



STANDING COMMITTEE ON PUBLIC ACCOUNTS

REPORT NO. 43 OF 2018

*Report of the Public Accounts Committee on the Audits of Government
Ministries and Departments for the year ended 31st December, 2015
(Volume 1 to Volume 4)*



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Chairman's Foreword

This report follows the Report of the Auditor-General of the Republic of Fiji – Audit Report of Government Ministries and Departments - December 2015. This is my fifth report as the Chair of the Standing Committee on Public Accounts.

I welcome the opportunity to showcase the progress that Ministries and Departments in Fiji continue to make. Even the issues identified in these reports have either been resolved or are in the process of being addressed.

While the instances of the mentioned issues have reduced there are issues that still need to be addressed as shown in the recommendations and committee observations.

The report identified audit issues within 37 Ministries and Departments for the year ended December 2015. The audit of Whole of Government concludes with an unqualified audit report. Of these, unqualified audit reports were issued to 20 Ministries and Departments while 17 were issued qualified audit reports on the following grounds:

- Variances were noted between reconciliations prepared by Ministries and Departments and FMIS Ledger maintained by the Ministry of Economy;
- Board of Survey was not carried out;
- Financial transactions were not recorded in the FMIS Ledger;
- Amounts reflected in Trust and Trading Manufacturing Accounts were not fully supported;
- Funds in approved budget estimates for 2015 were used for trust account expenditures; and
- Independent stock take was not done.
- Ministries and Departments concentrated spending of their budgets towards the end of 2015 (December) hence indicating lack of proper financial planning during the year. This contributed to significant unpresented cheque at the end of the year placing undue stress on government cash flows at the beginning of 2016.

The Committee notes that the root-cause for the issues highlighted in Volumes 1 – 4 of the 2015 Audit Reports is attributed to the quality of human resources employed in Ministries and Departments which needs to be improved immediately.

This report contains a total of eight recommendations and observations made by the Committee. These recommendations have been made in good faith, and we urge the relevant party for which the recommendation is made, to consider and respond accordingly.

It is imperative that Heads of Ministries and Departments carry out detailed analysis of the audit reports and take proactive action to address people issues either through capacity building or disciplinary process for non-performance or non-adherence to established policies and procedures.

In respect of processes, more concerted efforts need to be taken to streamline processes enabling quicker completion of capital projects so that intended benefits are realized as soon as possible. Greater use of information technology systems will eliminate manual inventory control which is susceptible to errors and omissions and fraud.

At this juncture, I wish to thank fellow committee members for their efforts in clearing this backlog namely: Hon. Mohammed Dean, Hon. Alexander O'Connor, Hon. Aseri Radrodro, and Hon. Ratu Naiqama Lalabalavu. I also wish to acknowledge the immense contribution provided by the late Hon. Ratu Sela Nanovo during his tenure as a Member of the Standing Committee.

I, on behalf of the Public Accounts Committee, commend this report to the Parliament.


.....

Hon. Ashneel Sudhakar

Chairperson

CHAPTER 1: Introduction

Background

Standing Order 109(2) (d) mandates the Committee to *"examine the accounts of the Government of the Republic of Fiji in respect of each financial year and reports of the Auditor-General, and for any other matter relating to the expenditures of the Government of the Republic of Fiji or any related body or activity (whether directly or indirectly) that the committee sees fit to review. The committee must only examine how public money has been dealt with and accounted for in accordance with the written law and must not examine the merits of the underlying policy that informs public spending."*

This Report looks at the Report of the Auditor General on the annual accounts of Ministries and Departments for the year ended 31st December, 2015, Parliamentary Papers 58 to 61 of 2017 in terms of the following Volumes:

- Volume 1: Audit Report on Whole of Government Financial Statements and Annual Appropriation Statement 2015;
- Volume 2: Audit Report on the General Administration Sector;
- Volume 3: Audit Report on the Social Services Sector; and
- Volume 4: Audit Report on the Economic & Infrastructure Sector.

Copies of the relevant Auditor-General's reports are available for perusal on the Parliament website www.parliament.gov.fj under "*Parliament Business*".

The entities which appeared before the Public Accounts Committee are as follows:

- Office of the President
- Office of the Prime Minister
- Office of the Attorney General
- Ministry of Economy
- Ministry of i-Taukei Affairs
- Ministry of Immigration, National Security and Defence
- Ministry of Employment, Productivity and Industrial Relations
- Ministry of Foreign Affairs
- Office of the Auditor General
- Elections Office
- Judiciary
- Parliament
- Independent Commissions
- Office of the Director of Public Prosecutions
- Ministry of Justice
- Fiji Correction Services
- Ministry of Communication
- Department of Information Technology and Computing Services

- Public Service Commission
- Ministry of Rural and Maritime Development and National Disaster Management
- Republic of Fiji Military Forces
- Fiji Police Force
- Ministry of Education, Heritage and Arts
- Ministry of Health and Medical Services
- Department of Housing
- Ministry of Women, Children and Poverty Alleviation
- Ministry of Youth and Sports
- Higher Education Institutions
- Ministry of Agriculture
- Ministry of Fisheries and Forests
- Ministry of Lands and Mineral Resources
- Ministry of Industry, Trade and Tourism
- Ministry of Sugar
- Ministry of Public Enterprise
- Ministry of Local Government, Housing and Environment
- Ministry of Infrastructure and Transport
- Peacekeeping Missions

Committee Recommendations

The Committee recommends the following:

1. The Ministries and Departments should ensure that effective feasibility studies and surveys should be taken before the execution of work on any project.
2. Ministry of Economy should increase staffing and resources in their Internal Audit Division for them to be able to conduct regular and timely internal audit inspection to all Ministries and Departments.
3. Ministry of Economy should conduct regular and timely trainings for all officers on the FMIS and ensure that the system is compatible to the actual operations of the Ministries and Department.
4. Ministries and Departments should ensure that daily reconciliations are conducted and also strengthen their internal controls in terms separation of duties and supervisory checks.
5. Millions of dollars have been written-off as a result of missing records and human errors. Ministries and Departments should ensure that officers who fail to comply with the relevant legislation and manuals should be adequately disciplined in order to curb future occurrences of such substantial write-offs due to non-compliance and human errors.
6. Ministries and Departments should ensure compliance and implementation of recommendations made by the Office of the Auditor-General.
7. Ministries and Departments should ensure that procurement of technical equipment are carried out by personnel with the required technical knowledge and skills.
8. All capital projects should be supervised by a designated Clerk of Works with the relevant skills.

General Observations

The Committee made the following observations on the common recurring issues from the submissions received:

- Unsubstantiated write-offs due to lack of supporting documentation and posting errors over a period of time;
- Boards of survey are not conducted annually as required;
- Internal Audit by Ministry of Economy is not done at regular intervals. It is conducted on the basis of risk associated with individual Ministries and Departments;
- Lack of internal audit within the individual Ministries and Departments;
- Lack of awareness and adherence to the required standards of accounting for withholding and provisional tax;
- Lack of compliance on the preparation and submission of monthly reconciliations to the Ministry of Economy;
- Lack of supervision by the supervisory officers in the implementation of finance manual and procedures of the Ministry;
- Issues and challenges still exist relating to the migration from the old system to the new Financial Management Information System (FMIS) despite the introduction of FMIS since 2004;
- Capacity of staff and the level of human errors that resulted in mispostings and qualifications of Audit Reports;
- Involvement of staff in fraudulent or suspicious activities;
- Lack of knowledge of staff on accounting regulations, manuals, procedures and instruction.
- Anomalies in terms of procurement contracts, its vetting process and delays related to this;
- Lack of supervision at every level;
- Laxity in instituting disciplinary action and implementing surcharge;
- Laxity in complying with Auditor General's recommendations;
- High staff turnover and lack of continuity and succession plan;
- Inheritance of past problems and refusal by incoming officers to take ownership of the responsibilities on hand;
- Lack of ownership from the Office of the Auditor General, Ministry of Economy and individual Ministries and Departments on the issues at hand during submissions; and
- Lack of experience or technical knowledge when Ministries procure plant and equipment, including capital works.

Committee Members

The Standing Committee on Public Accounts comprises the following Members of Parliament:

Hon. Ashneel Sudhakar MP (Chairman)
Hon. Mohammed Abe Dean MP (Deputy Chairman)
Hon. Alexander O'Connor MP (Member)
Hon. Aseri Radrodro MP (Member)
Hon. Ratu Naiqama Lalabalavu MP (Member)

During the Standing Committee's meetings, the following alternate membership arose pursuant to Standing Order 115(5):

Hon. Howard Politini
Hon. Alivereti Nabulivou
Hon. Alvick Maharaj
Hon. Jiosefa Dulakiverata

Resource Personnel

The Committee together with the officials from the Office of the Auditor General and the Ministry of Economy conducted public hearings in the Parliamentary precincts. The officials that assisted the Committee were:

OFFICE OF THE AUDITOR GENERAL:

Mr. Ajay Nand (Auditor General)	Mr. Moshin Ali
Mr. Sairusi Dukuno	Mr. Jayant Ram
Mr. Kuruwara Tuinisalevu	Mr. Krishneel Pal
Mr. Niraj Kumar	Mr. Mitieli Nawaqavou
Mr. Seremaia Delana	Mr. Emosi Rokoleakai
Mr. Dineshwar Prasad	Ms. Alanieta Nasilivata
Mr. Ilaitia Varani	Ms. Rusiate Baba
Mr. Abele Saunivalu	Mr. Mitieli Nawaqavou
Ms. Finau Nagera	Ms. Farisha Bi
Ms. Makereta Dyer	Ms. Raveena Kumar
Ms. Anisa Nasome	Ms. Merewalesi Ledua
Mr. Mohammed Firoz	Ms. Ashika Chand
Ms. Ashika Chand	Mr. Emosi Qiokacikaci
Ms. Sulueti Cakau	Mr. Samuela Tupou
Mr. Manish Dewan	Ms. Suluweti Cakau
Mr. Emanuel Sami	

MINISTRY OF ECONOMY:

Ms. Sala Raiwalui
Ms. Ana Waqanisau
Mr. Sailosi Sawana
Mr. Amit Kishore
Ms. Ana Waqanisau
Mr. Jona Dalaga
Mr. Ilisoni Tokalaulevu
Mr. Kaushal Bali
Ms. Sala Kurusiga
Mr. Ashneel Prasad

Ms. Mereani Naisara
Ms. Lanieta Senibulu
Ms. Miriama Elliot
Mr. Dominiko Tabuaura
Mr. Kenneth Brown
Mr. Atunaisa Balematuru
Mr. Atin Chand
Mr. Amit Kishore
Mr. Mohammed Rahat

CONSULTANT

Mr. Robert Oakeshott

CHAPTER 2: Volume 1: Audit Report on Whole of Government Financial Statements and Annual Appropriation Statement 2015

REVENUE, EXPENDITURE, INVESTMENTS, AND SUMMARY OF SIX KEY ISSUES

Introduction

In 2015, the audit of Whole of Government concludes with an unqualified audit report, under section 152(2) of the Constitution, section 6 of the Audit Act and sections 46 and 47 of the Financial Management Act 2004.

A total of 37 Agency Financial Statements were prepared in accordance with the Financial Management Act 2004 and Finance Instructions 2010. Of these, unqualified audit reports were issued on 20 financial statements while audit reports on 17 financial statements were qualified on the following grounds:

- Variances were noted between reconciliations prepared by Ministries and Departments and FMIS Ledger maintained by Ministry of Finance;
- Board of Survey was not carried out;
- Financial transactions were not recorded in the FMIS Ledger
- Amounts reflected in Trust and Trading Manufacturing Accounts were not fully supported.

Government Performance in 2015

	Original Budget 2015 (S'000)	Revised Budget 2015 (S'000)	Actual Results 2015 (S'000)	Variance ¹ 2015 (S'000)	Variance (%)
REVENUE					
Operating Receipts	2,571,412.3	2,571,412.3	2,542,813.7	(28,598.6)	(1)
Investing Receipts	551,026.1	551,026.1	250,701.7	(300,324.4)	(55)
TOTAL REVENUE	3,122,438.4	3,122,438.4	2,793,515.4	(271,725.8)	(9)
Item	Original Budget 2015 (S'000)	Revised Budget 2015 (S'000)	Actual Results 2015 (S'000)	Variance¹ 2015 (S'000)	Variance (%)
EXPENDITURE					
Operating	1,938,856.2	1,957,387.7	1,874,199.9	83,187.8	(4)
Capital	1,321,877.4	1,320,192.8	1,045,503.5	274,689.3	(21)
Value Added Tax	75,558.5	74,298.1	55,636.4	18,661.7	(25)

TOTAL EXPENDITURE	3,336,292.1	3,351,878.6	2,975,339.8	376,538.8	(11)
Net (Deficit)/Surplus	(213,853.7)	(229,440.2)	(181,824.4)	47,615.8	(21)
Debt Repayment	149,668.3	678,025.5	677,261.7	763.8	(0.1)
Gross Surplus/(Deficit)	(363,522)	(907,465.7)	(859,086.1)	48,380	(5)
Net (Deficit)/Surplus as A Percent of GDP	(2.5%)	(2.6%)	(2%)	8.8%	
Nominal/Provisional GDP	8,668,818.0[n]	8,668,818[n]	9,210,800[p]	541,982	

Head No	Ministry/Department	Appropriation ⁶⁸ (\$)	Revised Amount (\$)	Actual Expenditure 2015 (\$)	Savings/(Overspent) (\$)	%
1	Office of the President	4,202,825	4,202,825	3,827,804	375,021	9
2	Office of the Prime Minister	14,305,046	14,305,045	12,553,159	1,751,886	12
3	Attorney General and Solicitor General	17,181,187	17,181,186	13,755,679	3,425,507	20
4	Ministry of Finance	80,803,208	80,803,224	77,480,472	3,322,753	4
5	Ministry of iTaukei Affairs	10,283,016	10,283,017	9,717,730	565,287	5
6	Ministry of Immigration, National Security and Defence	7,152,924	7,152,924	7,128,406	24,518	0.3
7	Ministry of Employment, Productivity and Industrial Relations	15,734,753	15,734,709	15,305,910	428,799	3
8	Ministry of Foreign Affairs	41,779,542	41,779,536	41,255,330	524,206	1
9	Office of the Auditor General	4,082,574	4,082,574	3,329,801	752,773	18
10	Fijian Elections Office	7,089,092	7,089,092	5,119,295	1,969,797	28
11	Judiciary	40,382,831	40,382,832	27,692,106	12,690,726	31
12	Parliament	8,888,234	8,888,234	7,612,055	1,276,179	14
13	Independent Commissions	10,249,191	10,249,191	9,053,686	1,195,505	12
14	Office of the Director of Public Prosecutions	5,715,089	5,715,089	4,696,316	1,018,773	18
15	Ministry of Justice	42,822,416	42,822,395	38,682,595	4,139,800	10
16	Ministry of Communications	33,704,175	33,704,201	17,049,204	16,654,997	49
17	Public Service Commission	43,131,770	43,131,770	38,587,428	4,544,342	11
18	Ministry of Rural and Marine Development and National Disaster Management	32,108,508	32,107,650	29,926,150	2,181,500	7
19	Republic of Fiji Military Forces	103,317,112	103,317,114	85,091,759	18,225,355	18
20	Fiji Police Force	120,499,912	120,499,901	109,046,124	11,453,777	10
21	Ministry of Education, Heritage and Arts	401,649,593	401,649,310	398,375,173	3,274,137	1
22	Ministry of Health and Medical Services	269,738,232	269,738,232	239,013,309	30,724,923	11

