- iii. Sufficient uncommitted funds are available for payment of the account;
- iv. The account is not fraudulent and has not been previously paid;
- v. The expenditure account it is charged to is correct.<sup>42</sup>

From the review of expenditure records, the audit noted numerous breaches of procurement and payments procedures and other basic internal controls resulting in non-compliance with the finance instructions and the procurement regulations of Government. The breaches include the following:

- Competitive quotations were not obtained for purchases of goods and service.
- Payments were processed without adequate supporting documents.
- Purchase orders were raised and approved after invoices had been received.
- From a sample selected for audit, payment voucher totalling \$264,097 have been misplaced.

Refer to Tables 31.24 to 31.27 below for examples.

**Table 31.24: Competitive quotations not obtained**

Date	Cheque No.	Payee	Particulars	Amount (\$)
10/9/2013	55583	Golden Point Backpacker Resort	Payment for accommodation	7,800.00
10/9/2013	55585	Sandlewood Lodge	Payment for accommodation	6,076.60
16/5/2013	54052	Industrial Safety & Civil Limited	Purchase of protective clothing	12,399.99
17/7/2013	54930	Viniana Tukana	Catering services	1,200.00
12/9/2013	55598	Asco Motors	Purchase of 8 motor cycles	25,200.00
<b>Total</b>				<b>52,676.59</b>

<sup>39</sup> Procurement Regulation 2010 s3

<sup>40</sup> Procurement Amendments Regulations 2012 s4 (a)

<sup>41</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 s2.8.3

<sup>42</sup> Ministry of Lands and Mineral Resources Finance Manual 2011 s2.8.4

**Table 31.25: Examples of payments not adequately supported – Department of Lands**

Date	Cheque No.	Payee	Particulars	Amount (\$)	Remarks
29/08/13	55438	Novotel Hotels	Payment for the Pacific Symposium to be held in Novotel.	18,000.00	Purchase Order number 79101-002521 was not endorsed for approval by the Permanent Secretary.
16/05/13	54052	Industrial Safety & Civil Ltd	Purchase of protective clothing	12,399.99	Purchase was for 40 sets of protective clothing but only 20 names were provided. No explanation provided by the Ministry on the extra 20 sets.
06/11/13	432	Budget Car & Truck Rental	Hire of rentals	34,197.02	Purchase order raised for \$26,160 when it should have been \$23,080. Ministry invoiced for \$24,905.09 and paid the same. Hence excess payment of \$1,825.09. Purchase Order number 79601-00519 of \$5,000 could not be located but invoice attached.

**Table 31.26: Retrospective approvals**

Department	Date	Cheque No.	Amount (\$)	Payee	Particulars	Remarks
Mineral Resources	12/08/13	26900	3,967.50	Active Media Publications Ltd	Printing of mining journals volume	Invoice dated 08/05/13 but Purchase order was raised later on 12/08/13.
Mineral Resources	11/01/13	25275	3,450.00	Active Media Publications Ltd	Double page full color advertisement in the 3 <sup>rd</sup> quarter of Fiji's Mining Journal	Invoice dated 08/01/13 but Purchase Order dated 11/01/13.

**Table 31.27: Missing payment vouchers**

Department	Cheque No.	Amount (\$)
Lands	346	161,250.00
Lands	55426	7,699.74
Minerals	25847	8,063.33
Minerals	79*	1,520.41

\*Electronic Fund Transfer

Deviating from established internal control procedures for procurement and payments increases the risk of loss of public funds through uneconomical procurements and mismanagement of funds.

### **Recommendations**

- The Ministry should ensure that it complies with finance instructions and procurement regulations of government. Any deviation should be properly justified, authorized and supported with documentary evidence.
- Officers that have been given authority to approve purchases should be held accountable for their decisions.
- The Ministry needs to encourage increased ownership and accountability for purchasing decisions and non-compliance with the procurement policies should be reported to Senior Management for necessary actions.

- **The internal control procedures in the Accounts Section, especially the supervisory checks should be strengthened to minimize or avoid such discrepancies.**

**Management Comment**

*No comment received from the Ministry.*

## Section 32

## Ministry of Fisheries and Forests

### Role and Responsibility

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

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

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## PART A: FINANCIAL STATEMENTS

### 32.1 Audit Opinion

The audit of the 2013 accounts of the Ministry of Fisheries and Forests resulted in the issue of a qualified audit report. The qualifications are as follows.

- Included in the Trading and Manufacturing Account (TMA) Balance Sheet are TMA Surplus Capital Retained of \$208,434, TMA Accumulated Surplus of (\$51,529), Accounts Receivable of \$5,745 and Deposits and Deductions of (\$12,610). The audit was not able to verify the amounts as the Ministry did not provide appropriate audit evidences to support the balances and to ascertain the accuracy and completeness of the Trading and Manufacturing Accounts as at 31 December 2013.

- Included in the TMA Balance Sheet is Cash at Bank of \$109,356. There are un-reconciled variances of \$2,987 and \$19,988 respectively between the bank statement, cash book and FMIS general ledger. Accordingly, the audit was unable to ascertain the accuracy and completeness of the TMA Cash at bank balance as at 31 December 2013.
- Included in the TMA Trading Account is Cost of Manufactured Goods of \$117,640. The audit was unable to ascertain the accuracy and completeness of the amount as the Ministry did not provide sufficient audit evidence to substantiate the balance for the year ended 31 December 2013.
- There is an un-reconciled variance of (\$591,855) in the Trust Fund cash at bank balance between the bank reconciliation and FMIS general ledger. Consequently, the audit was not able to ascertain the accuracy and completeness of the Trust Account Statement of Receipts and Payments for the year ended 31 December 2013.

Management attention was also drawn to the following matters:

- Section 15 of the Finance Instructions 2010 requires all payments to be recorded in the financial management information system (FMIS) and an Expenditure Ledger. The Ministry prepared its financial statements from the FMIS without reconciling to an Expenditure Ledger as there was none maintained by the Ministry.
- In accordance with the basis of accounting, approved budget carry-over of \$180,704 to 2014 was not reflected in the Ministry's Appropriation Statement.

## 32.2 Statement of Receipts and Expenditure

The Ministry of Fisheries and Forests collected total revenue of \$1.2 million and incurred a total expenditure of \$16.4 million in 2013. Details are shown in Table 32.1 below.

**Table 32.1: Statement of Receipts and Payments**

Description	2013 (\$)	2012 (\$)
Native timber measurement	675,552	869,943
Vessel registration	9,367	13,181
Management fees	58,562	351,973
License fishing	98,782	336,770
Sale of fish and ice	256,914	236,189
Miscellaneous revenue	143,604	125,526
<b>TOTAL REVENUE</b>	<b>1,242,781</b>	<b>1,933,582</b>
Established staff	5,416,813	4,934,719
Government wage earners	1,544,468	1,469,374
Travel & communication	535,073	353,444
Maintenance & operations	2,092,295	1,994,188
Purchase of goods & services	909,281	745,113
Operating grants & transfers	398,363	398,107
Special expenditures	336,135	722,893
<b>Total Operating Expenditure</b>	<b>11,232,428</b>	<b>10,617,838</b>
Capital construction	4,011,113	3,341,018
<b>Total Capital Expenditure</b>	<b>4,011,113</b>	<b>3,341,018</b>
Value added tax	1,168,773	1,052,317
<b>TOTAL EXPENDITURE</b>	<b>16,412,314</b>	<b>15,011,173</b>

Total revenue declined by \$690,801 or 36% in 2013 compared to 2012 due to substantial reduction in revenue from native timber measurement, management fees and fishing license fees. The reduction

was a result of reduced overall macro-economic development activities in the Fisheries and Forestry sector in 2013.

Total expenditure increased by \$1.4 million or 9% in 2013 and mainly due to an increase in capital expenditure for projects such as the establishment of the Multi Species Hatchery in Ra.

### 32.3 Appropriation Statement

The Ministry incurred a total expenditure of \$16.4 million against the revised budget of \$16.5 million resulting in savings of \$0.1 million. Cabinet Decision No. 373 provided the authority for the redeployment of funds totalling \$40,855 for the Republic of the Fiji Military Forces Golan Heights Tour. Details of expenditure against the budget estimates are provided in Table 32.2 below.

**Table 32.2: Appropriation Statement**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	5,765,202	(336,704)	5,428,498	5,416,813	11,685
2	Government wage earner	1,304,883	237,103	1,541,986	1,544,468	(2,482)
3	Travel and communications	443,114	108,669	551,783	535,073	16,710
4	Maintenance & operations	2,108,408	17,076	2,125,484	2,092,295	33,189
5	Purchase of goods & services	881,293	43,238	924,531	909,281	15,250
6	Operating grants & transfers	469,400	(71,037)	398,363	398,363	-
7	Special expenditures	380,000	(3,979)	376,021	336,135	39,886
	<b>Total Operating Expenditure</b>	<b>11,352,300</b>	<b>(5,634)</b>	<b>11,346,666</b>	<b>11,232,428</b>	<b>114,238</b>
8	Capital construction	4,050,000	(29,892)	4,020,108	4,011,113	8,995
	<b>Total Capital Expenditure</b>	<b>4,050,000</b>	<b>(29,892)</b>	<b>4,020,108</b>	<b>4,011,113</b>	<b>8,995</b>
13	Value added tax	1,179,400	(5,329)	1,174,071	1,168,773	5,298
	<b>Total Expenditure</b>	<b>16,581,700</b>	<b>(40,855)</b>	<b>16,540,845</b>	<b>16,412,314</b>	<b>128,531</b>

### 32.4 Trading and Manufacturing Account

Various issues related to the audit of the Trading and Manufacturing Account is discussed in Sections 32.7 to 32.9.

**Table 32.3: Manufacturing Account**

Description	2013 (\$)	2012 (\$)
Opening raw material	16,900	24,810
Add: Purchases	-	-
Less: Closing raw material	19,069	16,900
<b>Raw material used</b>	<b>(2,169)</b>	<b>7,910</b>
Direct Cost	(3,536)	-
Add: Direct labour	123,345	119,483
<b>Cost of manufacturing goods transferred to trading account</b>	<b>117,640</b>	<b>127,393</b>

**Table 32.4: Trading Account**

Description	2013 (\$)	2012 (\$)
Sales	144,326	89,408
Opening stock of finished goods	5,294	10,370
Add: Cost of manufactured goods	117,640	127,393

Description	2013 (\$)	2012 (\$)
	<b>122,934</b>	<b>137,763</b>
Less: Closing stock of finished goods	10,125	5,294
<b>Cost of finished goods sold</b>	<b>112,809</b>	<b>132,469</b>
<b>Gross Profit/(Loss)</b>	<b>31,517</b>	<b>(43,061)</b>

**Table 32.5: Profit and Loss Statement**

Description	2013 (\$)	2012 (\$)
Gross Profit/(Loss) transferred from Trading Account	31,517	(43,061)
<b>Total Income</b>	<b>31,517</b>	<b>(43,061)</b>
Maintenance & operation	40,069	60,526
Special fees and charges	56	22
VAT	-	2,944
<b>Total Expenses</b>	<b>40,125</b>	<b>63,492</b>
<b>Net Loss</b>	<b>(8,608)</b>	<b>(106,553)</b>

**Table 32.6: Balance Sheet**

Description	2013 (\$)	2012 (\$)
TMA surplus capital retained to CFA	208,434	153,501
TMA accumulated surplus	(51,529)	(35,919)
<b>Total Equity</b>	<b>156,905</b>	<b>117,582</b>
Cash	109,356	80,711
Raw materials	19,069	16,900
Accounts receivable	5,745	5,060
Finished goods	10,125	8,758
<b>Total Assets</b>	<b>144,295</b>	<b>111,429</b>
Deposits and deduction	(12,610)	(6,153)
<b>Total Liabilities</b>	<b>(12,610)</b>	<b>(6,153)</b>
<b>Total Net Assets</b>	<b>156,905</b>	<b>117,582</b>

## 32.5 Trust Fund Accounts

Various issues related to the audit of the Main Trust Fund are discussed on Section 32.10.

**Table 32.7: Department of Fisheries – 1/3 Subsidy Scheme**

Description	2013 (\$)	2012 (\$)
1/3 Subsidy contribution	69,644	90,613
<b>Total Receipts</b>	<b>69,644</b>	<b>90,613</b>
Retention money	70,444	103,526
<b>Total Payments</b>	<b>70,444</b>	<b>103,526</b>
<b>(Deficit)/Surplus</b>	<b>(800)</b>	<b>(12,913)</b>
Opening balance at 1 January	56,439	69,352
<b>Closing balance as at 31 December</b>	<b>55,639</b>	<b>56,439</b>



## 32.6 Statement of Losses

There was no loss of money recorded in 2013. The Ministry of Finance approved for disposal or write-off for the following fixed assets, in accordance with the Procurement Regulation 2012.

**Table 32.8: Fixed assets disposed off**

Location	Description	2013 (\$)	2012 (\$)
Department of Forests	Motor Vehicle	2,400	
	Equipment	9,000	65,157
Department of Fisheries	Motor Vehicle	3,950	-
	Equipment	9,500	77,430
<b>Total</b>		<b>24,850</b>	<b>142,587</b>

## PART B: AUDIT FINDINGS

### 32.7 Anomalies in the Trading and Manufacturing Accounts (TMA)

Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the accounts supervisor shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.<sup>1</sup> Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>2</sup> The ledger reconciliation statement shall be forwarded to the Accounting Head. The Accounting Head must ensure that:

- i. all balances are accurate and adequately supported;
- ii. any misallocations or outstanding balances from the previous month have been dealt with.<sup>3</sup>

A review of TMA and related records revealed un-reconciled variances between the Ministry's records and the FMIS general ledger, which the Ministry could not explain or provide reasons to substantiate the balances. The details of the anomalies are discussed below:

- Balances of accounts reflected on the TMA Balance Sheet did not reconcile with the corresponding balances in the FMIS general ledger. The Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the balances. As a result, the audit was not able to ascertain the correctness of these amounts.

**Table 32.9: Variance between Ministry's Record and FMIS General Ledger**

TMA Balance Sheet Items	Ministry's Record (\$)	General Ledger (FMIS) (\$)	Variance (\$)
<b>Asset:</b>			
Accounts receivable	685.00	5,744.82	5,059.97
<b>Liability:</b>			
Deposits & Deductions	(6,457)	(12,610.25)	19,067.25
<b>Equity:</b>			
TMA Accumulate Surplus	(15,610)	(51,529)	67,139
TMA Surplus	(54,772)	(208,433)	263,205

<sup>1</sup> Ministry's Finance Manual 2011 – Section 16.3.3

<sup>2</sup> Ministry's Finance Manual 2011 – Section 16.3.4

<sup>3</sup> Ministry's Finance Manual 2011 – Section 16.3.6

- The Net Loss of \$12,072 as reflected in the TMA Profit and Loss Statement could not be traced to the TMA Balance Sheet. As a result, the accuracy of TMA Accumulated Surplus/(Deficit) of (\$51,529) reflected in the TMA Balance Sheet as at 31 December 2013 could not be ascertained.
- Direct Cost of (\$3,536) reflected in the Manufacturing Account could not be verified as the Ministry failed to provide sufficient audit evidence to substantiate the balance.
- A variance of \$44,539.75 was noted between sales balance recorded in the FMIS general ledger of \$165,974.37(VIP) and the total sales receipted during the year of \$210,514.14(VIP) as recorded in the cash book.
- TMA revenue of \$12,198.96 was incorrectly posted to the consolidated fund account (CFA) during the year.
- Included in the TMA Trading Account is opening balance of \$8,758.02 for stock of finished goods, which did not reconcile with the closing balance for the year ended 31 December 2012 of \$5,294.02. A variance of \$3,463.82 was noted between the two balances.
- Expenditure relating to direct material was recorded under TMA operations such as for maintenance and operations. Refer Table 32.10 for examples.

**Table 32.10: Direct Material Cost Charged to Maintenance & Operations Allocation**

Date	Cheque No.	Description	Amount (\$)
30/09/13	61825	Being advance payment for supplying of sawn timbers to TUD from Savu, Vugalei.	2,550
4/10/2013	62543	Gorrilla glue & standard wood glue to replenish the stocks for workshops stores requested by TUD.	612.50
2/12/2013	64359	Being payment for various timbers as per quotation.	1,721
2/12/2013	64361	Being payment for materials for Makogai Project.	765.9

As a result of the anomalies noted above, audit was not able to substantiate the accuracy and completeness of the TMA Financial Statements for the year ended 31 December 2013.

### **Recommendations**

- **Monthly reconciliation process should be strengthened to mitigate the various issues highlighted above.**
- **Errors and discrepancies identified during the reconciliation process should be corrected promptly, and in consultation made with the Ministry of Finance where necessary.**
- **Proper books of account should be maintained and provided for audit when requested to substantiate accounts and balances reported in the Trading and Manufacturing Accounts.**
- **The internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

### **Management Comment**

*The Ministry notes with concern the issue of the TMA Balance Sheet not reconciling with the FMIS GL figures as this has been a recurring issue over the years with FMIS and Asset Management Unit. The FMIS set-up of our TMA GL was done in error as alluded to by AMU and FMIS since there were some intertwining of Fund 1 and Fund 4 items, which was detected after we paid a visit to AMU and FMIS to investigate the reasons as to why the FMIS system was not reflecting the true status of our TMA figures upon extracting our Balance Sheets and Income Statement.*

Furthermore, the Ministry has been sending its 2013 Quarterly TMA Reports (Stock Report, Stock Certificate, Profit & Loss Report) to Ministry of Finance (AMU) for their necessary updates into the FMIS system where our Balance Sheet items are derived from.