23	Department of Housing	27,699,066	27,699,066	17,448,683	10,250,383	37
24	Ministry of Women, Children and Poverty Alleviation	44,812,093	44,812,148	43,933,368	878,780	2
25	Ministry of Youth and Sports	16,690,714	16,690,746	16,057,425	633,321	4
26	Higher Education Institutions	85,739,202	85,739,200	79,985,127	5,754,073	7
30	Ministry of Agriculture	64,972,249	64,972,231	52,575,862	12,396,369	19
32	Ministry of Fisheries and Forests	23,981,192	23,981,234	22,892,886	1,088,348	5
33	Ministry of Lands and Mi Resources	32,994,273	32,994,312	25,353,544	7,640,768	23
34	Ministry of Industry, Trade and Tourism	49,484,531	49,484,689	47,110,788	2,373,901	5
35	Ministry of Sugar	11,768,650	11,768,624	10,580,205	1,188,419	10
36	Ministry of Public Enterprise	10,518,861	10,518,816	9,234,952	1,283,864	12
37	Ministry of Local Government, Urban Development and Environment	32,682,568	32,682,569	24,585,109	8,097,460	25
40	Ministry of Infrastructure and Transport	113,023,524	113,023,600	104,634,654	8,388,946	7
41	Water Authority of Fiji	239,221,511	239,221,511	194,221,421	45,000,090	19

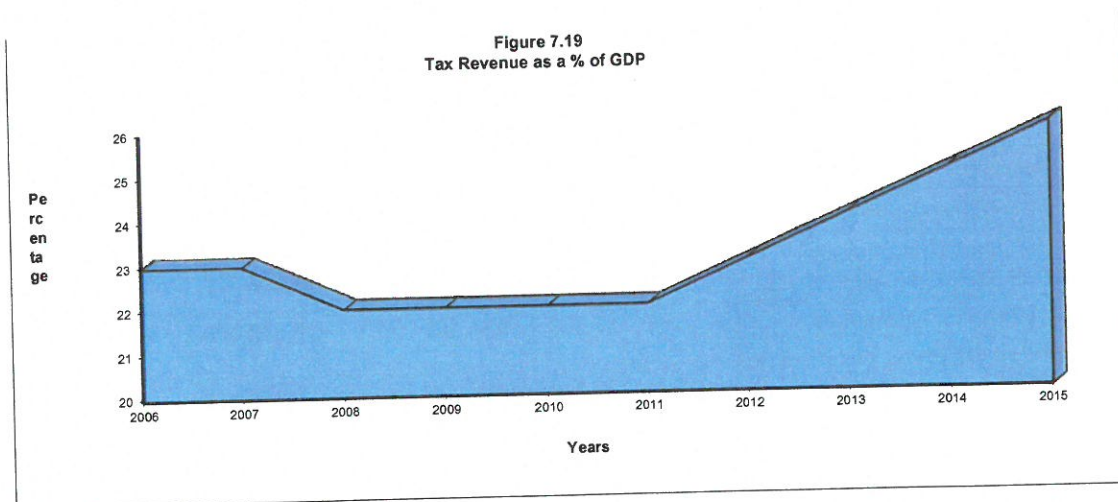
Head No	Ministry/Department	Appropriation ⁶⁸ (\$)	Revised Amount (\$)	Actual Expenditure 2015 (\$)	Savings/(Overspent) (\$)	%
43	Fiji Roads Authority	653,788,560	653,788,560	559,396,677	94,391,883	14
49	Peacekeeping Missions	72,626,918	72,626,918	68,611,388	4,015,530	6
50	Miscellaneous Services	156,850,907	218,073,007	176,576,117	41,496,890	19
51	Pensions, Gratuities and Compassionate Allowances	42,343,300	42,343,400	38,878,319	3,465,081	8
52	Charges on Account of Public Debt	430,719,000	974,662,732	972,678,004	1,984,728	0.2
	Total	3,424,738,358	4,029,903,414	3,659,054,020	370,849,395	9

REVENUE

Comparison of Tax Revenue and GDP

Year	Tax Revenue (\$)	GDP (\$)	% of Tax Revenue/GDP
2005	1,065,808,942	5,040,000,000	21
2006	1,227,220,772	5,325,700,000	23
2007	1,230,363,366	5,440,100,000	23
2008	1,243,057,337	5,614,900,000	22
2009	1,209,223,648	5,614,100,000	22
2010	1,302,130,578	6,024,400,000	22
2011	1,512,378,397	6,768,500,000	22
2012	1,616,297,515	7,109,500,000[r]	23
2013	1,879,243,556	7,715,700,000[r]	24
2014	2,117,742,442	8,435,900,000[r]	25
2015	2,359,863,232	9,210,800,000[p]	26

Tax Revenue as a percentage of GDP over the last 10 years has been between 21% - 26%.



Actual revenue collections by government in 2015 from its normal operations totalled \$2,800,234,786 thus recording a shortfall of \$322,203,614 or 10% of the total estimated revenue collections. The key contributing factor to the shortfall was that the budgeted revenue was based on the planned disposal of government shares in government owned entities (FEA, AFL, Government Printery and KTFZ) which did not eventuate in 2015.

Year	Investing Revenue – Actual (\$)	Operating Revenue – Actual (\$)	Total Actual [a] (\$)	Investing Revenue – Budgeted (\$)	Operating Revenue – Budgeted (\$)	Total Budgeted [b] (\$)	Variance [a-b] (\$)
2011	29,699,034	1,774,878,062	1,804,577,096	79,675,200	1,667,797,412	1,747,472,612	(57,104,484)
2012	86,043,083	1,854,766,943	1,940,810,026	35,819,200	1,906,987,800	1,942,807,000	1,996,974
2013	59,894,427	2,038,833,496	2,098,727,923	75,744,230	2,032,634,700	2,108,378,930	9,651,007
2014	80,723,993	2,290,281,755	2,371,005,748	513,955,960	2,207,821,990	2,721,777,950	350,772,202
2015	255,471,929	2,544,762,857	2,800,234,786	551,026,138	2,571,412,262	3,122,438,400	322,203,614

In addition, government also recorded \$22,745,668 from operation of Trading and Manufacturing Accounts.

Total arrears of revenue increased by \$585,679 or 0.4% from \$150,840,876 as at 31/12/2014 to \$151,426,555 as at 31/12/2015.

The following anomalies were noted:

- (i) The audit noted that debt owed to Ministries and Departments for more than five years amounted to 37,584,996 or 25% of the total arrears. Although some Ministries/ Departments have indicated in the past that that write offs would be pursued, this is yet to occur. Resource constraints have also been indicated as one of the reasons contributing to delay in recovery of arrears.
- (ii) The Ministry for Economy-Pension, Judiciary, Agriculture and Infrastructure had more than 50% of their respective total arrears aging more than five years. Entities having about 25% to 50% of total arrears included the Fiji Police Force (43.8%), Water of Authority (36.9%), Ministry of Infrastructure (35.5%), Ministry of Finance-FRCA Customs (31%) and Ministry of Lands and Mineral Resources (30.4%). Refer to Appendix 2 for details.

Significant Arrears of Revenue Over 5 Years by Ministry/Department

Year	Min Of Finance – Pensions (\$)	Min of Communications – TAF (\$)	ITC Services (\$)	Min of Education (\$)	Min. of Health & MS (\$)	Govt Printing (\$)	Peacekeeping Missions (\$)
2011	2,651	1,299,929	1,014	16,144	427,160	113,192	1,573,273
2012	15,589	3,994,537	1,862	8,119	451,365	641,013	6,133,366
2013	62,036	5,831,427	-	16,330	210,647	368,368	1,623,583
2014	159,883	8,837,731	30	12,180	208,800	634,344	1,587,290
2015	218,095	11,429,826	1,486	13,984	330,756	743,936	1,855,323

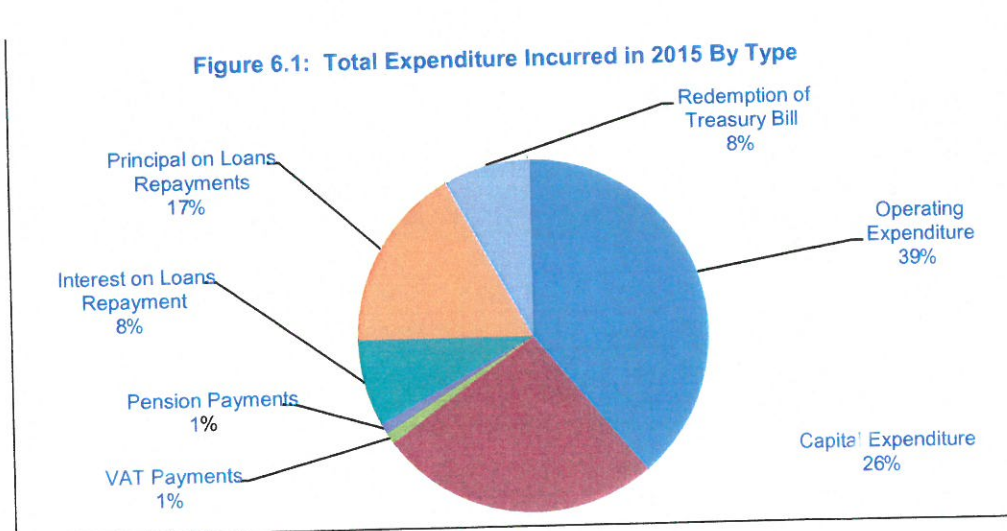
EXPENDITURE

In 2015, expenditure totalled \$4,029,904,149 increased by \$922,690,849 or 30% from \$3,107,213,300 budgeted for in 2014.

As at 31/12/15, government incurred a total expenditure of \$3,970,769,776 thus recording a budget savings of \$59,134,373 or 1.5%. The significant budget saving was mainly due to the savings recorded in capital budgets across ministries and departments.

Overview of the 2015 Budget and Actual Expenditure

2015 Original Budget (\$)	Virements (\$)	2015 Revised Budget [a] (\$)	Expenditure	Actual Expenditure 2015 [b] (\$)	2015 Budget Saving/ (Overspending) [a-b] (\$)	Actual Expenditure 2014 (\$)	Increase / (Decrease) in Actual Expenditure (\$)	% Increase / (Decrease)
1,615,462,200	2,944,961	1,618,407,161	Operating	1,540,173,910	78,233,251	1,434,490,110	105,683,800	7
1,321,877,400	(1,684,624)	1,320,192,776	Capital	1,045,503,540	274,689,236	930,115,814	115,387,726	12
75,558,500	(1,260,320)	74,298,180	VAT Payments	55,636,374	18,661,806	57,395,410	(1,759,036)	(3)
42,343,300	---	42,343,300	Pension Payments	38,878,319	3,464,981	36,785,353	2,092,966	6
281,050,700	15,586,505	296,637,205	Interest on Loans	295,147,698	1,489,507	264,309,159	30,838,539	12
149,668,300	528,357,227	678,025,527	Principal on Loans	677,261,695	763,832	202,166,704	475,094,991	235
---	---	---	Redemption of Treasury Bill	318,168,240	(318,168,240)	280,578,002	37,590,238	13
3,485,960,400	543,943,749	4,029,904,149	Total Government Expenditure	3,970,769,776	59,134,373	3,205,840,552	764,929,224	24



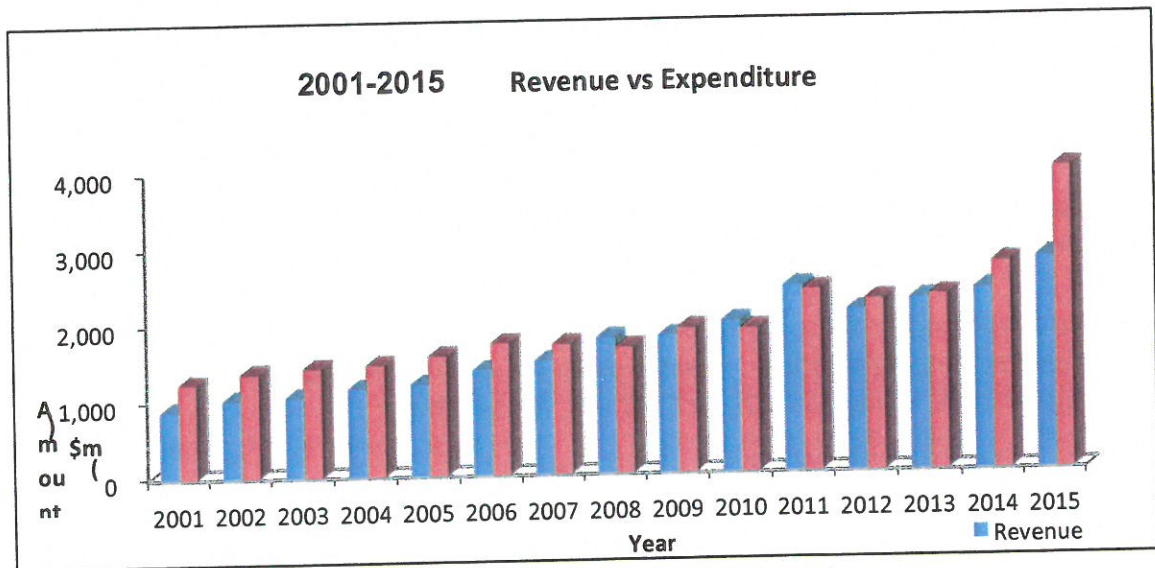
In 2015, total expenditure increased by \$764,929,224 or 24% compared to the total expenditure of \$3,205,840,552 incurred in 2014. This was primarily due to increases noted in Principal Loan Repayments (\$475,094,991 or 235%), redemption of Treasury Bills (\$37,590,238 or 13%), interest payments of loans (\$30,838,539 or 12%) and capital expenditure (\$115,387,726 or 12%).

In addition to the total expenditure, the Trading & Manufacturing Account (TMA) as the trading arm of Government incurred a total expenditure of \$14,911,192.

Government's expenditure for the past five years has been increasing and the majority of the spending was on operating expenditures. Total expenditure in 2015 increased by 24% or \$764,929,224 compared to the increase of 30% or \$742,627,969 in 2014.

Government Expenditure for the past 5 Years

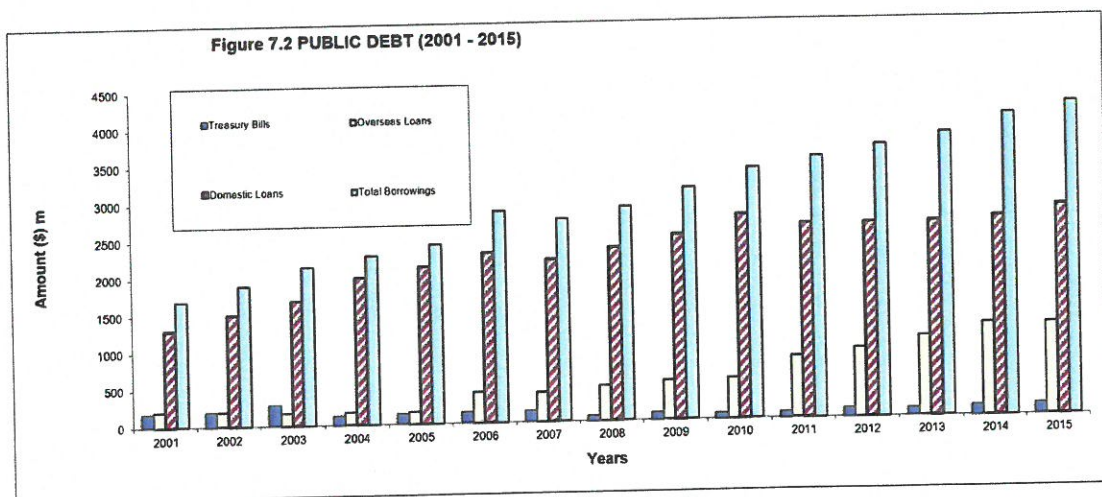
Expenditures	2011 (\$)	2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)
Operating	1,088,155,668	1,163,505,072	1,212,492,362	1,434,490,110	1,540,173,910
Capital	494,534,923	533,838,990	586,349,201	930,115,814	1,045,503,540
Vat Payments	43,978,964	50,043,665	41,682,412	57,395,410	55,636,374
Pension Payments	33,374,303	36,371,123	35,340,641	36,785,353	38,878,319
Interest on Loans	267,218,638	260,860,919	260,450,670	264,309,159	295,147,698
Principal on Loans	503,003,259	249,483,884	179,320,244	202,166,704	677,261,695
Redemption of Treasury Bills	416,019,281	265,852,974	147,577,053	280,578,002	318,168,240
Total	2,846,285,036	2,559,956,627	2,463,212,583	3,205,840,552	3,970,769,776
Expenditures	2011 (\$)	2012 (\$)	2013 (\$)	2014 (\$)	2015 (\$)
Increase/(Decrease)		(286,328,409)	(96,744,044)	742,627,969	764,929,224
% Change		(10%)	(4%)	30%	24%



The above shows that government expenditure of \$3,652,601,500 exceeded revenue \$2,793,515,400 during 2015 resulting in a gross deficit of \$859,086,100 for the year 2015.