Prior to the drawing up of the Ministry's 2013 Annual Financial Statements, the FMIS Section forwarded to our Ministry the latest update of our 2013 AFS figures including TMA, which was transferred onto the Ministry's AFS that was submitted directly to the Auditor General's Office and to the Ministry of Finance.

With the audit variances highlighted herein, the Ministry feels that the auditors may be extracting from our manual quarterly reports a different set of figures which led to the variances highlighted in Tables 32.9 and 32.10, as these very same figures were submitted to the Ministry of Finance.

### 32.8 Irregularities 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>4</sup>

A review of Trading and Manufacturing bank account and related records revealed un-reconciled variances between the Ministry's records and the FMIS general ledger, which the Ministry could not explain or provide reasons to substantiate the variances. The details of the anomalies are discussed below:

- There was an un-reconciled variance of \$19,988 between the balances reflected in the FMIS general ledger and Ministry's TMA bank reconciliation statement. Accordingly, the accuracy and completeness of the TMA cash at bank balance could not be ascertained. Refer Table 32.11 for details.

**Table 32.11: Variance in Cash at Bank Balance**

General Ledger Balance (\$)	Ministry's Bank Reconciliation (\$)	Variance (\$)
109,356.01	89,368.44	19,987.57

- An un-reconciled variance of \$2,987 exists between the bank statement balance of \$89,368 and the cash book balance of \$92,355. Total receipts in the cash book did not reconcile with the receipts deposited and lodgements done for the year. Refer Table 32.12 for details.

**Table 32.12: Variances in total sales receipted and deposited**

Particulars	Amount (\$)
Total receipts as per cash book for the year	210,514
Total deposits as per bank statement for the year	213,228
<b>Variance</b>	<b>2,714</b>

- The TMA bank reconciliation for December 2013 had lodgements not yet credited of \$25,199, from prior years. The correctness of the balance could not be substantiated due to lack of supporting documents. In addition, longstanding lodgements not credited from as far back as 2009 have not been cleared.

<sup>4</sup> Finance Instructions 2010 – Section 32(6)  
Ministry of Fisheries and Forests

- Various other discrepancies noted from the monthly TMA bank reconciliation statements are detailed in Table 32.13.

**Table 32.13: Discrepancies noted in Monthly Reconciliations**

Monthly Reconciliation	Remarks
March 2013	• The receipts in the reconciliation did not reconcile with the actual receipts for the month. A difference of \$386 was noted.
April 2013	• The receipts in the reconciliation did not reconcile with the actual receipts for the month. A difference of \$42.86 was noted.
May 2013	• The receipts and payments for the month did not reconcile with the actual receipts and payments for the month, variances noted of \$9,393.21 and \$8,313.43 respectively.
August 2013	• The receipts in the reconciliation did not reconcile with the actual receipts for the month. A variance of \$1,263.06 was noted.
October 2013	• The receipts in the reconciliation did not reconcile with the actual receipts for the month. A variance of \$1,794.45 was noted.
December 2013	• The receipts and payments for the month did not reconcile with the actual receipts and payments for the month, variances noted of \$8,087.76 and \$27.90 respectively.

Explanations to the above discrepancies were not provided during the audit. As a result of the aforementioned anomalies, the audit was not able to substantiate the accuracy of cash at bank balance reported in the Trading and Manufacturing Account.

Failure to perform proper bank reconciliations increases the risk of misappropriation, mismanagement and fraud, which may not be detected. It also indicates the absence of independent checks and verifications by the Principal Accounts Officer to ensure the correctness of the reconciliation statements prior to certification.

### **Recommendations**

- **As cash management is a high risk area, it is crucial that the Accounts Section strengthens its monthly bank reconciliation process to mitigate the various anomalies noted above.**
- **The Permanent Secretary and the Principal Accounts Officer should ensure that all errors noted in the bank reconciliation statements are investigated and adjusted accordingly, where necessary.**
- **The internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

### **Management Comment**

*The Ministry notes the concerns on the issues raised. This has been discussed at length with the Asset Management Unit (AMU) because of the recurring issue of un-reconciled variances from previous years. One of the contributing factors was the staff turnover undertaking this reconciliation was also noted to be one of the problems. As advised by AMU, we have re-done our bank recons from Jan 2014 to date according to the latest template introduced by AMU and we are now complying with the reconciliation standards.*

*Further, we have also alluded to their (AMU) recommendation that a 'special audit' as was done in other TMA agencies to be conducted in order to put the matter to rest as we feel this is appropriate and we are awaiting their office for the conduct of this special audit so that we could start afresh with this TMA operations and reconciliation.*

### 32.9 Anomalies in the Main Trust Fund - Fisheries 1/3 Subsidy Scheme

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

All procurement of goods and services shall be prepared in accordance with the appropriate provisions in the Procurement Regulations 2010.<sup>6</sup>

The establishment of the Fisheries 1/3 Contribution Subsidy Scheme was approved by the Cabinet on 05/04/04 as a scheme whereby community members were to provide 1/3 contribution funding towards a community project while government, through Department of Fisheries, will subsidise the 2/3 funding. On 03/09/08, the Ministry of Finance approved the opening of a separate trust fund account for the 1/3 contributions received from the community.

A review of the Main Trust Fund Account and related records revealed un-reconciled variances with the FMIS general ledger, which the Ministry could not explain or provide reasons to substantiate the variances. In addition, payments and revenues not related to the 1/3 Contribution Subsidy Scheme was recorded under the account. The details of the anomalies are discussed below:

- The accuracy and completeness of cash at bank as at 31 December 2013 could not be ascertained as there was an un-reconciled variance of \$591,855.12 in the cash at bank balance as recorded in the FMIS general ledger and the bank reconciliation. Refer Table 32.14 for details.

**Table 32.14: Variance between the GL and Bank Reconciliation**

Particulars	Amount (\$)
Ministry's Bank Reconciliation	55,639.33
FMIS General Ledger	(536,215.79)
<b>Variance</b>	<b>591,855.12</b>

- Receipts posted onto the FMIS general ledger showed a balance of \$1,280 while the bank statement and monthly cash summary receipt book had a balance of \$61,565, resulting in a variance of \$60,285.
- Payments and revenues recorded in 2013 were not related to the scheme. The revenues were not deposited directly to the Consolidated Fund as required for all government revenue. Refer to *Appendix 32.1* and *Appendix 32.2* for details.

The use of the trust fund bank account as a mechanism of avoiding administrative procedures increases the risk of fraud. In addition, payment for operating and capital expenditure and receipting revenue related to the Ministry's operation through the trust fund may understate expenditure and revenue reflected in the financial statement.

- Monthly trust fund reconciliation statements for March and April 2013 were not provided to audit.

The above anomalies imply ineffective controls and lack of supervisory checks in the operation and administration of the Main Trust Fund Account. As a result, the audit was not able to substantiate the accuracy and completeness of the TMA Financial Statements for the year ended 31 December 2013.

<sup>5</sup> Finance Instructions 2010 – Section 58 (3)

<sup>6</sup> Finance Instructions 2010 – Section 12

### **Recommendations**

- **The Principal Accounts Officer should ensure that Trust Fund Bank Account's monthly reconciliations are carried out properly and accurately.**
- **Accounts Officers should be proactive in resolving un-reconciled variances between the Ministry's reconciliation statements and the FMIS general ledger. The Ministry should seek the Ministry of Finance's assistance where necessary.**
- **Receipting of government revenue and payments of operating/capital expenditures from the Main Trust Account should not be entertained. All operating and capital payments should be processed through the drawings account and recorded in the FMIS general ledger under Fund 1. All revenues not related to the scheme should be deposited to the consolidated fund account.**
- **If the initial purpose of establishing the Main Trust Account has become non-existent, the Ministry should review administration of the account.**
- **The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

### **Management Comments**

*The Ministry acknowledges the issues of concern highlighted above. We have discussed the issue with FMIS who has alluded to the fact that there are some problems on the set-up of Fund 9 (True Trust Account) as the debit and credit transactions should be offsetting each other but this is not so due mainly to the True Trust GL set-up, contributing to the enormous credit amount of \$536,215.79. We are now closely liaising with FMIS in order to rectify this discrepancy and have the account in order.*

*Further, on the use of this Trust Account, even though the 1/3 subsidy scheme has lapsed; the Ministry is transparently maintaining this bank account for transacting the following activities/purposes:*

1. *Deposits of **Performance Bonds** and **Retention Monies** for all our local Contracted Suppliers specifically for our major projects such as the Upgrading of Fisheries & Forestry Institutional Quarters, Construction of Ice Plants and other related projects.*
2. *Transacting the payments for the Pacific Island Development Fund works for our Forestry contracted suppliers.*
3. *The hiring of our vessel Bai-ni-Takali by various government agencies for the payment of fuel and rations for our crews which are then paid out accordingly.*
4. *Transacting payments for Environment Impact Assessment surveys by our Fisheries and Forestry experts from various government agencies, statutory bodies and NGOs.*

*Further to the above, we propose that it is important for us to maintain this bank account because of the important purposes above and we anticipate that there will be more of these sort in the future for us to accommodate. We undertake that once all the discrepancies are rectified with FMIS, we will transparently maintain the account and will adhere to the monthly reconciliations as usual.*

## **32.10 Variance in Drawings Account Balance – Operating Account**

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.<sup>7</sup> The *Accounting Head* must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.<sup>8</sup>

The audit noted an un-reconciled variance of \$85,127 between the reconciliation statements prepared by the Ministry and FMIS the general ledger. Refer Table 32.15 for details.

<sup>7</sup> Finance Instructions 2010 – Section 32 (6)

<sup>8</sup> Ministry's Finance Manual 2011 – Section 7.4.11

**Table 32.15: Variance in Drawings Account Balance**

Ministry's reconciliation statement (\$)	General Ledger (FMIS) (\$)	Variance (\$)
316,824.83	231,697.33	85,127.50

According to records provided for audit, a component of the total variance was JV 5/02/14 for voided cheques presented amounting to \$15,368.14. The audit was not able to verify and substantiate journal entry recorded in the reconciliation statement.

The above variances imply ineffective reconciliation process and lack of supervisory controls in the Accounts Section.

### **Recommendation**

**Accounts Officers should be proactive in resolving un-reconciled balances between the Ministry's reconciliation statements and the FMIS general ledger. The Ministry should also seek assistance from the Ministry of Finance where necessary.**

### **Management Comment**

*Recommendation has been taken into great concern as FMIS been notified on the variance and trainings conducted to assist the reconciliation clerk in the new drawings reconciliation format adopted by FMIS which really assist the reconciliation staff in the preparation of monthly reconciliation.*

## **32.11 Incorrect Accounting for VAT**

Subject to the provisions of this Decree, the tax shall be charged in accordance with the provisions of this Decree at the rate of fifteen percent on the supply (but not including an exempt supply) in Fiji of goods and services on or after the 1st day of July 1992, by a registered person in the course or furtherance of a taxable activity carried on by that person, by reference to the value of that supply.<sup>9</sup>

For the purpose of this Decree, every public authority shall be deemed to supply goods and services to the State where any payment other than a payment under Standard Expenditure Group 1 or Standard Expenditure Group 2 is made by the State to or on behalf of the public authority.<sup>10</sup>

Where, but for this subsection, a supply of goods and services would be charged with tax under subsection (1) of this Section, any such supply shall be charged at the rate of zero percent where that supply is a zero-rated supply.<sup>11</sup>

Included in the zero rated supply schedules is the supply by the state of water and sewerage services.<sup>12</sup>

The audit noted that the Ministry did not account for Value Added Tax (VAT) on supplies of goods and services that should be subject to VAT. Refer Table 32.16 for examples.

<sup>9</sup> Value Added Tax Decree 1991 Revised 30/08/12 Section 15 (1)

<sup>10</sup> Value Added Tax Decree 1991 Revised 30/08/12 Section 3 (5)

<sup>11</sup> Value Added Tax Decree 1991 Revised 30/08/12 Section 15 (2)

<sup>12</sup> Value Added Tax Decree 1991 Revised 30/08/12 Schedule 2

**Table 32.16: VAT not accounted on supplies of goods and services**

Date	Vendor	Details	Cheque No.	Charged to SEG 3 to 8 (\$)	Charged to SEG 13 (\$)	Total (\$)
22/03/13	FEA	Electricity bill for Jan to Feb	57244	3,078.55	-	3,078.55
05/04/13	Nadriva Builders	Lautoka Forestry repairs	57537	15,000.00	-	15,000.00
30/08/13	Meraj Builders	Maintenance at Vatunibale	61456	15,806.00	-	15,806.00
24/09/13	Meraj Builders	Rabi Fisheries qtrs repairs	62158	14,700.00	-	14,700.00
23/09/13	Telecom Fiji	Phone bill for August 2013	62095	7,118.84	-	7,118.84
24/09/13	PWD	Multi Hatchery Construction	62163	230,869.60	-	230,869.60
02/08/13	Kantas Constrn.	Sigatoka Ice Plant Repairs	60817	3,821.60	-	3,821.60
22/03/13	FEA	Forests Station bills	57244	4,273.64	-	4,273.64

The audit also noted that the Ministry accounted for VAT on certain zero rated supplies in 2013. Refer Table 32.17 for examples.

**Table 32.17: VAT charged on zero rated supplies**

Date	Vendor	Details	Cheque No.	Charged to SEG 3 to 8 (\$)	Charged to SEG 13 (\$)	Total (\$)
23/10/13	WAF	Water Bills:	63088	21,203.16	3,180.48	24,383.64
26/11/13	WAF	Water Bills: Oct – Nov	64169	2,742.55	411.38	3,153.93
11/09/13	WAF	Water Bills: Aug 2013	61684	1,695.77	254.37	1,950.14

Failure to account for VAT on supplies that are subject to VAT and accounting for VAT on zero rated supplies may result in incorrect VAT Returns and financial statements at year end.

### **Recommendations**

- The Ministry should ensure that VAT are accounted for in the FMIS general ledger on all supplies of goods and services that are subject to VAT
- The Ministry should identify all zero rated items that are regular part of its expenditure and ensure that VAT is not charged on them.

### **Management Comment**

*The Management notes with concern the issues highlighted herein and will take necessary measures in order to include the VAT portion for payments for all services and products acquired. We undertake that these instances have really been an oversight on our part especially for all non PO related payments as highlighted in Table 32.17.*

*As for Table 32.18 on zero rated supplies, we will now take this into account and identify all zero rated items and implement the correct measures on all our Payment Voucher preparations to comply with the VAT policies in place.*

## **32.12 Carryover of Funds**

If an amount appropriated by an Annual Appropriation Act for a financial year has not been used in that financial year; or is unlikely to be used in that financial year, the Minister may authorise the carry-over to the following year of all or part of the unused appropriation that relates to known liabilities as



at a particular date, and the amount authorised for carry-over may be used accordingly in that following year, subject to such conditions as the Minister specifies in the authorisation<sup>13</sup>

The purpose of the carry-over policy is to ensure that funds requested for this initiative are reflected in the budget allocation of requesting Ministries and Departments for the respective year.<sup>14</sup>

The Ministry of Finance approved the carry-over of \$180,703.79 for funds related to the 9<sup>th</sup> Regular Session of the Scientific Committee, Makogai Mariculture Research Stations Freshwater Supply System and the Fiji Observers under the US Multilateral Treaty, to be utilised in 2014.

The audit noted that the Ministry's approved carry-over budget of \$180,703.79 was recorded as expenditure for the year 2013 in the FMIS general ledger contrary to the carry-over policy. Refer Table 32.18 for details.

**Table 32.18: Details of Carry-Over of Funds**

Description	Allocation	Amount (\$)
1-32301-78999-840102-001	9 <sup>th</sup> Regular Session of the Scientific Committee	13,568.00
1-32301-78999-840102-001	Makogai Mariculture Freshwater System	79,221.79
1-32301-78999-840102-003	Fiji Observers under the US Multilateral Treaty	87,914.00
<b>Total Carry-Over</b>		<b>180,703.79</b>

In addition, the audit was unable to substantiate the approved carry over since the acquittals and supporting documents were not provided for audit purposes. As such, the Capital Grants and Transfers may be overstated by \$180,703.79 in the FMIS general ledger.