DEBT AND BORROWING

Over the past 15 years, the percentage of overseas borrowings constituted an average 17% of the borrowings.



Public debt has been increasing over the years and in 2015, a further increase of 3% or \$137,957,041 was noted when compared to the debt of \$4,083,194,826 owed in 2014. The increase was due to an increase in domestic debt by \$165.2 million and Treasury Bills by \$12.7 million. Overseas borrowings decreased by \$12.9 million in 2015 compared to 2014.

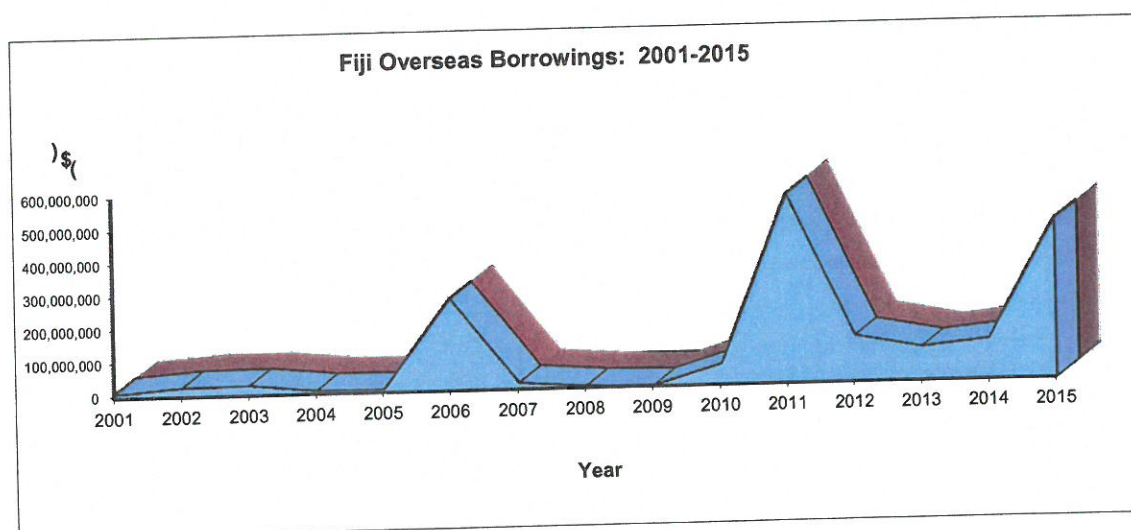
Government Borrowing Composition - 2001 – 2015

Year	Domestic Bonds		Overseas Borrowings		Treasury Bills		Total	
	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change	Amount \$'000	% Change
2001	229,000.9	9	10,247.0	(32)	424,654.9	229	663,902.8	87
2002	299,000.0	31	26,196.7	156	437,465.8	3	762,662.5	15
2003	291,000.0	(3)	28,745.3	10	580,634.6	33	900,379.9	18
2004	449,218.2	54	9,267.7	(68)	189,256.7	(67)	647,742.6	(28)
2005	319,967.0	(29)	8,641.3	(7)	326,951.1	73	655,559.4	1
2006	356,778.6	12	283,258.7	3,178	528,715.4	62	1,168,752.7	78
2007	100,536.3	(72)	19,855.8	(93)	685,889.2	30	806,281.3	(31)
2008	341,266.9	239	20,802.8	5	391,725.9	(43)	753,795.6	(7)
2009	404,239.8	18	25,476.8	22	253,821.7	(35)	683,538.3	(9)
2010	452,734.1	12	61,949.5	143	687,313.1	171	1,201,996.7	76
2011	81,470.5	(82)	569,043.1	819	411,970.9	(40)	1,062,484.5	(12)
2012	192,102.0	136	136,428.7	(76)	306,664.5	(26)	635,195.2	(40)
2013	172,822.0	(10)	99,466.3	(27)	138,122.1	(55)	410,410.4	(35)
2014	233,405.8	35	120,241.3	21	306,883.4	122	660,530.5	61
2015	257,356.1	10	474,272.0	294	336,000.0	9	1,067,628.1	62

The increase in government borrowing was noted for both overseas and domestic borrowings. Overseas borrowing increased by 294% in 2015 from a total of \$120,241,251 borrowed in 2014 while domestic borrowings increased by 10% from \$233,405,800 in 2014. Treasury bills raised in 2015 increased by 9% from \$306,883,399 raised in 2014. The increase in overseas borrowing in 2015 was due to the refinancing of global bonds.

Overseas Borrowings

The total outstanding overseas borrowing of Government as at 31 December 2015 was \$1,241,407,386 which represents 29% of the total outstanding borrowings. Majority of the overseas borrowings obtained were to finance capital projects.



There were marked increases in overseas borrowing in years 2006 and 2011. In 2015, overseas borrowings increased again due to issuance of \$US150 million, \$US250 million and the \$US200 million in global bonds.

The Government borrowed a total of \$478,804,784 from overseas. Of the total amount borrowed, \$268,612 was in the form of interest capitalisation and direct disbursement. Overseas loan repayments totalling \$635,574,673 were made in 2015, which comprises of \$77,497,979 in interest and \$558,076,694 in principal payments.

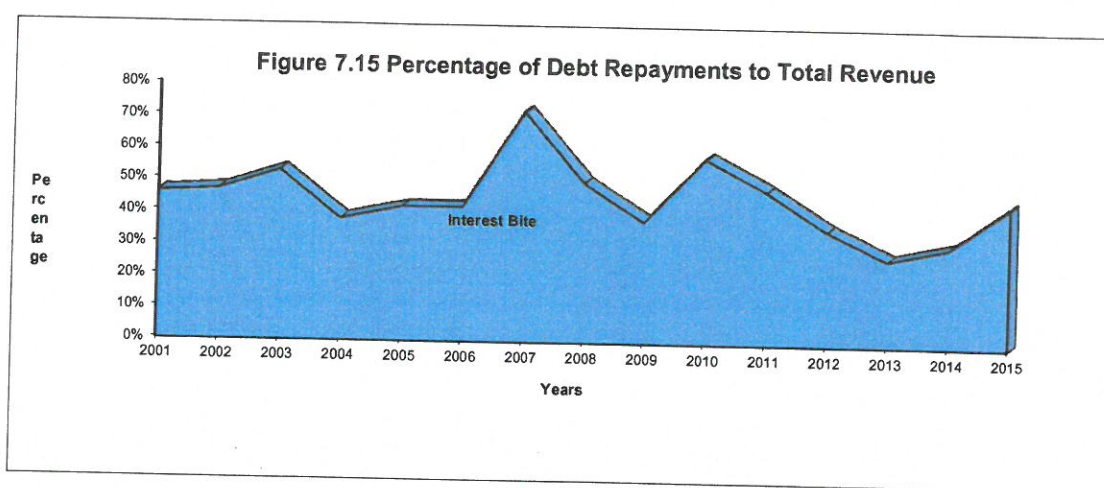
Overseas Loan Disbursements for 2015

Loan	Cash (\$)	Capitalisation Of Interest (\$)	Direct Disbursement (\$)	Total (\$)
Road Upgrading Project				
Buca/ Moto Roads	---	---	12,429,878	12,429,878
Sigatoka / Serea Roads	---	---	8,039,335	8,039,335
Nabouwalu/ Dreketi	---	---	91,864,224	91,864,224
Flood Recovery Loan				
Emergency Flood Recovery Loan	---	---	1,773,182	1,773,182
Housing Project				
2014 ADB/ Transport and Infrastructure Project		268,612		268,612
Total	---	268,612	114,106,619	114,375,231

Further details of outstanding borrowings by Government as at 31/12/15 are outlined as follows:

- (a) Borrowings in relation to the Road Upgrading Project comprised of 98% or \$112.3 million of the total outstanding overseas borrowings. The funds obtained for this project were to be used for road upgrading, rehabilitation, and the management of road assets and sector resources.
- (b) Emergency Flood Recovery loan totalled \$1.7 million or 2% of the overseas loan outstanding as at 31/12/15.

Percentage of Debt Repayments to Total Revenue



In 2015, the financial flexibility measure was 46% indicating that the total debt repayment was equivalent to 46% of the revenue received by the Government during the year compared to 31% during 2014. Therefore, 54% of revenues collected were available for government programs compared to 69% during 2014. In 2015, overseas borrowings made up 29% of outstanding government borrowings which decreased by 2% compared to 2014.

Total Government Debt to Gross Domestic Product

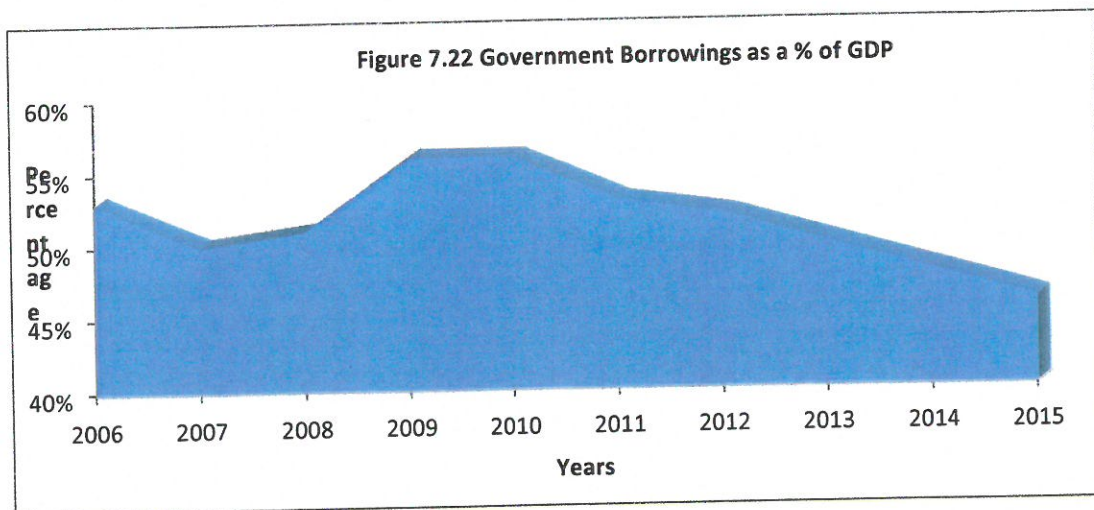
The total

Year	Government Debt (\$)	% of Growth	GDP (\$)	% of Growth	Public Debt as a % of GDP
2006	2,858,713,537	18	5,325,700,000	6	54
2007	2,734,471,967	(4)	5,440,100,000	2	50
2008	2,886,805,555	6	5,614,900,000	3	51
2009	3,130,061,918	8	5,614,100,000	(0.01)	56
2010	3,382,723,748	8	6,024,400,000	7	56
2011	3,530,451,273	4	6,768,500,000	12	52
2012	3,678,829,200	4	7,109,500,000[r]	5	52
2013	3,824,939,969	4	7,715,700,000[r]	9	50
2014	4,083,194,826	7	8,435,900,000[r]	9	48
2015	4,221,151,867	3	9,210,800,000[p]	9	46

Government debt as a percentage of GDP as at 31 December 2015 was 46%, indicating debt sustainability relative to the production of goods and services.

Percentage growth in Government debt is 3% only while the percentage growth in the economy is 9% indicating a slight decrease in debt burden of individuals in 2015. In 2015, percentage change in national debt relative to the GDP was 46%, a decrease of 2% when compared to 48% 2014.

Government Borrowings as a Percentage of GDP



The Government needs to sustain adequate resources to fund existing programs, commence new projects as well as meet existing creditor obligations to maintain the level of borrowings at a sustainable level.

SUMMARY OF KEY ISSUES

1. Write offs for 2016

Subject to this or any other Act, the Minister of Finance may write off losses in respect of public money, state assets and agency assets.

The Finance Instructions may require each budget sector agency:

- (a) To undertake appropriate recovery action for losses;
- (b) To maintain a register of losses containing the details required to be recorded by the Finance Instructions; and
- (c) To include details about losses and recovery action in the audited financial statements to be included in the agency's annual report.

Accounts receivable balances totalling \$14,673,909 were written off as approved by Ministry of Finance. The write off include irrecoverable accounts due to debtor's inability to pay and accounts without proper documentation because of poor control, absence of account reconciliation and lack of timely reviews of general ledger posting and errors by Ministries and Departments.

Write offs approved by the Ministry of Finance

Ministry/ Department	Amount (\$)
Public Service Commission	(9,951,711)
Min of iTaukei Affairs	(37,400)
Office of the Auditor General	(110,555)
Elections Office	(49,695)
00Fiji Corrections Services	(7,539)
Min of Rural Maritime	(40,175)
Fiji Military Forces	(17,715)
Fiji Police Force	(14,689)
Min of Education	(49,941)
Min of Fisheries	(66,747)
Ministry/ Department	Amount (\$)
Min of Lands & Mineral Resources	(6,834)
Min of Works	(1,880,855)
Water Authority	(7,038)
Govt Printing TMA	(212,765)
Min of Health TMA	(106,059)
Min of Works TMA	(2,114,179)
Department of Housing Trust	(12)
	(14,673,909)

The write off of accounts receivables is a loss of public funds.

The Minister for Economy on 31st May 2016 approved for the write off of a sum of \$1,874,524.69 from various accounts in the 2015. Two adjustment exercises had already been carried out in 2013 and 2014 amounting to \$96 million and \$20 million, respectively.

2. Ministries/Department that did not carry out Board of Survey properly, or at all.

Ministries/Departments
Ministry of Local Government, Housing, Environment
Ministry of Sugar
Ministry of Foreign Affairs
Office of the President
Ministry of Rural and Maritime Development and National Disasters
Ministry of Education, Heritage and Arts
Ministry of Agriculture

3. Expenditure planning ("December cheques")

Once again, Ministries and Departments concentrated spending of their budgets towards the end of 2015 (December) hence indicating lack of proper financial planning during the year. This contributed to significant unrepresented cheque balances at the end of the year, placing undue strain on government cash flows at the beginning of 2016.

4. Public debt

At the end of 2015, the percentage of national debt relative to GDP was 46%. This is a decrease of 2% when compared to 2014.

5. Anomalies in Cash at Bank Balance

Variances were noted between the bank reconciliation and FMIS general ledger. The general ledger had been overstated by a sum of \$1,619,790 as at 31/12/15.

A sum of \$600,331 in the scholarship recovery bank account was still reflected in the Ministry of iTaukei Affairs general ledger as at 31/12/15 despite the transfer of the administration of scholarships to the TSLB in 2014.

Variances totalling \$1,627,016 were noted between the TMA Bank Reconciliation and FMIS general ledger as at 31/12/15.

Variances totalling \$1,351,354 were also noted between the Trust Bank Reconciliation and FMIS general ledger. Furthermore, two Trust cash accounts at Ministry of Justice and the Public Service Commission, with a total balance of \$1,027,504, were not recorded in the FMIS general ledger.

6. Root Cause Analysis

Analysis of audit findings reported in 2014 and 2015 indicate the following as root causes behind the issues highlighted;

- **People**
 - Inability to prepare reconciliations, investigate and rectify variances
 - Supervision of work of subordinates
 - Inability to manage capital projects
 - Procurement processes not followed
 - Payment procedures not followed
 - Diversion of funds
 - Conflict of interest not managed
 - Records not updated
- **Processes**
 - Delay in approval of capital projects
 - Procedures for debt recovery not effective
 - Policies need to be formulated in some areas
- **Systems**
 - Automated inventory management systems not used

CHAPTER 3: Volume 2: Audit Report on the General Administration Sector

3.1 Office of the President

Background

The President is vested with Executive Authority of the State in accordance with Chapter 4:81(2) of the 2013 Constitution of the Republic of Fiji.