### **Recommendations**

- **The Permanent Secretary in consultation with the Ministry of Finance should ensure that funds approved for carry-over is appropriated in the budget of the following year.**
- **The Ministry should ensure that all the records are kept properly and provided for audit verification on request.**

### **Management Comment**

*Further to the above issue and Table 32.19, we have now utilized a major percentage of all the Carryover Funds highlighted. The only delay was experienced in the Makogai Mariculture Water System project was due to the checks by the Health Authorities in Levuka and Water Authority of Fiji on the safety of the water source and water quality at Makogai. It took quite a while for our Project Officer to get the experts to work on this exercise.*

*We have now contracted a company who will install a carbonated filter at the Makogai water systems and WAF will conduct another test to certify that the water quality is fit for human consumption, before we will pay the contracted supplier for their services. As for the other project of the Fiji Observers under US Multilateral Treaty, we have also utilized a major portion of this funding.*

<sup>13</sup> Financial Management Act 2004 Section 19 (1)

<sup>14</sup> Ministry of Finance: Carry-Over Policy, January 2012

### 32.13 Contract WSC 126/2011 – Modern Investment Services

The architect/supervising officer may issue instructions requiring a variation and he may sanction in writing any variation made by the contractor otherwise than pursuant to an instruction of the architect/supervising officer. No variation required by the architect/supervising officer or subsequently sanctioned by him shall vitiate this contract.<sup>15</sup>

When in the opinion of the architect/supervising officer any defects, shrinkages or other faults which he may have required to be made good have been made good, he shall issue a certificate to that effect, and completion of making good defects shall be deemed for all the purposes of this contract to have taken place on the day named in such certificate.<sup>16</sup>

Any defects, shrinkages or other faults which shall appear within the Defects Liability Period which are due to material or workmanship not in accordance with the contract shall be specified by the architect/supervising officer in a schedule of defects which he shall deliver to the contractor not later than 14 days after the defects liability period and within a reasonable after receiving the schedule, the defects, shrinkage or other fault shall be made good by the contractor, unless the architect/supervising officer instruct that contract sum be adjusted accordingly.<sup>17</sup>

Modern Investment Services was engaged by the Ministry for the construction of the Namarai Fisheries Sub Station in the Ra Province. The construction was to be supervised by the Ministry of Works, Transport and Public Utilities. Contract WSC 126/2011 was divided into two phases as follows:

**Table 32.19: Phases of Contract WSC 126/2011**

Phase	Scope of Work	Contracted Sum (\$)
1	Administration Building & Fencing	103,418
2	G6 Quarters & Ice Plant	186,359

The construction work commenced in 2011 and the certificate of completion was issued on 15/05/13.

The audit noted the following anomalies from the review of the contract and related expenditures:

- A variation of \$16,205.13 was paid to the contractor on 15/08/13. The variation was not verified and authorised by the engineers of the Ministry of Works, thus not included in a progress payment certificate.
- Retention fund for the contract totalled \$18,635.90. A sum of \$9,317.95 of the retention fund was paid out on 29/01/13 when the work at Namarai Fisheries Sub Station was still in progress and before the commencement of the defects liability period.
- Retention funds deducted since 2011 were not maintained in a trust account. Payments of retention funds in 2013 were charged to the budget allocation for Capital Project and the Fisheries 1/3 Subsidy Main Trust Account. Refer to Table 32.20 for details.

<sup>15</sup> Contractual Agreement between the Government of Fiji and Modern Investment Services – S. 11(1)

<sup>16</sup> Contractual Agreement between the Government of Fiji and Modern Investment Services – section 15(1)

<sup>17</sup> Contractual Agreement between the Government of Fiji and Modern Investment Services – section 15(3)

**Table 32.20: Payment of retention for WSC 146/2011**

Date	Vendor	Details	Cheque No.	Amount (\$)	Comments
23/05/13	Modern Investment Services	50% of Retention	58799	9,317.95	Paid from Coastal Fisheries Development allocation 1-32305-91011-080620
29/01/13	Modern Investment Services	50% of Retention	186	9,317.95	Paid from Fisheries 1/3 Subsidy Main Trust allocation 9-32301-78068-895005

There is potential risk for excessive costs and substandard work if compliance with the requirements of the contracts is not monitored by the Ministry.

### **Recommendations**

- **The Ministry should properly verify works performed by contractors and ensure that claims are correct before settling them.**
- **Retention monies should be maintained in trust fund accounts.**

### **Management Comment**

*We acknowledge the issue of contention raised above. We note that the Management needs to work very closely with Project Managers for projects of this magnitude and to put in place systems and processes to transparently track any variations and proper authority to be consulted before they are undertaken.*

*Furthermore, the Management will also track all payments by phases to include the retention rates agreed to in the contract and expedite the normal payment to the Contractor including the retention portion to be paid into the Ministry's Trust Account.*

*With reference to your query on item 32.9, we hereby reiterate the justification for us maintaining our Fisheries 1/3 Subsidy Trust Account for this very purpose of transacting retention monies for all our projects.*

## **32.14 Refurbishment Contracts**

In view of the substantial amount of the government funds involved in the procurement process, Ministries and Departments must ensure that a draft contract is submitted to the Office of the Solicitor General for vetting.<sup>18</sup>

The following officers are delegated authority to procure goods, services and works up to the following limits specified: Permanent Secretary Fisheries & Forest \$50,000 & all Indents up to \$50,000; Deputy Secretary Fisheries & Forest \$30,000.<sup>1920</sup>

In 2013, the Ministry was allocated \$600,000<sup>21</sup> for the refurbishments of offices and quarters. The refurbishment contracts were divided into various smaller contracts below the \$50,000 Government Tender Board threshold. The contracts were drawn up by the Planning and Monitoring Unit.

The audit noted the following anomalies from the verifications of the contract documents:

- The various refurbishment contracts were not vetted by the Office of the Solicitor General.

<sup>18</sup> Finance Circular 03/2013 Paragraph 4.1

<sup>19</sup> Department of Fisheries Finance Manual Section 2.3.1

<sup>20</sup> Department of Forests Finance Manual Section 2.3.1

<sup>21</sup> Department of Fisheries - \$400,000, Department of Forests - \$200,000

- Although the contract amounts were within the procurement limit of the Permanent Secretary for Fisheries and Forests, none of the contracts verified during the audit were endorsed or signed by the Permanent Secretary. Instead, the contracts were endorsed by Officers whose procurement limits were below the contracted amounts. Refer to Table 32.21 for examples.

**Table 32.21: Contracts signed by officers not having Procurement Authorities**

Contractor	Contract	Contracted Amount (\$)	Contract signed by
Nadriva Builders	Upgrading and repairs of Qtrs 11, 13, 14 & 25 at Colo i Suva Forestry Station	49,000	The Conservator
Meraj Builders Ltd	Upgrading of Labasa Forestry Qtrs No. 1 – 7 at Vatunibale	48,357	Acting Divisional Forestry Officer (DFO) Northern
Nadriva Builders	Replace the Lautoka Forestry Fence	40,000	The Conservator
Nadriva Builders	Repair the Lautoka Forestry Office	30,000	The Conservator
Countrywide Construction	Upgrading and repairs	39,500	Acting Director Fisheries
Meraj Builders Ltd	New Fisheries Quarters in Wainikoro, Macuata	49,000	Senior Fisheries Officer Northern
Marawa's Carpentry Work	Upgrading of Nabouwalu Fisheries Office	48,000	Senior Fisheries Officer Northern
Countrywide Construction	Upgrading of Wainibokasi Fisheries Office	39,500	Acting Director Fisheries

- The upgrade of the Lautoka Forestry Office was awarded to Nadriva Builders. The scope of works was split into two contracts of less than the \$50,000. The two contracts when added together exceeded the procurement limit of the Permanent Secretary necessitating approval from the Government Tender Board. Refer to Table 32.22 for details.

**Table 32.22: Splitting of contract for Nadriva Builders**

Date	Vendor	Details	Cheque No.	Amount (\$)	Total (\$)
06/07/13	Nadriva Builders	Replacing of Lautoka Forestry Office Fence	59159	20,000	40,000
07/11/13			60112	20,000	
04/05/13		Refurbishment of Lautoka Forestry Office	57537	15,000	30,000
05/07/13			58389	15,000	
Total					70,000

- The scopes of work for most contracts were identical and vague. The contracts did not specify or identify the actual work to be done for each quarters or offices. For the work done on the Labasa Forestry Quarters No. 1 – 7 at Vatunibale, the Ministry used the refurbishment scope of work for the Public Service Commission quarters.
- The contracts did not contain any clause for retention or retention bonds.

There is potential risk for excessive costs and unnecessary work by contractors if the scopes of work are not detailed in the contracts. Non-compliance with procurement regulations of government also increases the risk for fraud and mismanagement.

## **Recommendations**

- **The Planning and Monitoring Unit should consider referring a refurbishment contract template to the Solicitor General for vetting, which can then be used as the basis for drawing up similar contracts.**
- **Contracts should be endorsed by the Permanent Secretary.**
- **If the contract amount exceeds procurement threshold \$50,000 for the Permanent Secretary, the work should be tendered for approval by the Government Tenders Board.**

## **Management Comment**

*Yes, it was into the later stages of the actual refurbishments that we were aware of contracts having to be vetted by the Solicitor General's Office. We are doing this for the current 2014 Contract Agreements. Although the contract amounts were within the procurement limit of the PSFF, none were endorsed by PSFF.*

*Yes, without any knowledge of such procurement limits, it was to our understanding that respective Departmental/Divisional Heads who have signed would be held accountable to Projects implemented in their divisions. It will create more Accountability and Responsibility on their part; in ensuring that Projects Implemented is within the required Work-Plans and Cash-Flows.*

*Upgrading of Lautoka Forestry Office and Lautoka Forestry Fencing, the two Contracts were split for less than \$50,000 but when added together exceeded PSFF procurement limits thus necessitating approval from Government Tender Board.*

- *These were two different projects involving two sites. We were advised by central agencies that as long as there was two different contracts addressing the two different projects with a quote less than \$50,000, it was proper to implement the projects. RIE's were also approved along these lines.*
- *The Scope of works for most contracts was identical and vague. The contracts did not specify or identify actual work for each quarters or offices. Labasa Forestry Quarters repairs used the refurbishment of PSC scope of works.*
- *The contracts did not contain any clause for retention.*

*Our Scope of works for various contracts was more or less similar given the age and type of old wooden buildings we currently have. Our objective was to salvage whatever we could at affordable costs through General Repairs, Maintenance and Upgrading.*

*For our Labasa repairs, we followed PSC's scope of works as this justified what sort of repairs we were after and also found fitting by our Labasa Forestry Staffs. We were also unaware of retention clauses and later realized once work were fully completed. We ensured that repairs were fully and well completed. We are now inserting retention clauses for our 2014 clauses with prior endorsement by SG's Office.*

*There was never an intention of any non-compliance of regulations or fraud and mismanagement.*

## **32.15 Logging Licence Database**

Every licence shall specify the date of issue, the date of expiry, the latest date at which the activities authorised under it shall be started, the area in respect of which the licence is issued and such conditions as the licensing officer thinks fit in accordance with good logging practice.<sup>22</sup>

In addition to the matters referred to in sub-section (1), a timber licence shall state the type and size of any wood conversion and processing facilities which the licensee may be required to construct and operate and the schedule for their operation, include reference and compliance with any agreement between the landowner and the licensee population in any phases of the operation, specify the amount

<sup>22</sup> Forests Decree 1992 – Section 13 (1)  
Ministry of Fisheries and Forests

and form of bond or other surety which the licensee may be required to post to guarantee his performance under the licence and specify the compensation to be paid by the licensee for any failure to fulfil the terms or conditions of the licence.<sup>23</sup>

Sound decisions require accurate, current and reliable information which depend substantially on the quality of information available. Logging licences such as the Right Licence (licence to fall trees) and the Removal Licence (licence to remove trees) are issued by Divisional Offices and outer stations. Each Divisional Office maintains its own records of license issued and can only be viewed at respective offices. Fees for issuance of Forests Removal Licence recorded the highest revenue for the Ministry in 2013.

The audit noted that the Department of Forests does not have a structured information database to consolidate and capture all information on the types licenses issued and details of licensee for all Divisions.

The Divisional Forestry Office–Southern Division (DFO Southern) at Nausori maintains a database for logging licences on Microsoft Office Access software. From the review of the database, the audit noted that information on Right Licences cannot be extracted from the database even though the licences data have been inputted into the system. Moreover, the database only maintains data on current licenses while data on expired licenses are maintained separately.

There is potential risk for revenue leakage if the Ministry does not establish/maintain a reliable database for licence holders and centralising data to produce useful information to aid decision-making.

### **Recommendations**

**It is recommended that the Ministry establish a centralised database to consolidate and capture data on all licenses issued in all Divisions.**

### **Management Comment**

- *According to the audit reports recommendation I would like to elaborate on the installation of the TRS database system which was installed to all 3 divisions in the Harvesting unit.*
- *The data base was designed to collate and report all issued licenses that was currently operating and renewal licenses and also to keep record of all licenses that was installed in the previous years.*
- *The data base also captures the volume of logs being harvested, the sum of royalty and forestry stamping fees to be collected.*

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<sup>23</sup> Forests Decree 1992 – Section 13 (2)  
Ministry of Fisheries and Forests

## APPENDICES

### Appendix 32.1: Payments Made from 1/3 Subsidy Trust Bank Account

Date	Vendor	Details	Cheque #	Amount (\$)
29/01/13	Modern Investment Services	Retention and claims for WSC 146/11	186	18,109.22
04/02/13	Templetec Fiji Ltd	Phase 2 retention for WSC 47/11	187	11,400.00
08/02/13	Templetec Fiji Ltd	Phase 2 retention for WSC 47/11	188	5,430.16
08/02/13	BOC Gases	Payment for PO76068000014 for Galoa	189	72.13
08/02/13	Patterson Brothers Ltd	Sea passage Natovi Nabouwalu return	190	762.00
08/02/13	Total Fiji Ltd	Fuel for Fisheries Galoa Station	191	430.95
11/02/13	Vinod Patel	Styrofoam Boxes for Galoa Station	192	567.00
26/02/13	Savusavu Lodge	Accommodation for Galoa Station officers	193	210.00
01/03/13	Golden Manufacturer	Styrofoam cases for Galoa Station	194	105.80
07/03/13	Biosecurity Authority of Fiji	Sandfish inspection for export to Kiribati	195	140.00
08/03/13	Amalgamated Sales Co. Ltd	Galoa Research Station	196	80.00
13/06/13	Viliame Rokovu	Overtime hours paid by investors	197	164.76
13/06/13	Elimi Kurusiga	Overtime hours paid by investors	198	164.76
13/06/13	Ilimo Tulevu	Overtime hours paid by investors	199	74.76
28/06/13	Total Fiji Ltd	Premix and diesel for MRIS	200	880.65
28/06/13	Laisiasa Kuritani	Overtime allowance for inventory work	201	158.84
28/06/13	Bola Vatuwaliwali	Overtime allowance for inventory work	202	116.48
28/06/13	Akapusi Kolitagane	Overtime allowance for inventory work	203	129.92
28/06/13	Sandeep Raj	Overtime allowance for inventory work	204	158.84
28/06/13	Saimone Nalewabau	Overtime allowance for inventory work	205	158.84
28/06/13	Shah's Kava Shop	Payment for PO 91011007819	206	26.00
20/08/13	Patterson Bros Shipping	Payment for PO 78068000017	207	210.00
06/09/13	PS Agriculture	Payment for chairs and table	208	640.00
20/08/13	Blue Gas	Payment for gas cylinder	209	43.45
20/08/13	Total Fiji Ltd	Fuel for MRIS	210	1,288.12
13/09/13	Conservator of Forests	Payment of FIA and EIA	211	22,173.06
27/09/13	Mark Racule	Payment of Seagoing Allowance	212	142.11
<b>TOTAL PAYMENTS</b>				<b>\$63,837.85</b>

**Appendix 32.2: Receipts to the 1/3 Subsidy Trust Bank Account**

Date	Received From	Details	Receipt No.	Amount (\$)
03/01/13	PS Fisheries & Forests	Refund of Uniform Payments	635296	13,204.00
04/02/13	Courts	Refund of TV purchase for Tuna Management	635297	1,400.00
04/02/13	SPC	Sandfish MOU	635298	5,430.16
14/05/13	Vitiland Corporation Ltd	Pine Inventory Fieldwork	635299	4,323.54
16/05/13	Walt Smith International	NDF Assessment Survey	635300	2,000.00
07/05/13	Ministry of Lands	FIA Assessment for Vuda Super Yacht Marine	635301	5,780.00
05/06/13	USP	Allowance for Moape Drikalu	635302	285.60
25/06/13	Labasa Town Council	Damaged Fishing Ground Survey	635303	713.20
25/06/13	Vitiland Corporation Ltd	Pine inventory fieldwork	635304	1,624.76
19/07/13	His Hand Trading Co. Ltd	Compensation Assessment	635305	1,287.04
14/08/13	Ministry of Lands	FIA Assessment for foreshore development	635306	8,951.00
19/08/13	Water Authority of Fiji	FIA Survey for Matovo Water Treatment	635307	5,442.00
20/08/13	Commissioner Eastern	Ration payment for Bai ni Takali	635308	165.60
30/10/13	PS Foreign Affairs	Fuel Card MSG	635309	299.78
05/12/13	FLMMA	Accommodation, Catering & Accountable Advance	635311	7,277.00
23/12/13	Camcorr Holding Ltd	FIA Survey	635312	3,000.00
<b>Total</b>				<b>\$61,183.68</b>



## Section 33 Ministry of Sugar

### Role and Responsibility

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

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

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## PART A: FINANCIAL STATEMENT

### 33.1 Audit Opinion

The audit of the 2013 accounts of the Ministry of Sugar resulted in the issue of an unqualified audit report. However, management attention was drawn to the following matters:

- The Ministry did not provide the 2013 Board of Survey report to substantiate the Statement of Losses.
- Section 15 of the Finance Instruction 2010 requires all payments to be recorded in the FMIS general ledger and an Expenditure Ledger. The Ministry prepared its special purpose financial statements from the FMIS general ledger without reconciling to an Expenditure Ledger as there was none maintained by the Ministry.

### 33.2 Statement of Receipts and Expenditures

The Ministry of Sugar incurred expenditures of about \$14.6 million in 2013 compared to \$7 million in 2012. Details are shown in Table 33.1 below.