The Office of the President, in collaboration with the Office of the Prime Minister, ensures that all and any advice tendered to the President are consistent with the provisions, principles and spirit of the Constitution of the Republic of Fiji. At the operational level, the Office of the President is responsible for providing on a daily basis a timely and high standard of professional administrative, protocol and ancillary support services to the President to enable the successful fulfillment of all of the President's Constitutional, ceremonial and public duties.

The operating budget supports the President's Constitutional functions, State visits, and community engagements. It also covers the upkeep and maintenance of the Presidential properties in Suva, Deuba and Lautoka and the administration of the Fijian Honours and Awards system.

PART A: FINANCIAL STATEMENT

3.1.1 Audit Opinion

The audit of the financial statement of the Office of the President for the year ending 31 December 2015 resulted in the issue of a qualified audit opinion. The Committee noted that this was due to travel advances of \$776,850 not being reconciled and journalized to the relevant expenditure allocations during the year which consequently led to the total expenditure being understated by \$776,850 in the Statements of Receipts and Expenditure.

3.1.2 Statement of Receipts and Expenditure

The Committee was informed that the Office did not earn revenue and its Statement only detailed the expenditure that was incurred during the year.

The Committee was further informed that the reasons for the increase in expenditure were due to the following:

- i) Up to 97% of vacant positions within the Office were filled in during the year;
- ii) There had been an increase in the maintenance and fuel expenses due to the increase in the number of invitations and engagements that were received by and undertaken by His Excellency the President;

- iii) The addition of 3 new replacement vehicles to the Fleet of the Office;
- iv) There were 3 capital projects that had been undertaken during the year. Thus the capital construction costs increased due to commencement of three projects namely, Coronation Ground Drainage Phase 2, Upgrade of Government House Roofing and Disability Access at the State House; and
- v) Capital Purchases expenditure increased due to procurement of a new tractor and a trailer, protective clothing for landscape officers, purchase of ride on mowers brush cutters, chainsaws and other tools vital for the upkeep of the State House ground and office.

3.1.3 Appropriation Statement

The Office highlighted that they had operated within their budgetary allocations for the year 2015.

The Committee noted that the Office of the President incurred expenditure totalling \$3,827,803 in 2015 against the budget of \$4,202,825 resulting in a savings of \$375,022 or 8.92%.

PART B: AUDIT FINDINGS

3.1.4 Non – clearance of Balances of Accountable Advances

Audit Findings: Audit noted that advances mainly related to travel of \$776,850 incurred by the Office was not reconciled and journalized to the expenditure allocations during the year. As such, expenditure is understated in the Statement of Receipts and Expenditure.

The Committee was informed that retiring the Accountable Advances involves clearing the outstanding amount from the RFA allocation and debiting these to an Expense Allocation. These could not be completed in 2014 and 2015 because of the lack of knowledge, which was caused by a series of factors including the non-existence of a dedicated accounts position for over 16 years, the absence of an accounting section, and the consequential lack of capacity building.

The Committee noted that these issues have been addressed through an organizational reform undertaken by the Office and completed in 2014 which resulted in the creation of a fully-fledged accounting section with three dedicated positions, and the recruitment of a qualified and experienced accountant to manage the section. The Office also highlighted that the RFA has been cleared as of 2016.

The Ministry of Economy clarified that they had not conducted any Internal Audit for the Office of the President for the last 3 years due to the lack of resources and shortage of staff.

3.1.5 Incomplete Board of Survey

Audit Findings: Audit noted that the Office failed to submit the Board of Survey (BOS) report for second half of the financial year for audit verification as the survey was not complete.

The Office confirmed that it had been conducting its BOS annually since 2013, consistent with Section 49 of the Finance Instructions. However, the BOS was strategically conducted in the first half of the year to coincide with the annual budget submission timelines as this essentially meant that if any item in the BOS Report was written off, the Office could ensure that it could be included as a request for replacement in the budget submission for the ensuing year. The 2015 BOS Report conducted on 24 June 2015 did not recommend any write-offs.

In noting the recommendation by the Auditor-General, the Office stated that it will continue to consider practical approaches to ensuring that the BOS exercise is meaningful so that it captures all the items on an annual basis in-line with the regulations and it also allows for the timely replacement of written-off items.

The Ministry of Economy and OAG further clarified that from an accounting perspective the BOS should ideally be carried out annually at the end of each year.

3.1.6 Mispostings

Audit Finding: Audit review of the FMIS ledger revealed various mispostings for the Office totalling \$138,502.68.

The Committee was informed that that this had been the result of significant increases in the cash flow to meet the President's increasing number of engagements since most of these had not been planned for when the Office had set its cash flow plan at the beginning of the year. This resulted in the Office viring funds from within its various allocations.

The Committee was further informed that the Office would work on improving its planning processes and the management of future cash flows.

The Office also highlighted that following discussions with the Ministry of Economy it has been agreed that any additional requests would be catered for by the Ministry of Economy based on the justifications provided.

3.1.7 Utilization of Project Funds for payment of operating costs

Audit Finding: It was noted that the Office utilised project funds allocated for the Maintenance and Upgrading of Vakaturunulua in the 2015 budget without actual implementation of the project.

The Committee was informed that the Office had to source from the Capital Projects funds towards the end of the 2015 financial year as they had exhausted all its operating funds. It was also highlighted that the upgrading of the 'Vakaturunulua' (State Reception Area) project was tendered on 2 occasions during the year but the office

was not able to complete the technical processes by the end of the year resulting in the non-utilisation of the funds.

3.1.8 Write-offs

Audit Finding: Audit review of the FMIS ledger revealed various mispostings for the Office totalling \$138,502.68.

The Committee was informed that the balance originated from mispostings. However the amount \$37,767.46 has been successfully paid out to the respective financial institutions including the Fiji National Provident Fund. The Office also stated that they would continue to build the capacity of its staff to avoid or minimise mispostings.

Section 2: Office of the Prime Minister

Roles and Responsibilities

The Prime Minister is the Head of Government and is responsible for leading Cabinet and guiding the Government's legislative and reform agenda. One of the Prime Minister's primary responsibilities is to ensure that Government adopts a holistic approach to Fiji's development by promoting close cooperation among his Ministers. It is also the duty of the Prime Minister to ensure that his Ministers uphold their responsibilities to Parliament. The Office of the Prime Minister [OPM] provides policy advice and administrative support to the Prime Minister and the Cabinet.

It coordinates and consults extensively with Government's Ministries and Departments to provide the Prime Minister with an overview of all Government activities. Under the Prime Minister's guidance, the OPM's work includes oversight of national policies and projects of particular priority for Government, such as rural and outer island development, small grant projects and the development of the mahogany industry. The General Administration is responsible for the administration of the Prime Minister's Executive Office, his Private Office, the Policy Division, the Development and Cooperation Facilitation Division, and the Corporate Services Division. The Policy Division provides policy advice to the Prime Minister on important national issues. The Development and Cooperation Facilitation Division coordinates with donor nations and also manages the Office's development projects.

The former Strategic Framework for Change and Coordinating Office is now the Implementation Coordinating Office [ICO]. The Office ensures that Government's core principles and priorities are translated into the activities and planning of all Ministries and Departments. Specifically, the Office mainstreams Government's National Strategic Development Plan and ensures that it is incorporated into strategic plans and annual corporate plans. The Office also monitors the implementation of critical programs and projects and provides the Prime Minister with quarterly reports on each Ministry's performance.

PART A: FINANCIAL STATEMENT

2.1 Audit Opinion

The audit of the 2015 accounts of the Office of the Prime Minister resulted in the issuance of an unqualified audit opinion.

2.2 Statement of Receipts and Expenditure

The Office of the Prime Minister recorded revenue totalling \$954,654 and incurred a total expenditure of \$12,553,160 in 2015.

Total revenue increased by \$372,840 or 64% in 2015 compared to 2014. This was due to the re-imbursement of funds from the Chinese Trust Fund Account to the Operating Fund Account.

Total Expenditure increased by \$964,365 or 8% in 2015 due to the increase in small grant projects funded by the Office in 2015.

2.3 Appropriation Statement

The Office of the Prime Minister incurred expenditure totalling \$12,553,160 in 2015 against the revised budget of \$14,305,045 resulting in a savings of \$1,751,885.

2.4 Trust Fund Account Statement of Receipts and Payments

In 2015, amounts totalling \$1,642,186 were spent from the Chinese Grant Trust Fund account to fund various projects selected by the Office of the Prime Minister.

Additionally, the Office utilized \$289,687 from the Taiwan Grant Trust Fund account on various projects selected by the Office.

Furthermore, the Office of the Prime Minister utilized \$205 from the Retention Fund Account for the payment of bank fees and resident withholding tax.

Moreover, the Office of the Prime Minister utilized \$365 from the Mahogany Industry Council Fund for the payment of bank fees and resident withholding tax.

PART B: AUDIT FINDINGS

2.5 Anomalies in the Payment Process

Audit Finding: Review of payment vouchers for the Office of the Prime Minister revealed that the Office failed to obtain competitive quotes and delivery dockets as required under the procurement regulations and its Finance Manual.

The Committee was informed that three (3) competitive quotes were obtained for the supply of renovation materials to Ratu Luke Primary School. The Committee was further informed that the Office is currently in the process of verifying the delivery dockets and invoice before facilitating the payments.

For the payments done in 2015, the Office is following up with the vendors on the delivery docket. The Office has received 8 sets of delivery docket out of the 21 issues raised. RFMF engineers will be submitting 11 sets of delivery docket by June 2017 and 2 sets of delivery docket once the project is completed.

Committee Recommendations

- PAC recommends that the Office should obtain competitive quotes for procurements above \$1,000 and less than \$50,000 as required under the amended procurement regulations.
- PAC recommends that the Office must ensure to verify the deliveries from the invoices to ascertain that all items that have been paid for is received.

2.6 Anomalies in Capital Projects Undertaken by the RFMF - Small Grants Scheme

Audit Finding: Audit noted the following anomalies in the capital projects undertaken by the RFMF that was funded under the Small Grant Scheme:

- MOU did not indicate the commencement dates of the projects;
 - Monthly progress reports were not submitted;
 - Building Plan not approved by the Rural Local Authority;
 - Although projects were completed financial acquittals were not submitted ;
 - Final report on the completion of the projects were not submitted; and
 - Engineering certificate on the building constructed not provided.
-
- The Committee was informed that the RFMF had assigned an officer in 2016 to work on the acquittals of projects. Project officers are working closely with the RFMF team in compilation of acquittals and the requirements.
 - The Committee was further informed that an MOA will be signed between the RFMF and Office of the Prime Minister instead of an MOU and works will be paid according to phases together with the submission of the required invoices, progress report and Local Authority Report.
 - In 2016, the MOA will be signed with a specific timeline instead of duration of works in days and OPM will vigorously monitor all phases of project implementation.
 - Since 2016, all construction projects now have the required approval of the Local Authorities and the Certificate of Completion and occupation.
 - The Committee was informed that the Office had once applied for a waiver on the grounds that the project needed to be completed urgently.

Committee Recommendations

PAC recommends that the Office should:

- be more stringent and require that RFMF to submit acquittals for the usage of funds stipulated in the Memorandum of Agreement;
- assist the RFMF in preparing acquittals by outlining the format and information required in the acquittals.
- Ensure that future MOU's developed and endorsed between the RFMF and Office specifies the timelines required for the completion of the project.

Section 3: Office of the Attorney General

Roles and Responsibilities

The Attorney-General is the Chief Legal Adviser to Government, whose Permanent Secretary is the Solicitor-General. The Attorney-General's Chambers seeks to continually review and improve Fijian laws to bring about a more just and secure society. It provides legal services to Government and represents the State in legal proceedings. It also prepares draft laws on request of Cabinet and maintains a publicly accessible register of all written laws.

The Chambers is therefore responsible for:

- Providing legal advice to Government and to the holders of a public office on request;
- Drafting laws on the request of Cabinet;
- Maintaining a publicly accessible register of all written laws;
- Representing the State in Tribunals and Courts in legal proceedings to which the State is a party, except criminal proceedings; and
- Performing other functions assigned by the Constitution, any written law, Cabinet or the Attorney-General.

The Department of Civil Aviation comes under the Office of the Attorney-General and is responsible for the regulation of air transport in Fiji. The Department develops air safety protocols, in line with international standards, and looks after the development of Fijian airports.

The Legal Aid Commission, the Fiji Intellectual Property Office and the Media Industry Development Authority also come under the Office of the Attorney-General.

PART A: FINANCIAL STATEMENT

3.1 Audit Opinion

The audit of the 2015 financial statement of the Office of the Attorney General resulted in the issue of an unqualified audit opinion.

3.2 Statement of Receipts and Expenditure

The Office of the Attorney General collected revenue totalling \$394,251 and incurred total expenditure of \$13,755,679 in 2015.

Total revenue increased by \$217,828 or 123% in 2015 compared to 2014 as a result of new hotel licenses issued, advance renewal of hotel licence, fees charged for change in licensee and other license collection.

Funds allocated for the preparatory works for Rotuma Airstrip and Other Rural Airstrips under the Capital Grants and Transfer could not be fully utilised due to the focus of Airports Fiji Limited on the Nadi International Airport modernisation project.

3.3 Appropriation Statement

The Office of the Attorney General incurred expenditure totalling \$13,755,679 in 2015 against a revised budget of \$17,181,186 resulting in a savings of \$3,425,507 or 20%.

Section 4: Ministry of Finance (Economy)

Roles and Responsibilities

The Ministry of Finance is the critical link between the decisions Government leaders make and the actions Government officials take to turn those decisions into reality for the people of Fiji.

The Ministry of Finance manages the economy: it collects the funds necessary to provide Government services, make sure those funds are distributed properly to the institutions that provide those services, and ensure that the people's money is used as its elected leaders intend and that all spending adheres to Fijian law.

The work of the Ministry of Finance helps put the economy on a path to sustainable long-term development by ensuring that the national economy is well managed and meets its macroeconomic targets.

To carry out this responsibility, the Ministry of Finance must provide sound economic and financial forecasting and analysis, manage the nation's financial assets and debts, oversee fiscal policy and tax collection, carry out Government-wide financial management reform, manage the national budget, and ensure that Government can procure the goods and services it needs to serve the people of Fiji.

As part of its long-term plan, the Ministry will continue to spearhead the financial management reform within the public sector that will help Government improve its service delivery to the Fijian people.

PART A: FINANCIAL STATEMENT

4.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Finance resulted in the issue of an unqualified audit opinion.

4.2 Head 4, 50, 51, 52, 10, 12 and 13- Statement of Receipts and Expenditure

- The committee was informed that 'payment by third party' referred to the direct payment of external loans where the creditors paid directly to the contractor after the Ministry had verified the progress of the respective capital projects.
- The investing revenue relates to the sale of assets ATH, Fiji Ports Corporation and the dividends that was received at the time of audit and borrowing revenues relates to the amount of funds received from bond issuances and external loan owners.
- The committee was further informed that during the 2015 period, the Ministry had reissued a global bond amounting to USD\$200m.
- The Board Member Fees of \$97,815 are for the Permanent Secretaries that sit in other Boards. All board fees are deposited in the Consolidated Fund Account.

- Furthermore, the Capital Grant and Transfers of \$6.5m refers to the grants given to Statutory Bodies that are allocated within the Budget. This includes grant to FRCS (operating and capital grants) and also for the after-care fund.

4.3 Appropriation Statement

The Ministry incurred expenditure totalling \$77,480,472 in Head 4 in 2015 against a revised budget of \$80,803,224 resulting in a saving of \$3,322,752 or 4%.

Head 4 - Appropriation Statement for 2015

The Ministry incurred expenditure totalling \$176,576,116 in Head 50 in 2015 against a revised budget of \$218,073,007 resulting in savings of \$41,496,891 or 19%.

Head 50 - Appropriation Statement for 2015

The Ministry incurred expenditure totalling \$38,878,319 in Head 51 in 2015 against a revised budget of \$42,343,400 resulting in a savings of \$3,645,081 or 8%.

Head 51 - Appropriation Statement for 2015

The Ministry incurred expenditure totalling \$972,678,005 in Head 52 in 2015 against a revised budget of \$974,662,732 resulting in a savings of \$1,984,727 or 0.2%.

Head 52 - Appropriation Statement for 2015

Appropriation Head 52 – Charges on Account of Public Debt was allocated for the repayment for domestic and overseas loans.

4.4 Statement of Losses

- The write-offs were carried out after the Board of Survey and another issue was the assets where the figures could not be substantiated because it has been a recurring issue.
- After consultation with IAGG Team with the OAG Reps as an independent observer, the write off was after discussions with the Management of OAG with MoE to clear the outstanding balances from the General Ledger.

4.5 Profit & Loss Statement – Trading & Manufacturing Activity

The Profit & Loss Statement – Trading & Manufacturing Activity showed a net profit of \$998,624 as at 31/12/15 compared to \$752,961 in 2014.

Total expense for 2015 was \$93,432 with the major components of expenses being incurred on maintenance and operations and other expenses.

4.6 Balance Sheet – Consolidated Trading & Manufacturing Activity

The net assets of the Ministry in 2015 totalled \$1.4 million which declined by \$0.8 million (36%) from 2014. This was attributed to a reduction in Accounts Receivable by \$212,938 (100%) through a write off exercise undertaken in 2015.

4.7 Consolidated Trust Account Statement

Total trust funds for the Ministry increased by \$2,242,525 or 22% in 2015 compared to 2014. The increase was due to the increase in receipts of performance bond & Mahogany licenses fees by \$2,141,931 or 65%.

PART B: AUDIT FINDINGS

4.8 Write Offs

Audit Finding: Audit noted that assets totalling \$12,461,333 were written off in the 2015 accounts as approved by the Minister of Finance.

- From the \$6.8m in relation to FRCS's Drawings Account, the committee noted that the Ministry had made an adjustment to correct the wrong posting done through general voucher. This was posted as an adjusted in the Consolidated Fund Account.
- FRCS's Drawings Account for customs - this was the result of the unreconciled figures from 2010 which FRCS was not able to substantiate. The committee noted that this was the direct result of misposting.
- Pepayments and accrued income - this was due to mismanagement by a former staff of the Ministry of Strategic Planning. The officer was charged and is no longer employed with the Ministry.
- The TMA Accounts Receivables of \$212,764 was due to misposting from the old terminal system to FMIS. When figures were entered, some transactions were not able to be substantiated by the Ministry. The committee noted that effective from 2012, the Fiji Procurement Office now directly reports to the Chief Accountant and all transactions are done on a cash basis.
- For the Term Loan receivables given to former MPs, the investigation took longer than expected and the Limitation Act came into effect that resulted in the debt becoming irrecoverable. The committee learnt that these were loans that were part of their privileges (used to purchase vehicles) and were not recovered following the events of 2006.
- The last write off relating to Elections amounting to \$49,694 was for the FNPF and advances which was caused by the incorrect postings to the wrong account. This balance has been carried forward from 2011.

Committee Recommendation

PAC recommends that the Ministry should ensure that ledger postings are checked and reconciliation of account balances are performed thoroughly and efficiently to ensure account balances are substantiated.

Regularity Audit - HEAD 50 MISCELLANEOUS SERVICES

4.9 Over adjustment in SEG 1

Audit Issue: Audit noted that Salary Adjustment expenditure in FMIS general ledger has a credit balance of \$60,985.

The above is a result of over adjustment carried out in SEG 1 of Appropriation Head 50 to reverse Ministers' salaries that were wrongly posted to this Head which could not be rectified by Ministry of Finance.

- The committee was informed that this was for the employer's contribution of FNPF for Ministers paid from Head 50 paid from June – December, 2015 which was then regularised to the individual Ministries expenditure allocation. In the process, this was over credited but the ministry has now rectified this irregularity by enforcing corrective measures.
- Reconciliations are now required to be submitted on a timely manner and this was misposting and not a loss to Government.
- The payroll team looks after the salary of the staff, headed by the Team Leader Salaries who reports to the Chief Accountant. SOP's are now in place to ensure remedial actions are followed and taken accordingly.

Committee Recommendations

PAC recommends that the Ministry of Finance should:

- properly control and monitor the Head 50 expenditures; and
- Ensure that reconciliations are carried out in accordance with the Finance Manual.

4.10 Monitoring of Funds released from Head 50

Audit Issue: The audit noted that the Ministry had released \$57,132,087.85 to Tertiary Scholarship and Loans Board (TSLB).

- The Ministry informed the Committee that from 2016, grant agreements vetted by Solicitor General's Office have been strengthened to include a clause on acquittals and annual reporting requirements. Submission of acquittals required for release of funds from Head 50.
- The committee learnt that TSLB is not a Government Department but rather a Board because it has board members hence it was recommended to have their accounts audited by an external audit agency given the large sum of grant allocated.

Committee Recommendations

- PAC recommends that the Ministry of Finance Budget section as administrator of funds for Head 50 should ensure that proper monitoring is done for the funds released to Ministries and Departments and other agencies.
- PAC recommends that the Budget Section shall monitor and scrutinize all acquittals received in relation to Head 50 expenditure to ensure that funds are being used for its intended purpose.

4.11 SLG 84 Reconciliations not submitted to FMIS Division

Audit issue: The following Ministries/Department did not submit their SLG 84 December 2015 reconciliation as required under SLG 84 Reporting Guide, section 9.2:

- Bureau of Statistics;
- Ministry of Foreign Affairs;
- Fijian Elections Office;
- Judiciary Department;
- Public Service Commission;
- Ministry of Women, Children & Poverty Alleviation;
- Ministry of Fisheries & Forests;
- Ministry of Lands and Mineral Resources;
- Ministry of Industry, Trade and Tourism;
- Ministry of Sugar;
- Ministry of Infrastructure & Transport;
- Ministry of Local Government, Housing & Environment; and
- Ministry of Health and Medical Services

The Ministry of Women, Children & Poverty Alleviation; Ministry of Fisheries & Forests; Ministry of Industry, Trade and Tourism; and Ministry of Infrastructure & Transport showed negative general ledger balances and audit was not able to establish the correctness of these balances which indicate lack of monitoring and supervision.

- The committee was informed that this is in relation to the 15% withholding tax. Payments that arose between any contract of service between Government and contractor including progressive payments require 15% to be deducted and remitted to FRCS within 30 days before the end of every month.
- Unlike SGL84 which needs to be regularised to 0 at the end of the month and taking into account payments made in the last working day, these payments are then provided to FRCS in the following month. Hence, FMIS now requires Ministries to submit reconciliations for these accounts in a timely manner.
- The Ministry advised the committee that in addressing the negative balances in SLG84, the Account Numbers 840600 are to be treated separately from the other accounts because it accounts only for provisional taxes that is withheld from the contractors and that will be remitted to FRCS.

Committee Recommendation

PAC recommends that the Ministry should ensure that reconciliation for funds transferred from Head 50 are prepared by the receiving Ministries/Departments and are submitted to the Ministry of Finance. Negative ending balances identified should be investigated and rectified.

Regularity Audit - HEAD 4

4.12 FNPF Reconciliations not up to date

Audit Issues: As at date of audit, it was noted that FNPF reconciliations were not being carried by the Ministry. January and February reconciliations for 2015 were performed in 2016 while April to December 2015 reconciliations were outstanding.

The committee strongly advised the Ministry to have timely reconciliations carried out to avoid over/under payment for salaries and wages. It was noted that the Accounts officer carries out reconciliations on a weekly basis which is checked and verified by the Supervisor on a monthly basis.

Committee Recommendations

PAC recommends that the Ministry should ensure:

- that FNPF reconciliations are performed on a fortnightly/weekly basis; and
- that the reconciliation statements are thoroughly checked by the Senior Accounts Officer Salaries to minimize or avoid incorrect payments of salaries and wages.

4.13 Monthly Reconciliations of Underline Accounts not verified at FMIS Section

Audit Issues: The committee noted an issue raised in the executive's Accounting Heads Meeting that some Ministries failed to submit their reconciliations to FMIS.

- The respective Ministries and Departments have also been given deadlines of submitting reconciliations. It was reported that most Government agencies were complying.
- The FMIS Team has assisted Ministries that have pending reconciliations to be submitted. Stringent measures are in force for those that do not submit reconciliations such as withholding payments. Also, the reconciliation template is available online to assist Ministries to carry out their reconciliations.
- The Ministry plays more of a supportive role in terms of liaising and provides assistance or advice to the Accounting Heads for each Ministries and Departments and creates more awareness on the process and use of FMIS.

Committee Recommendations

- PAC recommends that the Ministry should ensure that reconciliations submitted by the respective ministries are reviewed by the Head of FMIS.
- The Ministry should follow up with the respective Permanent Secretaries if reconciliations are not submitted on time.

Section 5: Ministry of i-Taukei Affairs

Roles and Responsibilities

Government is committed to protecting the rights, customs and traditions of the iTaukei. Through the Ministry of *i-Taukei Affairs*, Government develops implements and monitors policies and programs for the good governance and wellbeing of the iTaukei people. The Ministry's specific roles and responsibilities are outlined in the iTaukei Affairs Act and other legislation, but its overall direction is guided by the Fijian Constitution, which recognizes the iTaukei, their ownership of land, and their unique culture, customs, traditions and language.

The Ministry's core function is to provide the link between Government and the various institutions that govern the affairs of the iTaukei. The Ministry is responsible for ensuring that these institutions are well run, accountable and transparent so as to best serve the interests of all iTaukei. The iTaukei administration – established across 14 Provinces in Fiji – is under the direction of the iTaukei Affairs Board, an eight member group appointed by the Minister for iTaukei Affairs. The Ministry is the custodian of various registers that detail iTaukei land ownership, customary fishing grounds, village boundaries and traditional titles, including the *Vola ni Kawa Bula*, known as the VKB.

As such, the Ministry has the important responsibility of resolving disputed claims in relation to these matters. In support of its role as official record keeper, the Ministry conducts surveys of iTaukei land, as well as demarcations of village and fishing boundaries, in areas where no records exist. The Ministry is also entrusted with preserving and promoting iTaukei culture for the present and future generations. It develops programs aimed at deepening the understanding of iTaukei customs, language and traditional knowledge, as well as documents important ceremonial occasions and conducts research on a broad range of topics.

PART A: FINANCIAL STATEMENT

5.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of *i-Taukei Affairs* resulted in the issue of an unqualified audit opinion.

5.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$33,246 and incurred expenditure totalling \$9,717,730 in 2015.

Total expenditure increased by \$1,784,590 or 22% in 2015 compared to 2014 due to increase in rate for employers FNPF contributions from 8% to 10%, increase in funds allocated for iTaukei Affairs Board and increase in monthly allowance rate for both the Mata ni Tikina and Turaga ni Koro.

5.3 Appropriation Statement

The Ministry of iTaukei Affairs incurred expenditure totalling \$9,717,730 against the revised budget of \$10,283,017 resulting in a savings of \$565,287 or 5%.

PART B: AUDIT FINDINGS

5.4 Scholarship Bond Recovery Balances

Audit Issue: The audit noted that the scholarship recipient balances were still reflected in the Ministry's general ledger despite the transfer of the administration of scholarships to the TSLB from 2014. In addition the Ministry's state revenue included loans recovered from the students in 2015 amounting to \$24,820.76 whilst the scholarship administration has been transferred to the Tertiary Scholarships and Loans Board in 2014.

The Ministry informed that this continues to be its biggest challenge as it cannot provide the Balance owed by each of its absconders, since the withdrawal of the Scholarship Unit from the Ministry in early 2014 and the transfer of all the Bond documents and files to the TSLB in 2014. Even though Bond Recovery Fund Account is under the Ministry of iTaukei Affairs, the full control of the Fund Account is still with the Ministry of Finance.

The Committee was informed that the Scholarship Bond Recovery Balance as at 31st December 2015 was \$600,330.73. There was a withdrawal of \$500,000 by the Ministry of Finance on the 12th of May, 2016 leaving a balance of \$100,330.73. Additional payment made from May, 2016 to date has brought the balance to \$1,340,755.80.

Committee Recommendations

PAC recommends that the Ministry should liaise:

- with the Ministry of Finance to transfer the scholarship bond recovery balances from its general ledger to TSLB; and
- update TSLB on the loan recovered through its direct bank deposits.

5.5 Grants provided to iTaukei Affairs Board

Audit Issue: The Ministry disbursed a sum of \$5,589,394 to iTaukei Affairs Board (Board) during the year 2015. This sum comprised of payments for the operation of the Board, Provincial Councils and allowances for Turaga ni Koro and Mata ni Tikina. However, the Ministry received the acquittal from the Board in an "Excel worksheet" format only. The Board did not provide supporting documents such as payment vouchers and invoices for the expenses.

The Committee noted that a 2015 Grant Agreement was signed on the 8th of January, 2015 between the Ministry of iTaukei Affairs and the iTaukei Affairs Board, for the approved grant of \$5,589,394.00. The Agreement stipulates the terms and conditions of payment and how the grant should be allocated to the various programs of TAB such as Na Mata publications, personnel Emoluments for iTaukei Affairs Board and Provincial Councils, and Allowances for the Mata ni Tikina, and Turaga ni Koro.

The increase in Grant in 2015 to \$5,589,394 from \$4,122,000 in 2014 was mainly attributed to the increase in Turaga ni Koro & Mata ni Tikina Allowances together with TABA allocation for the personnel emoluments. There are 1170 Turaga ni Koro and 262 Mata ni Tikina. The monthly TNK allowances increased from \$50 to \$75 while monthly MNT Allowances increased from \$40-\$65 for rural Mata and \$33-\$58 for urban Mata.

Quarterly acquittals are received from TAB. This is verified against the quarterly achievement report. Quarterly grants are only released once acquittals from previous Quarter grant are received.

Committee Recommendations

PAC recommends that the Permanent Secretary should:

- follow up with the Board for the submission of outstanding draft financial statements for audit; and
- ensure that in absence of the audited financial account, the acquittal report provided by the Board are thoroughly verified by the Senior Accountant of the Ministry for assurance that funds were utilized for its intended purpose.

Section 6: Ministry of Defence, National Security and Immigration

Roles and Responsibilities

The Ministry manages the nation's security (a prerequisite to stability and peace) and delivers this through the formulation and implementation of policy initiatives, programmes and projects on matters of national security and public order, man-made national crises and emergencies, defence, aerial surveillance, search and rescue operations, national day and other celebrations.

The Ministry is also responsible for immigration matters that include citizenship, detention and deportation, passports, visa, permit, border control, combat trafficking in person, refugee status determination and migration. It also provides a coordinating role through the Defence and Security Forces Liaison Unit on policy matters for the two disciplined services in the Fiji police Force and Republic of Fiji Military Forces.

PART A: FINANCIAL STATEMENT

6.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Employment, Productivity and Industrial Relations resulted in the issue of a qualified audit opinion.

6.2 Statement of Receipts & Expenditures

There were unauthorized credit entries totalling \$685,735 in the Established Staff expenditure (SEG 1) where funds were transferred from VAT (SEG 13). In addition, the Ministry did not refund unutilized trust fund monies credited into SEG 1 totalling \$96,432. Hence, the Established Staff expenditure is understated by \$782,167 and VAT expenditure is overstated by \$685,735 for the year ended 31 December 2015. Similarly, various trust fund accounts have been understated by \$96,432 as at 31 December 2015.

6.3 Appropriation Statement

The Ministry of Labour, Industrial Relations and Employment incurred expenditure totalling \$15,305,909 in 2015 against the revised budget of \$15,734,709 resulting in a savings of \$428,800.

6.4 Trust Fund Account Statement of Receipts and Payments

The Immigration Trust Fund Account records immigration bond received from permit holders. Net surplus increased by \$252,198 or 7% in 2015 compared to 2014 as a result of increase in bond receipts during the year.