**Table 33.1: Statement of Receipts and Expenditures**

Description	2013 (\$)	2012 (\$)
<b>EXPENDITURES</b>		
<b>Operating</b>		
Established staff	333,743	272,365
Government wage earners	23,513	14,450
Travel & communication	56,064	49,225
Maintenance & operations	40,137	40,542
Purchase of goods & services	12,944	14,858
Operating grants & transfers	1,429,053	1,425,420
Special expenditures	249,081	1,406
<b>Total Operating Expenditures</b>	<b>2,144,535</b>	<b>1,818,266</b>
<b>Capital</b>		
Capital construction	2,240,668	269,576
Capital purchases	383,740	-
Capital grants & transfers	9,695,526	5,000,000
<b>Total Capital Expenditures</b>	<b>12,319,934</b>	<b>5,269,576</b>
Value added tax	131,718	1,578
<b>TOTAL EXPENDITURES</b>	<b>14,596,187</b>	<b>7,089,420</b>

The increase in total expenditure by 106% resulted from the increases in the following categories of expenditures:

- The increase in Established Staff by 23% in 2013 compared to 2012 was mainly attributed to the payments of leave compensation and the increase in salary.
- Special Expenditure increased substantially by \$0.24 million in 2013 compared to 2012. This was mainly attributed to the Ministry hosting the International Sugar Council meeting in 2013.
- The significant increase in Capital Construction by \$1.97 million in 2013 was mainly due to the Ministry undertaking new programs; upgrading of the cane access road and the infrastructure in the Western and Northern Divisions.
- The expenditure incurred under Capital Purchases resulted from the procurement of three sets of tractors and the farming implements in 2013 for the Fiji Sugar Corporation (Lautoka, Labasa and Penang Mills). The farming equipment was to assist sugar cane farmers without the necessary machinery to increase efficiency in sugarcane farming and harvesting.
- Capital Grants and Transfers increased by \$4.69 million or 94 % in 2013 compared to 2012. The increase was attributed to a new program, the Cane Quality Payment – Near Infra-Red Project, which was undertaken in conjunction with the Fiji Sugar Corporation. The hosting of the ACP-Sugar Ministerial Conference also contributed to the increase in expenditure. In addition, a \$5,000,000 annual subsidy was provided to South Pacific Fertilisers Limited under the allocation.

### 33.3 Appropriation Statement

The Ministry incurred expenditure totalling \$14,596,187 against the revised budget of \$14,980,059 resulting in savings of \$383,872. Details of expenditure against the budget estimates are provided in Table 33.2 below.

**Table 33.2: Appropriation Statement**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>Operating Expenditure</b>					
1	Established staff	305,162	38,018	343,180	333,743	9,437
2	Government wage earner	26,055	(1,676)	24,379	23,513	866
3	Travel and communications	49,000	9,500	58,500	56,064	2,436
4	Maintenance & operations	51,000	(4,500)	46,500	40,137	6,363
5	Purchase of goods & services	15,500	-	15,500	12,944	2,556
6	Operating grants & transfers	1,429,400	-	1,429,400	1,429,053	347
7	Special expenditures	250,000	-	250,000	249,081	919
	<b>Total Operating Expenditure</b>	<b>2,126,117</b>	<b>41,342</b>	<b>2,167,459</b>	<b>2,144,535</b>	<b>22,924</b>
8	Capital construction	2,600,000	(330,176)	2,269,824	2,240,668	29,156
9	Capital purchases	600,000	(216,260)	383,740	383,740	-
10	Capital grants & transfers	9,900,000	(200,000)	9,700,000	9,695,526	4,474
	<b>Total Capital Expenditure</b>	<b>13,100,000</b>	<b>(746,436)</b>	<b>12,353,564</b>	<b>12,319,934</b>	<b>33,630</b>
13	Value added tax	534,800	(75,764)	459,036	131,718	327,318
	<b>TOTAL EXPENDITURE</b>	<b>15,760,917</b>	<b>(780,858)</b>	<b>14,980,059</b>	<b>14,596,187</b>	<b>383,872</b>

### 33.4 Statement of Losses

There was no loss of money or assets recorded for the year ended 31 December 2013.

## PART B: AUDIT FINDINGS

### 33.5 Statement of Losses – Board of Survey Report

An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register provided that, for agencies that have, in the opinion of the Permanent Secretary a large asset base, the board of survey to be conducted on a cyclical basis so that all assets are checked every three years.<sup>1</sup>

Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.<sup>2</sup> All assets which are not accounted for in the board of survey must be investigated to determine the appropriate recovery or write-off action.<sup>3</sup> All agencies must maintain a Fixed Asset Register until the asset module of the financial management information system is implemented. Details to be recorded in the asset register should include, at a minimum –

- (a) description;
- (b) cost or fair value;
- (c) date of acquisition, where known;
- (d) make, model and identification number, where applicable; and
- (e) location.<sup>4</sup>

<sup>1</sup> Finance Instructions 2010 – Section 49 (1)

<sup>2</sup> Finance Instructions 2010 – section 49(2)

<sup>3</sup> Finance Instructions 2010 – section 49 (3)

<sup>4</sup> Finance Instructions 2010 – section 46 (2)

The audit noted that the Ministry did not carry out a Board of Survey for the period ended 31 December 2013. In addition, the Ministry has not maintained any Expendable Items Register and has not updated its Fixed Assets Register (FAR).

In absence of the updated FAR and a Board of Survey report, the Statement of Losses could not be substantiated.

Ineffective controls on the management of fixed assets (property, plant & equipment) increases the risks of misappropriation of fixed assets belonging to the Ministry.

### **Recommendations**

- **All property, plant and equipment purchased by the Ministry must be properly recorded in the FAR.**
- **The Ministry should carry out a Board of Survey annually to take stock of all its assets and update its fixed assets records.**

### **Ministry's Comments**

*We agree with the recommendations of the Audit Findings that all property, plant and equipment purchased by the Ministry must be properly recorded in the Fixed Asset Register (FAR). For now the recording of assets is done manually and the FAR updated by the Senior Secretary. This will be transferred to the FAR module when a project staff is recruited in September 2014 to carry out and take over this task. The Accounts Officer is solely handling the Finance Deliverables from 2012, and a Clerical Officer recruited in July 2014 will assist her.*

*The Board of Survey was not carried out annually due to shortage of staff in the Ministry. However, the Ministry undertakes to carry out the BOS for 2013 by October 2014. A project staff will be recruited in September 2014 to assist in the formulation of the Asset Management Report and Procurement Compliance Report.*

## **33.6 Recording of Expenditure**

All payments, including VAT, must be immediately recorded in the financial management information system (FMIS) and an Expenditure Ledger. All system generated purchase orders, indents and other commitments of funds must be recorded in the financial management information system and a commitment ledger immediately after they have been approved.<sup>5</sup>

The audit noted that the Ministry prepared its financial statements from the FMIS general ledger without reconciling to an Expenditure Ledger or Commitment Ledger as there were none maintained by the Ministry.

In the absence of an Expenditure Ledger or Commitment Ledger, there was also no other evidence to indicate that the expenditure accounts have been reconciled to the source documents to provide assurance that all payments incurred have been recorded in the FMIS general ledger.

### **Recommendation**

**The Ministry should comply with the requirements of the Finance Instructions or provide evidence of regular reconciliation of expenditure accounts.**

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<sup>5</sup> Finance Instructions 2010 – section 13  
Ministry of Sugar

### **Ministry's Comments**

*The Ministry had opened a manual backup that is the Commitment/Expenditure Ledger but has not been maintained due to shortage of staff. The Accounts Section has been managed by only an Accounts Officer who does almost everything in the Accounts Section. The recruitment of a Clerical Officer in July this year has provided some relief and will ensure that the Commitment/ Expenditure ledger is updated regularly.*

### **33.7 Unexplained Account Balances**

The Accounts Officer is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>6</sup>

The review of the FMIS general ledger revealed an unexplained account balance of \$390,842.31 reflected in trial balance for which the Ministry could not provide any explanation or documentary evidence. Refer to Table 33.3 below for details.

**Table 33.3: Unexplained Account Balance**

Allocation	Description	2013 (\$)	2012 (\$)
1-35000-00000-910000	Accumulated Surplus/Deficits	390,842.31	389,870.18
1-35101-35101-910101	APP Surplus & Deficit – Prior Year	390,842.31	389,870.18

The major component of this balance was carried forward from the previous year as only three (3) transaction entries were noted for 2013 in the FMIS general ledger. Refer to Table 33.4 below for details.

**Table 33.4: Unexplained Ledger Account Entries**

Period	Journal ID	Amount (\$)	Journal Description
12/2013	MOF	(986.53)	Write off as per MF approval
12/2013	MOF	979.33	Reversal of write off
12/2013	MOF	979.33	Write off approved by MF

The Ministry explained that the transactions were not the result of the Ministry's activities and that the entries may have been posted by the Ministry of Finance. However, this could not be substantiated.

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

### **Recommendations**

- The Ministry should ensure that transactions posted to the FMIS general ledger are supported with documentary evidences and should be produced during the audit.
- The Ministry should seek clarifications from the Ministry of Finance on allocations under its Head that it cannot explain nor have any records to substantiate the balances.