PART B: AUDIT FINDINGS

MINISTRY OF DEFENCE

6.5 Expenditure Not Budgeted For

Audit Issue: The Ministry on 9/4/15 paid a sum of \$ 9,615 to Naidu Building Works for painting works at the National War Memorial Museum at Nasese, Suva from its special expenditure allocation number 1-06101-06101-070104. However this expenditure was not allocated for in the Ministry's budgetary allocation for the year 2015. As a result the Ministry diverted funds without the approval of the Ministry of Finance as required under the Ministry's Finance Manual

- The Committee was informed that the Ministry obtained a waiver of tender from the Ministry of Finance for the RFMF to undertake the activity of the National War Museum on 24/03/14.
- The Ministry informed that the tender process was waived due to the urgency of meeting the timeline and completing the work. However, the Committee was informed that the project is on hold as per the directive of the Hon. Prime Minister on 11th November 2014.
- Ministry of Finance informed the Committee that with regards to waiver of tender; that was only allowed in cases where there is only one sole supplier, for donor funded projects where the donor is selective on which supplier should be engaged and in case of national disasters.
- The Ministry was reliant on the RFMF to undertake the works related to this project. However the RFMF had already been occupied with other major projects worth close to \$6.068m that needed to be undertaken.
- The RFMF advised the Ministry that they had subcontracted A.Naidu Building which had been a reputable contractor in the panel of contractors for the RFMF to commence work on the National War Museum.
- The Ministry of Finance informed that under the new procurement regulation there is no panel of contractors for any Ministry and the entire responsibility is transferred to MOE through the Construction Implementation Unit.
- Ministry of Finance highlighted that under the procurement guideline, if the total cost of construction is below \$50,000, three quotes need to be obtained and it has to be delivered in a sealed tender box.
- The Honourable Prime Minister sought an update on the work undertaken at the proposed National War Museum and subsequently decided that it would be appropriate that the War Museum to be part of the Fiji Museum at Thurston Garden.
- With the directive of the Honourable Prime Minister, work on the site was stopped and the contractor A Naidu Building was paid \$9,615 to clear the outstanding payments. The Ministry paid A Naidu from the Remembrance Day funds in 2015 as there had been no fund allocated for capital projects in that year.
- The Permanent Secretary assured the Committee that they have put in place stringent measures to ensure that such oversight will not be repeated in future.

Committee Recommendations

PAC recommends that the Ministry should ensure that funds allocated are utilized for the intended purpose only and any transfer of funds by virement is approved by the Ministry of Finance.

DEPARTMENT OF IMMIGRATION

6.6 Anomalies in Passport Records

Audit Issues: It was noted from the number of applications received, passports issued and damaged passports as recorded in IBMS system in 2015 that Department's monthly report and TARDIS system were not in agreement.

- The Department acknowledged and concurred with OAG's comments and recommendations.
- The Department has setup a control system whereby a register has been opened to maintain all applications received for all stations on daily basis.
- The Department is taking all necessary measures in reconciling the passports issued periodically.
- In conjunction with ITC and Informatics, the Department is working on acquiring and implementing a software solution (one platform – from vetting to printing). Once this solution is implemented, the reports will be generated by the system and all stages of passport processing will be captured.

Committee Recommendations

PAC recommends that the Department should:

- implement adequate controls in its Passport section to ensure that passport records are properly maintained;
- ensure that number of passport applications received is reconciled with the number of passports issued on a monthly basis; and
- investigate the variance between these application systems regarding the number passport application received and number of passport issued. Appropriate action taken against the officers responsible to ensure these records reconciled.

6.7 Poor File Management System– Registry Office

Audit Issues: Audit noted that the Department's Registry did not have adequate space for all visa related files as files for student permit, extension of permit applications and citizenship applications were kept with the Processing Officers around their workstations.

- The Department acknowledged and concurred with OAG's comments and recommendations and below are explanations provided as follows:
 - The Department has taken proactive measures to minimize the problem of misplacement and lost files in the conduct of the overtime from 18/5/16 to

31/5/16 to improve the current system. The files have been placed in alphabetical order for easy accessibility.

- The Department is focusing on an effective and efficient system for easy accessibility and safety in storage for files at a proper location within the Office.

Committee Recommendations

PAC recommends that the Department should ensure that:

- appropriate spacing is allocated for safekeeping and maintenance of files.
- files are stored in a secure location and accessible to authorized officers only.
- an effective and efficient filing system is designed and implemented for registry.
- Registry controls are strengthened for proper recording of file movements.

6.8 Delay in Bond Refunds

Audit Issue: The Ministry collects bonds from foreigners who enter the country to work on work permit. It was noted that the Ministry was not able to refund the bond within 2 weeks on several instances. For several applicants the bond amounts were refunded after 2 weeks or 14 days.

The Department acknowledged and agreed with OAG's comments and will improve in the following areas:

- Efforts have been made to process bond refunds within the set timelines. The Registry is also clearing the inactive files to accommodate for the active files.
- The Department is implementing better vetting procedures so that all the required documents are collected at the time of lodgement for refund.

Committee Recommendation

PAC recommends that the Department should ensure that its turnaround times are within the set timelines.

Section 7: Ministry of Employment, Productivity and Industrial Relations

Roles and Responsibilities

The Fijian Constitution guarantees every Fijian's right to economic participation, a just minimum wage, and fair employment practices, which include humane treatment in the workplace and proper working conditions. Government is committed to doing everything in its power to uphold these rights for workers across the country, while at the same time helping businesses grow and succeed.

The Ministry of Employment, Productivity and Industrial Relations is responsible for enacting policies and programs that support both of these aims.

The Ministry focuses on fostering strong relations between employees and employers, creating productive workplaces, combatting discrimination, and demanding fair working conditions. It also works to help Fijians find jobs, especially the country's young people, and to create healthy and safe work environments for all workers.

The significant increase in funding for the Ministry will support a number of new initiatives, which include a payment to Christmas Island veterans, more funding for workman's compensation and the National Employment Centre, and the launch of a new Foreign Employment Service

PART A: FINANCIAL STATEMENT

7.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Employment, Productivity and Industrial Relations resulted in the issue of a qualified audit opinion.

7.2 Statement of Receipts and Expenditure

The Ministry of Employment, Productivity and Industrial Relations collected revenue totalling \$30 and incurred expenditure totalling \$15,305,909 in 2015.

7.3 Trust Statement of Receipts and Expenditure

7.3.1 *Occupational Health and Safety Trust Statement of Receipts and Expenditure*

The National Occupational Health & Safety Education and Accident Prevention Trust Account collected revenue totalling \$1,925,298 and incurred expenditure totalling \$1,409,169 in 2015.

The total expenditure decreased \$210,342 or 13% in 2015 compared to 2014 mainly due to decrease in expenses for the operation of the Occupational Health and Safety Trust within the Ministry. These include health and safety

education or training or research; and ensuring or promoting the health safety of persons at workplaces.

7.3.2 Child Labour Unit Trust Statement of Receipts and Expenditure

The Child Labour Unit Trust Account collected revenue totalling \$10,995 and incurred expenditure totalling \$4,566 in 2015.

The total expenditure decreased by \$25,833 or 85% in 2015 compared to 2014 mainly due to the decrease in expenses for the operation of the Child Labour Unit within the Ministry.

7.3.3 Employment Relations Agency Trust Statement of Receipts and Expenditure

The Employment Relations Agency Trust Account collected revenue totalling \$231,702 and incurred expenditure totalling \$3,448 in 2015.

The total expenditure decreased by \$213,387 or 98% in 2015 compared to 2014 mainly due to the decrease in expenses for the operation of the Employment Relations Agency within the Ministry.

7.3.4 National Employment Centre Trust Statement of Receipts and Expenditure

The National Employment Centre Trust Account collected revenue totalling \$47,307 and incurred expenditure totalling \$353,425 in 2015.

The total expenditure increased by \$330,467 or 1,439% in 2015 compared to 2014 mainly due to use of \$350,000 to cater for salary and FNPF contribution for staffs working in Foreign Employment Services (FORES) .

OHS Consultancy Services, Workmen's Compensation and Wages Dispute Trust (WBC) Statement of Receipts and Expenditure

This account comprises of Wages Disputes, Workmen's Compensation and OHS Consultancy. The WBC Trust Account collected revenue totalling \$6,179,023 and incurred expenditure totalling \$5,808,446 in 2015.

The total expenditure decreased by \$37,237 or 0.6% in 2015 compared to 2014. Expenses incurred were mainly for workmen's compensation, wages dispute and OHS Consultancy services.

7.4 Appropriation Statement

The Ministry of Labour, Industrial Relations and Employment incurred expenditure totalling \$15,305,909 in 2015 against the revised budget of \$15,734,709 resulting in a savings of \$428,800.

PART B: AUDIT FINDINGS

7.5 Understated Established Staff Expenditure

Audit Issue: It was noted that during the year, the Ministry transferred funds totalling \$685,735 from VAT SEG 13, and utilised Trust Fund monies transferred into SEG 1 totalling \$96,432.09. Transferring of funds from Trust Fund account and VAT expenditure have understated the Established Staff expenditure by \$782,167.09 for the year ended 31/12/15.

The Ministry has abided by the recommendation and is strictly following the instruction. On the way forward, the Ministry of Employment, Productivity & Industrial Relations has ensured that this issue does not recur.

On the Trust Account issues, the Ministry will be vigilant in the future to make sure the figures are correct before funds are transferred.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure to comply with its Finance Manual Section 15.1.1 at all times.
- further investigate this matter and take appropriate action.

7.6 Unauthorized Use of Main Trust Fund Monies

Audit Issues: Audit noted that the Ministry transferred amount totalling \$360,490.92 from National Occupational Health and Safety Education and Accident Prevention Trust fund to pay salaries for staffs working for Workmen Compensation Unit contrary to Health and Safety Act at Work Act Section 1996 section 31.

Ministry's Way Forward

Due to the concerns raised regularly by NOHSAB members on the utilization of the OHS Trust Fund to pay for salaries, a submission was made to the Ministry of Economy on the proposal to regularize all Project positions including Dr. Tiko's position into line-posts in the 2016-2017 budget submission. This was approved.

The Committee noted that the workers compensation does not have a Trust Account to meet the operation cost of recruiting Project officers.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that OHS Trust Funds are used for its intended purpose only.
- ensure that Trust Funds expenses are met from its own Trust Fund instead of using funds from other Trust Fund account to meet operational expenditures.

7.7 Pending Workmen's Compensation Cases

Audit Issue: As at 31/08/16, a total of 1,734 compensation claims registered with the Workers Compensation Unit were yet to be resolved. In addition, audit noted that with the length of time taken to process or finalise claims, some claimants have lost out on compensation as employers/companies have wound up and ceased their operations.

The Committee was informed that the Worker's Compensation Unit has documented all its systems and process and has been ISO 9001:2008 certified in July, 2015, where the time frame for processing of cases are clearly reflected for Officers to follow.

A full time medical assessor is now based with the Ministry to carry out final medical assessments for injured workers and medical opinion for death cases. The Ministry till to date has trained 218 medical assessors on Impairment Assessment.

The Unit with Training Accreditation Chemical & Hygiene Unit is conducting workers compensation awareness sessions to both the private and public sector.

Committee Recommendations

The Committee recommends that the Ministry should:

- make efforts in resolving compensatory claims at the earliest;
- review its claims and settlement processes to facilitate the accomplishment of substantial justice in all cases expeditiously; and
- create awareness amongst employers and the workforce regarding the importance of reporting /submitting claims promptly.

7.8 Unauthorized Transfer of Funds from VAT Allocation

Audit Issue: The audit noted that on 15/01/15, the Ministry transferred amount totalling \$21,433.47 from SEG 13 VAT to OHS Consultancy Trust Account to reimburse allowances paid to National Employment Centre in 2014 from OHS Consultancy Main Trust Fund Account. Transferring of funds from SEG 13 to Trust Fund and Established Staff expenditure for the payment of salaries has overstated VAT expenditure for the year ended 31/12/15.

The Committee was informed that a payment was made from National Employment Centre budgetary allocation amounting to \$164,323.30 on 22nd Jan 2015 to refund the amount that was utilised from OHS Consultancy. OHS Consultancy was used to facilitate payment for NEC allowances when the budgetary allocation was inadequate towards the end of 2014.

This is a normal payment from the Operating funds (SEG 7) and VAT should be charged accordingly.

However on its way forward, the Ministry of Employment, Productivity & Industrial Relations will seek advice from Ministry of Economy if such a situation arises in the future.

Committee Recommendation

PAC recommends that the Ministry must ensure that funds are used for the purpose it is intended for.

7.9 Payment of VAT from Workmen's Compensation Claims

Audit Issue: Contrary to VAT Decree 1991, first schedule, exempt supplies section 1(b) (iii), the audit noted that the Ministry made VAT payments totalling \$236,136.69 for payment of workmen's compensation claim.

The Committee was informed that Vat was charged to Workers Compensation payment since the budget was provided by Ministry of Economy in the 2015 Budget Estimate.

The Ministry has sought clarification with Fiji Islands Revenue and Service (FRCS) officials and have been advised accordingly.

The recommendation has been strictly followed.

Committee Recommendation

PAC recommends that the Ministry should ensure that payment of workmen's compensation claims does not include VAT.

Section 8: Ministry of Foreign Affairs

Roles and Responsibilities

The Ministry of Foreign Affairs promotes Fijian interests in other nations and on the world stage. This includes a broad range of activities from providing consular services to Fijians living overseas to from organizing high-level visits to Fiji.

The Ministry develops and carries out Fiji's foreign policy and manages Fiji's relationships with other nations and with multi-national and sub-regional organizations like the United Nations and the Melanesian Spearhead Group. The Ministry is focused on securing the maximum benefits for Fiji from these relationships.

PART A: FINANCIAL STATEMENT

8.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Foreign Affairs resulted in the issue of a qualified audit opinion.

8.2 Statement of Receipts and Expenditure

- The total expenditures increased due to the increase of travel and communications \$426000, Maintenance and Operations \$1.8m and Capital purchase expenditure by \$339000.
- The committee was informed that the capital purchase only relates to the overseas missions hence the Ministry has incurred an expenditure cost.

8.3 Appropriation Statement

The Ministry incurred expenditure totalling \$41,255,330 in 2015 against the revised budget of \$41,779,536 resulting in a savings of \$524,206 or 1.2%.

PART B: AUDIT FINDINGS

8.4 Unreconciled Variance in Overseas Mission Bank Account

Audit Issue: As at 31 December 2015, cash held in overseas missions' bank accounts totalled \$8,215,131.89. However, an unreconciled variance of \$3,374,748.80 was noted between the FMIS general ledger balance of \$8,215,131.89 and the bank reconciliation for various mission accounts totalling \$4,840,383.09. In addition, it was noted that Fiji High Commission in United Nation and Papua New Guinea had an overdrawn bank balance in the general ledger of \$38,936.12 and \$104,115.54, respectively for which satisfactory explanations were not provided by the Ministry.

- The Committee was informed that the cause of the variance was due to mispostings.

- The Committee was informed by the Ministry of Economy that the Ministry has only submitted their reconciliations till October 2016 and as a result are not able to ascertain the correct balance hence this had accumulated over the months.
- The Ministry is in the process of liaising with FMIS on the details of these variances.
- The last internal audit conducted was in 2015 for the 12 month period ending on 30th June 2015 and there is a team from MoE which is currently assisting the Ministry in its reconciliations.
- The Ministry has adopted the new format of posting since January 2016 to capture all Mission's transaction into the FMIS General Ledger.
- The Committee was informed that the Ministry is working on creating an online banking system for all Fiji Missions abroad to ensure proper finance management.

Committee Recommendations

PAC recommends that the Director Finance should ensure that:

- overseas missions bank balance is reconciled with the FMIS general ledger bank balance on a monthly basis and any foreign exchange gain or loss is adjusted immediately; and
- overdrawn accounts should be investigated and necessary corrective measures undertaken.

8.5 Reconciliations not prepared/provided for audit

Audit Issue: The audit noted that the Ministry failed to prepare and submit its monthly reconciliations for various underline accounts for the year 2015. In some cases, reconciliations submitted were not properly certified or were incomplete.

- OAG informed the Committee that all the posting and reconciliations are done at HQ.
- To be stringent in its accounting processes, the Ministry has advised that if there are no acquittals submitted at the end of the month, the office will not remit the funds to the Missions.
- It was noted that only after the civil service reform has concluded, the Ministry will be able to instigate the necessary disciplinary action.

Committee Recommendation

PAC recommends that the Director Finance should ensure that monthly reconciliations for the underline accounts are prepared, signed and submitted for Permanent Secretary's endorsement and submission to Ministry of Economy FMIS Unit on a timely manner.

8.6 Board of Survey Report not carried out

Audit Issue: The audit noted that the Ministry did not carry out the board of survey for the following missions and embassies for the year ended 31 December 2015:

- Fiji High Commission London;
- Fiji Embassy Tokyo;
- Fiji High Commission Wellington;
- Fiji High Commission United Nations;
- Fiji Embassy Washington;
- Fiji High Commission Geneva;
- Fiji Embassy Abu Dhabi;
- Fiji Embassy Korea;
- Fiji High Commission Kuala Lumpur;
- Fiji High Commission Papua New Guinea; and
- Fiji High Commission New Delhi.

In addition, according to the Ministry, it carried out the board of survey for headquarters and there was no write offs. However, audit was not provided with a copy of the board of survey report for Headquarters.

- OAG and MoE has advised and confirmed with the Committee that the Board of Survey for MoFA has been carried out for all overseas missions and HQ up till 2016.

Committee Recommendation

PAC recommends that the Ministry should ensure that annual board of survey is properly planned and conducted each year.

8.7 Non Clearance of Remittance between Chests Balance

Audit Issue - The RBC balance of \$1.3m was not cleared due to the format of GL posting used.

- The Ministry has adopted a new format of posting that will allow the clearance of RBC account as payment is remitted to overseas accounts.
- OAG has confirmed that the balance of \$1.3m has been cleared through the Journal Voucher entry as advised by the audit.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- the RBC reconciliation is performed on a monthly basis and the balances are cleared to respective expenditure allocations; and
- journal voucher adjustments are fully supported with necessary supporting and relevant documents.

8.8 Representation Allowance Claims Not Adequately Supported

Audit Issue: The Officers other than the Head of Mission for Korea and Brazil Embassies claimed representation allowance on several occasions. The audit noted that while all the claims were supported with receipts and invoices for the official lunch and dinners hosted, the Officers claiming the representation allowances failed to provide the reasons and the details of the person or the group that was hosted.

- The committee noted that the representation allowance claims are the Missions' responsibility and that it is the work of the Heads of Missions to cite all documents before releasing funds.
- The committee was informed that this was a poor reflection on record keeping however, under the Foreign Service Regulations this has been addressed and reiterated at the Heads of Missions Meeting.

Committee Recommendations

PAC recommends that the Ministry must ensure that:

- all representation allowance claims are adequately supported with the relevant details of the person entertained, purpose of the meeting, and other documents supporting the expenditures incurred; and
- supervisory controls and checks at the Missions and Headquarters are strengthened.

8.9 Anomalies Noted in Allowance Paid to First Secretary for Brazil Mission

- The committee was informed that there were only 2 diplomats stationed at the Brazil Mission.
- OAG advised the committee that the payment of \$4,724.49 was processed and paid at the Fiji Mission in Brazil.
- The Ministry advised that subject to sufficient funds available at the Missions overseas and with the approval from HQ, leave allowance is granted.
- It was noted that there is an internal system to manage leave both at HQ and at the Mission level such as a leave register whereby the Director Corporate Services is able to manage and instruct via executive's endorsement on those officers to take leave as there will be no leave allowances paid.

Committee Recommendations

PAC recommends that the Ministry should:

- recover overpaid post allowance, leave allowance and leave compensation from the officer concerned;
- ensure that the supervisory checks at the Commission and Headquarters are strengthened to avoid such discrepancies.

8.10 Incorrect Remuneration Payment of Post Allowances

Audit Issue: Audit noted that there was a lack of supervisory checks at the Fiji High Commission in Canberra and headquarters which had resulted in overpayment of post allowances.

- The committee was informed that the incorrect remuneration of post allowance has been addressed at the Heads of Meeting with emphasis on the '*Foreign Service Regulation*'.
- It was noted that the sum has been recovered from the High Commissioner's salary within one instalment.
- This anomaly was related to the incorrect remuneration of post allowance in Fiji's High Commission Canberra for approving payment for the Counsellor, First Secretary and Second Secretary.
- The committee noted that strict monitoring process has been undertaken by MoFA as well as responsible staff at Mission in order to alleviate chances of any anomalies.

Committee Recommendations

PAC recommends that the Ministry should:

- recover overpaid post allowance from the respective Officers; and
- ensure that the supervisory checks at the Commission and Headquarters are strengthened to avoid such discrepancies.

8.11 Manual Payments not Updated in the Payroll System

Audit Issue: Audit noted that out of the \$64,907.18 of manual payments reviewed during audit, a total of \$40,625.46 was not updated into the payroll system.

- The committee was informed that for circumstances for manual payments are done is when contracts of staff have expired and salaries will have to be ceased at HQ and Missions abroad.
- An internal memo was circulated within the Ministry reminding all staff that manual payments will be restricted only to case by case basis subject to the approval of the Permanent Secretary. Other than that, manual payments of remunerations will not be processed and paid out to staff.
- Also, the committee noted that strict monitoring of payroll processes will be carried out by Senior Accounting officers to avoid any chances of manual payments.

Committee Recommendation

PAC recommends that the Ministry should obtain approval of Ministry of Economy before processing any manual payment.

8.12 Payroll Reconciliations not Up to Date

Audit Issue: Audit noted that the Ministry's salaries and wages reconciliation for the financial year ending 31 December 2015 was not up to date. The Ministry did not prepare the salaries reconciliations from pay 17/2015 to 26/2015 and wages reconciliations from pay 11/2015 to 52/2015. It was also noted that these reconciliations were not prepared in a timely manner and were delayed on average by 84 days.

- MoE advised that a team from the Ministry of Economy is currently working on secondment at the MoFA to ensure that payroll and reconciliations are completed and up-to-date as this has been a recurring issue for MoE and OAG.
- The committee has been advised that the Ministry will ensure that payroll reconciliations are submitted accurately and on time.
- The appointment of Senior Accounting Officers are tasked to monitor the submissions prior to due dates.

Committee Recommendations

PAC recommends that the Ministry must:

- ensure that payroll reconciliations are prepared in a timely manner; and
- the Principal Accounts Officer take full responsibilities to oversee that payroll reconciliations are prepared on timely basis.

8.13 Anomalies in Overseas Travel

Audit Issue: The review of the overseas travel by the Minister for Foreign Affairs revealed overpayment of per diem and travel allowances on number of instances.

- On overpayment of travel and per diem allowance, the Honourable Minister has reimbursed the overpaid amounts.
- The committee was informed that when the Hon. Minister travelled to Seoul, Xiamen and Shenzhen on the margins of the trip was not part of the cabinet approval, hence, payment of per diem was unauthorised.
- It was noted that although approval granted was not specifically for these trips, the Hon. Minister advised that it was more economical for him to have bilateral meetings with counterparts and PRC Government officials whilst in China.
- MoE informed the committee that the approval is subject to the approval from the appointing authority.

Committee Recommendations

PAC recommends that the Ministry should:

- Surcharge the Accounts Officer who have been making erroneous payment;
- verify and recover the over paid per diem allowances from the Minister; and
- ensure per diem allowance is paid to the Minister in accordance with the Cabinet approval.

8.14 Revenues Collected by Overseas Missions

Audit Issue: Audit findings show that the revenues and trust fund collected by the overseas missions were not properly accounted for by the Ministry.

- The committee was informed that this revenue relates to the revenue received from passport or visa charges which is debited on SEG51 – Missions Bank Account.
- The timeline for passport processing and payments from Fiji's Missions abroad approximately takes a month.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure administrative fees levied by Ministry is approved by Ministry of Economy;
- ensure that all revenues collected from overseas missions are deposited into the consolidated fund account; and
- review the Operating Trust Fund account balance of \$846,548.08 and take appropriate action.

8.15 Unbudgeted Expenditure – Head Quarters

- The unbudgeted expenditure related to a retreat for Senior Officials to participate in reviewing the Ministries performance for the first 6 months and strategic development which the then Permanent Secretary approved because it was important for the Ministry and it was within his jurisdiction as the Head of the agency.
- The need for the program arose during the year and this was not budgeted for hence OAG had highlighted this as an audit query.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- funds are only utilized for the purpose it has been allocated for in the budget; and
- approval is obtained from the Ministry of Economy for any deviation of funds for an unbudgeted or unplanned activity.

8.16 Significant Amount of Unretired Accountable Advance

Audit Issue: Audit findings show that the Principal Accounts Officer did not perform her duties properly and diligently by not recovering the Accountable Advance in a timely manner. As a result public funds are held up as outstanding Accountable Advance and related expenditures have been understated.

- The committee was informed that this was due to a lack of controls for the Mission and HQ for the retirement of Accountable advance.
- The audit noted that out of \$124,790.91 of Accountable Advance issued; only \$60,902.47 was retired during 2015. The balance of \$63,888.44 was outstanding at the time of audit.
- The committee noted that the Ministry is in the process of recover the advance payments by going back and verifying the records. The timeline that the Ministry has set is by the end of June, 2017 to ensure that the outstanding Accountable advance is retired.
- It was noted that failure to submit acquittals after the lapse of the 7 day period, necessary surcharges will be instigated against the officer responsible.
- The committee was also informed that the Head of Missions approves Accountable advance from the respective mission's account.

Committee Recommendations

PAC recommends that the Ministry should;

- make direct deduction of salaries to recover all outstanding Accountable Advance including 12% interest;
- ensure that officers retire accountable advance within 7 days of completing a travel;
- surcharge the Principal Accounts Officer for amounts of Accountable Advance not recoverable.

Section 9: Office of the Auditor General

Roles and Responsibilities

Office of the Auditor General is an independent public office established and mandated by the Fijian constitution and is responsible for:

The inspection, audit and report on the public accounts, property and transaction of state.

To perform annual audits across various state entities, ministries, departments and whole of government accounts and finance. Report on performance, environment and information technology risk assessment.

PART A: FINANCIAL STATEMENT

9.1 Audit Opinion

The audit of the 2015 accounts of the Office of the Auditor General was carried out by Chartered Accounting firm, Ernst & Young. The audit resulted in the issue of an unqualified audit opinion.

9.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$546,275 and incurred a total expenditure of \$3,329,803 in 2015.

The total revenue decreased by \$16,963 or 3% in 2015 compared to 2014 due to recovery of bulk of arrears of revenue in 2014.

The total expenditure decreased by \$283,788 or 8% in 2015 compared to 2014. The decrease was mainly due to the position of the Auditor General being vacant throughout the year and reduction in the number of contract audits issued to private firms during the year.

9.3 Appropriation Statement

The Office incurred expenditures totalling \$3,329,803 in 2015 against the budget of \$4,082,574 resulting in a saving of \$752,771 or 18%.

9.4 Statement of Losses

Loss of Money

There was no loss of money recorded for the year ended 31 December 2015.

Loss (other than money)

Loss of a fixed asset costing \$3,749 was recorded during 2015. The value of the missing asset was recovered from employees concerned. Some items were written off during the year due to wear and tear as recommended after a board of survey.

Section 10: Fijian Elections Office

Roles and Responsibilities

Government has carried out major reforms of Fiji's electoral system which led to the first truly democratic election in the nation's history on 17 September 2014. It lowered the voting age to 18 and introduced the principle of equal votes of equal value, a cornerstone of free and fair elections around the world. It also introduced electronic voter registration to help eliminate voter fraud and changed the way political parties are registered to encourage the formation of broad-based parties, which are not based on narrow interests like geography or race. This new electoral system is managed by the Fijian Elections Office [FEO], which has the responsibility for the registration of voters and the conduct of free and fair elections in Fiji. The Office is run by the Supervisor of Elections, who acts under the direction of the Electoral Commission. It also maintains the National Register of Voters and registers new political parties.

The primary role of the FEO is to lead to the democratization of Fiji. It prepares for and conducts national elections for Parliament, which occur every three-and-a-half to four years. It is also responsible for conducting elections for trade unions, and will start to conduct elections for other bodies as well. Unlike in the past, the FEO is now a permanent office that will keep a full staff year round. This will enable it to offer career paths to its employees, conduct various elections around the country, and develop local expertise so that Fiji will no longer have to rely so heavily on foreign experts.

The FEO is provided with a budget in 2015. This will ensure that the Office is able to operate at the necessary level in order to provide on-going training to its staff; conduct Trade Union and other elections; and continuously seek to improve Fijian electoral procedures. FEO is looking for an effective Electoral Management System to automate the majority of the administrative aspects of elections. In 2015, the Office intends to carry out preliminary work on drafting an appropriate tender for this system. The FEO will continue with the Electronic Voter Registration [EVR] exercise to register potential voters each year. Furthermore, community awareness about voter registration and voting will continue in 2015 to inform Fijians – especially those turning 18 – about the importance of voting. The FEO will also begin work with the Ministry of Education to create a school curriculum about the various aspects of voting, including how Fiji's electoral system works.

PART A: FINANCIAL STATEMENT

10.1 Audit Opinion

In 2015, the Fijian Election Office was paid a grant for its operations as per grant agreement signed between the Permanent Secretary of Finance and the Supervisor of Elections. The grant was paid out of Head 10 of the 2015 Budget. The outlay of funds as grants from Head 10 under the 2015 budget

was audited under the audit of the Ministry of Economy as the administering Ministry which resulted in the issue of an unqualified audit report.

The audit of the Fijian Elections Office as a recipient of the grant is not included in this report and will be reported separately.

10.2 Statement of Receipts and Expenditure

The expenditure incurred as grant paid to the Fijian Election Office in 2015 totalled \$5,119,295 in 2015 compared to expenditure of \$11,582,312 in year 2014.

Total expenditure decreased by \$6,463,017 or 56% in 2015 compared to 2014. The decrease was mainly attributed to the decrease in special expenditure due to the year 2015 being a non-election year as election was held in 2014.

10.3 Appropriation Statement

The Fijian Election Office incurred expenditure totalling \$5,119,295 in 2015 against a revised budget of \$7,089,092 resulting in a savings of \$1,969,797 or 28%.

Section 11: Judiciary

Roles and Responsibilities

The Judicial Department is responsible for enhancing the quality of justice in the community by ensuring an effective and accessible Court System as the cornerstone of Justice. The Court System will uphold the principles of impartiality, equality, fairness and access, while protecting the dignity and rights of all members of the community. In line with the Constitution of the Republic of Fiji 2013, Chapter 5, Part A 97 (2), the courts and all judicial officers are subject only to the Constitution of the Republic of Fiji and the law, which they must apply without fear, favour or prejudice.

PART A: FINANCIAL STATEMENT

11.1 Audit Opinion

Audit of the 2015 accounts of the Judiciary Department resulted in the issue of a qualified audit opinion.

11.2 Statement of Receipts and Expenditure

The Department collected revenue totalling \$4,371,772 and incurred expenditure totalling \$27,692,107 in 2015. The Department's total revenue increased by \$292,081 or 7 % in 2015 compared to 2014 due to the prompt payment of court fees/fines/cost and execution of warrants by the Fine Enforcement Unit to recover arrears of revenue.

The total expenditure decreased by \$267,732 or 1% in 2015 compared to 2014 due to decreases in expenditure for the vessel hire for outer island court sittings. In addition, major capital construction work scheduled at Lautoka High Court and relocation of Ba Magistrates Court were not done due to technical issues.

11.3 Appropriation Statement

The Department incurred expenditure totalling \$27,692,107 in 2015 against the revised budget of \$40,382,832 resulting in a savings of \$12,690,725 or 31%.

11.4 Trust Fund Account Statement of Receipts & Payments

The Trust Fund Accounts balance increased by \$4,685,629 million or 23% in 2015 compared to 2014 mainly due to increase in trust receipts from Judiciary, Suitors, Maintenance and Sundries Funds.