<sup>6</sup> Ministry of Sugar - Finance Manual Section 13  
Ministry of Sugar

**Ministry's Comments**

*The Ministry notes and agrees with the recommendations and undertakes to comply with them in future.*

*Further it undertakes to seek clarification from the Ministry of Finance on allocations under its Head that the Ministry of Sugar cannot explain.*

**33.8 Reconciliation of Accounts**

The Accounts Officer is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.<sup>7</sup> Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts.<sup>8</sup>

The audit noted that the Ministry did not carry out monthly reconciliation and prepare reconciliation statements for the Operating Trust Fund Account, Revolving Fund Account and the Inter-Departmental Clearance Account for the year ended 2013. As a result, audit was not able to ascertain the correctness of the closing balances as reflected in the FMIS general ledger. Refer to Table 33.5 and Table 33.6 for details.

**Table 33.5: Operating Trust Fund Account**

Allocation	Description	Amount (\$)
1-35000-00000-860000	Deposits & Retention Money	(3,866.55)
1-35101-35101-861301	221 PD Cane Access Roads	(218.18)
1-35101-35101-861920	501 PD Employees FNPF	(3,648.37)

**Table 33.6: Balances in the Revolving Fund Account**

Allocation	Description	2013 (\$)
1-35000-00000-840000	Accounts Payable	(6,450.00)
1-35101-35101-840602	Withholding Tax Payable	(6,450.00)
1-35000-00000-570000	Prepayments & Accrued Income	1,433.95
1-35101-35101-570301	Advances	1,433.95

Without proper documentation, reconciliation and review process, there is a potential risk that the balances recorded in the FMIS general ledger may be incorrect. These also imply ineffective controls and lack of supervisory checks in the Accounts Section.

**Recommendations**

- The Ministry should strengthen the monthly reconciliation process to ensure that reconciliations are carried out properly and statements are accurate and complete.
- The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened.

<sup>7</sup> Ministry of Sugar - Finance Manual Section 13

<sup>8</sup> Ministry of Sugar – Finance Manual Section 13.1.1

**Ministry's Comments**

*The Ministry notes and agrees with the recommendation and will ensure that monthly reconciliations are carried out properly and statements are accurate and complete.*

*Further, the Ministry undertakes to ensure that supervisory checks in the internal control procedures in the Accounts Section are regularly carried out.*

**33.9 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>9</sup>

The Accounts Officer must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it. 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>10</sup>

The review of the drawings account records revealed the following discrepancies:

- The Ministry did not prepare the drawings account reconciliation statements for the year 2013.
- Un-presented cheques listing was not provided for audit to reconcile with the FMIS general ledger balance of \$1,449,981.20 as at 31 December 2013.
- There was no Board of Survey carried out for the un-presented cheques balance at year end.

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

**Recommendations**

- **The Ministry should ensure that proper and accurate drawings account reconciliations are carried out on a monthly basis.**
- **The internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies.**

**Ministry's Comments**

*The Ministry notes the recommendations. The non-submission of its reconciliation was due to the change in format which needs an officer for its preparation but the Ministry has already requested for FMIS assistance for its completion.*

*The recruitment of a Clerical Officer in July 2014 and a Project Staff in September 2014 should ensure that the drawings account reconciliations are carried out accurately on a monthly basis.*

*The Ministry undertakes to ensure that supervisory checks in the internal control procedures in the Accounts Section are regularly carried out.*

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

<sup>10</sup> Finance Instructions 2010 – Section 31(5)

### 33.10 Anomalies Noted in Grant Administration

Acquittal reports must be obtained before the next monthly or quarterly grants are paid out.<sup>11</sup> The administering agency must ensure that each grant has been used only for the purpose for which it was provided.<sup>12</sup>

The SPFL shall provide the Permanent Secretary acquittals on the utilization of disbursed funds and progress reports on implementation of the Project.<sup>13</sup>

#### Grant to Sugar Industry Tribunal (SIT)

The Sugar Industry Tribunal receives an annual grant from the Ministry of Sugar. The audit noted that the Tribunal did not provide acquittal reports on the utilisation of the grants given in 2013, therefore restricting the Ministry's ability to monitor how the funds were actually used by the Tribunal. Refer to Table 33.7 below for details:

**Table 33.7: Grants Provided to SIT in 2013**

Cheque No.	Date	Amount (\$)	Particulars
563	13/03/13	250,000	1 <sup>st</sup> phase payment (grant) to Sugar Industry Tribunal.
716	30/07/13	250,000	2 <sup>nd</sup> phase payment (grant) to Sugar Industry Tribunal.
<b>Total</b>		<b>500,000</b>	

#### Subsidy given to South Pacific Fertiliser Limited (SPFL)

The Ministry disbursed a subsidy of \$5 million to the South Pacific Fertilizer Limited in 2013. The funds were paid in one instalment as shown in Table 33.8 below.

**Table 33.8: Subsidy payments made to SPF**

Date	Cheque No.	Description	Amount (\$)
26/04/13	612	Being payment of Subsidy to SPFL	5,000,000

Review of the records revealed that the Ministry released the 2013 subsidies without obtaining proper acquittal reports from SPFL on the utilisation of the 2012 subsidy of \$5 million. Although a brief summary was submitted by SPFL which stated that the \$5 million was used to pay off loans in 2013, there were no supporting documents provided. Refer to Table 33.9 below for details of payments of loans from the subsidy.

**Table 33.9: Loans Paid by SPFL From Government Subsidy**

Cheque No.	Paid To	Amount (\$)
29/04/13	Loan Repayment SCGF - MOP	584,970.33
29/04/13	Loan Repayment SCGF - MOP	1,000,667.92
29/04/13	Loan Repayment SCGF - TSP	93,886.04
29/04/13	Loan Repayment SCGF - SOA	1,404,505.23

<sup>11</sup> Finance Instructions 2010 – Section 16(8)

<sup>12</sup> Finance Instructions 2010 – Section 16(9)

<sup>13</sup> Signed Memorandum of Understanding between Ministry of Sugar and South Pacific Fertilizer Limited – dated 27/01/12 – Paragraph 6 – Reporting and Reviewing



Cheque No.	Paid To	Amount (\$)
29/04/13	loan Repayment SCGF - MOP	135,872.82
07/05/13	Purchase of DAP	1,780,097.66
<b>Total Subsidy</b>		<b>5,000,000.00</b>

### Grants to Sugar Research Institute of Fiji (SRIF)

On 02/12/13, the Ministry disbursed to the SRIF \$900,000<sup>14</sup> as part of 2013 grants.

The audit noted that the SRIF did not provide acquittal reports on the utilisation of government grants given to the institute since 2012.

Without proper acquittal and progress reports, the Ministry may not be able to effectively monitor the utilisation of government grants by the various agencies.

### Recommendations

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

### Ministry's Comments

*The Ministry notes the recommendation and undertakes to ensure that acquittal and progress reports are submitted by SIT/SRIF/SPFL and the reports verified by the Ministry before the grant disbursement.*

*The Ministry undertakes to develop its acquittal template by November 2014 to be used by grant recipients from 2015 and beyond and ensure that acquittals and progress reports are verified before disbursing grants.*

## 33.11 Assistance Provided to Sugarcane Farmers

The agency administering a grant must enter into a grant agreement with any organization or person who either receives a one-off grant or ongoing grant assistance in excess of \$5,000.<sup>15</sup>

In 2013, the Ministry purchased three (3) tractors and three (3) sets of farming implements which were provided to the Fiji Sugar Corporation to assist sugarcane farmers who do not have adequate access to farming machineries.

The audit noted that there was no Memorandum of Agreement/Understanding in place to facilitate the handing over of the tractors and farming implements and purposes of government assistance provided. Refer to Table 33.10 below for details.

**Table 33.10: Details of Purchase of Tractors and Farming Implements**

Cheque No.	Date	Payee	Amount (\$)	Particulars
1018	29/12/13	Asco Motors	441,300	Being purchase of 3 tractors and 3 sets of farming implements.

<sup>14</sup> Cheque No. 1385

<sup>15</sup> Finance Instruction Section 2010 – Section 16 (1)

Without an agreement, there will be no clear understanding of the responsibilities of parties involved and no clear indication on the ownership and obligations of each party.

### **Recommendation**

**It is recommended that a Memorandum of Agreement/Understanding is established to clearly set out the responsibilities and obligations of the Ministry and the recipients of government assistance.**

### **Ministry's Comments**

*The Ministry notes the recommendation and undertakes to ensure that a Memorandum of Agreement/Understanding is established to clearly set out the responsibilities and obligations of the Ministry and the recipients of government assistance.*

*The Ministry will develop the Memorandum of Agreement between Government and FSC before the tractors and associated farm implements are released to FSC this year.*