PART B: AUDIT FINDINGS

11.5 Anomalies noted in Main Trust Fund Account

Audit Issue: Audit review of Trust Fund Accounts revealed following anomalies:

- Unreconciled variance of \$726,377.46 was noted between the Main Trust Fund bank reconciliation and bank statement balance as at 31 December 2015. The variance was

due to transfer of balances from old allocation to the new allocation in 2009 where the actual cash was not transferred to the new bank account by the Ministry of Finance.

- Trust Fund Account reconciliations have only been updated up to 31 October 1991. Thus the balances owed by the Department and the detailed breakdown for these balances could not be substantiated.

The Department informed that the Ministry of Economy hasn't provided the monies which they had just adjusted vide JV despite the department writing to them with supporting documentation.

The Department further informed that it does the reconciliations as recommended by the Auditors but the variances arise due to the reasons as stated; above which is beyond its control. Any errors or anomalies are regularised when the reconciliations are carried out. All variances are shown in the reconciliations which clearly show why all these balances do not tie up.

In noting the recommendations of the Auditors, the department mentioned that it has a ledger where the balances ties up with the FMIS balances. It is only the actual reconciliations which is behind i.e. the detailed breakdown of monies owed by the department is not stated.

The Department was intending to employ extra staff as a project to specifically carry out the reconciliations so that it is up to date but due to lack of office space this has is currently on hold. Once additional office space is allocated, this project can be implemented.

Committee Recommendations

PAC recommends that the Department should:

- continue with its concerted effort to update the pending reconciliations.
- consult with Ministry of Finance to assist in the reconciliation process.

11.6 Significant Arrears of Revenue

Audit Issue: Audit noted that arrears of revenue between 1 to 2 years and 2 to 5 years had increased by \$220,895 (31%) and \$83,436 (9%) respectively in 2015 while arrears of revenue for more than 5 years decreased by 4%. This indicates that more revenue is falling into arrears and debt recovery procedures employed are ineffective.

The Department informed that it does not have the authority nor control over the execution process as this is mainly vested in the Police Department. As recommended by the Auditors, the Department is working closely with the Police Department in the collection of the outstanding arrears. Transport (inclusive of driver) is provided and FEU staff accompanies Police officers who execute warrants.

But sometimes it is difficult to find the defaulters as they are no longer staying at the address initially provided by them.

The Department is also working with LTA so that assistance is provided by them to check if the pending arrears have been paid for at LTA which the Department is not aware of so that the record can be updated.

Committee Recommendation

PAC recommends that the Department should consult all relevant stakeholders such as LTA, Fiji Police Force, Fiji Immigration, FRCA, FNPF and Post Fiji Limited and outline the roadmap on ways to recover the arrears of revenue from the defaulters in a more cost-effective manner.

11.7 Long Outstanding Balance in Operating Trust Fund Account

Audit Issue: Audit noted that balance in one of the Operating Trust Fund accounts for the Department with balance of \$169,184 as at 31/12/15 has been accumulating over the years.

The Department assured that this account will be verified to see why there is a large amount of credit in it. Funds deposited in this account need to be paid out so the allocation is zero. Balances from previous years will be checked to see if it needs to be paid out or credited to government revenue.

Section 12: Parliament

Roles and Responsibilities

The primary function of the Parliament Office is provided for under Section 46(1) of the Constitution of the Republic of Fiji which states that: “the authority and power to make laws for the State is vested in Parliament consisting of the Members of Parliament and the President and is exercised through the enactment of Bills passed by Parliament and assented to by the President”.

The core business of the Parliament Office is to provide secretariat support and services to enable the Parliament of the Fiji to perform the above functions.

PART A: FINANCIAL STATEMENT

12.1 Audit Opinion

The audit of the 2015 accounts of the Parliament Office resulted in the issue of a qualified audit opinion.

12.2 Statement of Receipts and Expenditure

The Parliament Office recorded revenue totalling \$3,578 and incurred expenditure totalling \$7,612,055 in 2015.

Total expenditure increased by \$2,503,785 or 49% in 2015 compared to 2014. The increase was attributed to increase in staff establishment from 47 in 2014 to 96 in 2015, increased in claim for subsistence allowance and overseas travel expenses for Members of Parliament and Secretariat.

In addition, there were increase in procurement of office equipment, furniture, office supplies and minor building maintenance works.

12.3 Appropriation Statement

The Parliament Office incurred expenditures totalling \$7,612,055 in 2015 against the revised budget of \$8,888,234 resulting in a savings of \$1,276,179 or 14%.

PART B: AUDIT FINDINGS

12.4 Budget Appropriation Classification

Audit Issue: The Parliament Office was allocated budget provision totalling \$8,888,200 during the year 2015. The total budget allocated to Parliament was recorded under SEG 6 – Operating Grants and Transfers.

The Parliament Office in its special purpose financial statements recorded the total expenses incurred in 2015 amounting to \$7,612,055 classified as Operating Grants and Transfers under SEG 6. The audit noted that the Parliament Office did not provide any grant to other agencies and the funds were used for the operating expenses of Parliament Office. Furthermore, the

operating expenses incurred were not classified into respective SEG's 1 – 13. Therefore full financial information has not been disclosed to the users of the special purpose financial statements.

The purpose of SEG 6 in paragraph 3 was supported by the Parliament Office. However, the Committee was informed that this has to be addressed by Ministry of Economy Budget division and FMIS. Given the one – line budget for the first time in 2015, payments were reflected under one allocation under SEG 6 [Operating Grant] in the FMIS system. The Department maintained a manual expenditure ledger in 2015 divided into SEG 1- 13 but did not capture every detailed spending as expected. In 2016, the department has improved its recording system by SEGs as reflected in the 2016 1st Quarter Financial report.

The Committee noted that the budgetary provision for each expenditure item is not a fixed amount but subject to quarterly review depending on the department's current and forecasted spending.

Committee Recommendation

PAC recommends that the Office should ensure that Agency Financial Statement discloses expenditure incurred into SEG 1 - 13.

Section 13: Independent Commissions

Roles and Responsibilities

Fiji's independent commissions directly serve the people in specialized areas where objective and non-political judgment is required. The Commission applies the law independently and is a valuable tool for democratic governance. They share the larger purpose of defending the dignity of the individual in society, keeping institutions and the people who serve the public accountable, and serving as a constant reminder that Government serves the people.

The Independent Commissions include the Human Rights and Anti-Discrimination, the Accountability and Transparency Commission and the Fiji Independent Commission Against Corruption.

The Human Rights and Anti-Discrimination Commission has a responsibility under Section 45 of the Constitution to ensure that Fiji human rights laws are respected. The Commission approaches this in three ways; educating the public, advising Government about its obligations under international law, and receiving and acting upon complaints from the public.

The Accountability and Transparency Commission is a multi-faceted office that deals with freedom of information, code of conduct issues for public officials and other areas of law concerned with the responsibility of public officials and institutions to act in ways that are accountable, transparent and accessible. The Accountability and Transparency Commission is established under Section 121 of the Constitution.

The Fiji Independent Commission Against Corruption (FICAC) is charged with fighting corruption in the public sector of Fiji. Its objective is to ensure that Fijians are served equally by their Government no matter what their circumstances or what issue they have before the Government. It accomplishes this by educating the public and public-sector workers and officials about corruption, inviting the public to bring cases of corruption forward and investigating complaints of corruption.

PART A: FINANCIAL STATEMENT

13.1 Audit Opinion

The audit of the 2015 grants budgeted under Head 13 Independent Commission resulted in the issue of an unqualified audit opinion. This report focuses only on the payments of grants as administered by the Ministry of Economy and Office of the Attorney General. Separate reports are prepared on the utilization of grants by Independent Commissions.

13.2 Statement of Receipts and Expenditure

The total grant paid from Budgetary Head 13 Independent Commissions totalled \$9,053,686 in 2015 which increased by \$486,686 or 5% compared to 2014.

13.3 Appropriation Statement

The Abridged Appropriation Statements for Budgetary Head 13 Independent Commissions below shows total grants paid in 2015 totalled \$9,053,686 against a revised budget of \$9,514,121 resulting in savings of \$460,435 or 5%.

The 2015 Budget for the Accountability and Transparency Commission was not utilised during the year. Grants paid to the Human Rights and Anti – Discrimination Commission totalled \$550,000 and \$8,503,686 was paid to the Fiji Independent Commission Against Corruption [FICAC].

Accounts of the Fiji Independent Commission Against Corruption accounts for 2015 have been audited while the Fiji Human Rights and Anti – Discrimination Commission is yet to submit for audit the accounts for the periods 2008 to 2015. The non-appointment of Director and Commissioners are the reasons provided for late submission of accounts for audit.

Section 14: Office of the Director of Public Prosecutions

Roles and Responsibilities

The Office of the Director of Public Prosecutions is an independent office established by the Fijian Constitution. The Director of Public Prosecutions [DPP] is responsible for instituting and conducting criminal proceedings in Fiji. The Office does not conduct criminal investigations. In most cases the investigation is done by the Fiji Police Force, which then presents the DPP with a brief containing the evidence it has collected.

Before launching a prosecution, the DPP examines the evidence to determine if there is a reasonable chance of conviction and if a prosecution is in the public interest. Should the DPP be satisfied on both counts, the DPP launches criminal proceedings.

The Office prosecutes all criminal trials before the High Court, as well as prosecutes criminal appeals before the Court of Appeal and the High Court. The Office also takes over cases of special difficulty or those relating to the public interest in the Magistrates' Courts.

The Director has the right to take over criminal proceedings that have been instituted by another person or authority and to discontinue, at any stage before judgment is delivered, criminal proceedings, except for those instituted by the Fiji Independent Commission Against Corruption.

PART A: FINANCIAL STATEMENT

14.1 Audit Opinion

The audit of the 2015 financial statements of the Office of the Director of Public Prosecutions resulted in the issue of an unqualified audit opinion.

14.2 Statement of Receipts and Expenditure

The Office of the Director of Public Prosecutions collected revenue totalling \$1,985 and incurred a total expenditure of \$4,696,316 in 2015.

Total expenditure increased by \$207,022 or 5% in 2015 compared to 2014. The increase in expenditure was mainly attributed to increase in established staff cost due to renewal of contract with salary increment for legal officers and increase of employers FNPF contribution from 8% to 10%.

14.3 Appropriation Statement

The Office incurred expenditure totalling \$4,696,316 in 2015 against the revised budget of \$5,715,089 resulting in savings of \$1,018,773 or 18%.

14.4 Statement of Losses

The Office of the Director of Public Prosecutions did not report any loss of money or assets during the financial year ending 31/12/15.

14.5 Trust Fund Account Statement of Receipts and Payments

The Trust fund account consists of balances held for forfeited assets and Director of Public Prosecutions trust account.

Section 15: Ministry of Justice

Roles and Responsibilities

Maintaining thorough records about the people and businesses living and operating within Fiji is an essential function of Government that allows it to improve the services it offers. The Ministry of Justice is responsible for the efficient and professional administration of the legal registries under its portfolio. The Ministry deals specifically with the registration of land titles, births, deaths, marriages, companies, business names, credit unions, moneylenders, bankruptcies, and wound-up companies.

The Registrar of Titles Office is responsible for the registration of land titles, deeds, charitable trusts and religious bodies. The Office of the Official Receiver is responsible for the proper administration of the Bankruptcy and Companies Act and the execution of court orders. The Ministry is also responsible for the Administration of the Justice of the Peace Unit, which provide notary services for official documents.

PART A: FINANCIAL STATEMENT

15.1 Audit Opinion

The audit of the 2015 accounts for the Ministry of Justice resulted in the issue of a qualified audit opinion. The qualification was as follows:

The Ministry maintains the Official Receiver Company bank account with a credit balance of \$652,634 and the Official Receiver Bankruptcy bank account with a credit balance of \$183,648.

Although, cash deposited into both accounts are trust monies, the Ministry did not prepare and submit Trust Fund Account Statement of Receipts and Payments together with the special purpose financial statements. In addition, details of both accounts were not recorded in the FMIS general ledger.

15.2 Statement of Receipts and Expenditure

The Ministry collected revenue totaling \$1,619,088 and incurred expenditure totaling \$3,869,241 in 2015. Total revenue increased by \$172,806 or 12% in 2015 compared to 2014 due to new BDM offices being opened in the country and increase in public awareness. Total expenditure decreased by \$120,355 or 3% in 2015 compared to 2014 mainly due to reduction in capital expenditure.

15.3 Appropriation Statement

The Ministry incurred expenditure totaling \$3,869,241 in 2015 against the revised budget of \$4,775,095 resulting in a savings of \$905,854.

15.4 Statement of Losses

There was no loss of money and fixed asset recorded for the year 2015. However, items worth \$42,749 were written off, following the Ministry's Board of Survey conducted in early 2016 for the year 2015.

PART B: AUDIT FINDINGS

15.5 Trust Fund Accounts not Disclosed in Financial Statement

Audit Issue: The Ministry maintains two bank accounts namely Official Receiver Company and Official Receiver Bankruptcy. Audit noted that although cash deposited into both accounts are trust monies, the Ministry did not account them as trust fund. In addition the Ministry did not prepare and submit Trust Fund Account Statement of Receipts and Payments together with the Special Purpose Financial Statements.

The Committee was informed that the Ministry had recorded the receipts and payments of money in a cash book and provided the reconciliation to the audit team but these accounts were not recorded in the FMIS General Ledger. However, following the recommendation by the OAG, the Ministry sought approval from MoE to operate the Trust Funds and to record it in the FMIS GL which was granted. All of these processes are now centralised and all postings are done in these two bank accounts that are recorded in the FMIS GL and the Ministry is maintaining a ledger to itemize the receipts into fees and trust money.

Committee Recommendation

PAC recommends that the Ministry should ensure that all the Trust Fund accounts are recorded in the FMIS general ledger and disclosed in its financial statements.

15.6 No Board of Survey for Drawings

Audit Issue: Audit noted that the Ministry did not carry out Board of Survey for unrepresented cheques as at 31/12/15.

The Ministry informed that the 2015 BOS of drawings was completed after the Audit was conducted. The survey report was presented on 14 June 2016 and the delay was due to the introduction of the new format in presenting the report.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- Board of Survey of unrepresented cheques is carried out at the end of the year;
- adequate supervision and monitoring is provided by the Senior Officers to their subordinates.

15.7 Issue of Cash Cheques

Audit Issue: Audit noted that the Ministry wrote several cash cheques totalling \$1,035,898 from the Official Receiver Company bank account and \$11,325.82 from the Official Receiver Bankruptcy bank account during the year 2015.

The Committee was informed that the Accounts Officers have ceased the practice of issuing cash cheque. The creditors are now issued a non-negotiable cheque. The cash cheques are only issued for the payment of wages to the employees of the wound up companies that have been granted the consent to operate. The committee was informed that the Ministry of Justice does not have an internal audit team for the Ministry but liaises with the Ministry of Economy to audit the Ministry's accounts.

The committee was further informed that the Ministry is negotiating with certain vendors to get an internal database where the Ministry can have an individual accounts for the debtors as well as the number of creditors and also the system that will allow the individual to keep on updating the accounts whenever cash is received.

The Ministry also uses the FMIS where all transactions that take place but it will not record the individual debtor's accounts but all positings would be done on the FMIS system but the Ministry is currently in the process of acquiring a new database. In its Accounts section, it is now a requirement that whenever a payment is made to the creditor, the Ministry requests for the actual file that can be either the Bankruptcy or Liquidation File that has the court orders. The Creditors themselves will have to visit the Ministry themselves to uplift the cheque.

Committee Recommendation

PAC recommends that the Ministry should cease issuing cash cheques from the Official Receiver Company and Official Receiver Bankruptcy bank accounts.

15.8 Anomalies in Reconciliations of Bankruptcy and Liquidation Cash Account

As for the Official Receiver's bankruptcy bank account and the liquidation bank account, credits were not updated in the cash book because these moneys were directly deposited in the banks and not confirmed and cleared by the banks as of 31/12/15.

In relation to the receipts totaling \$8675.11, the Ministry liaised with the bank and most of these receipts have been credited. The outstanding receipts (\$4595.51) will be cleared during this financial year.

As for the Official Receiver liquidation bank account, the unrepresented cheques totaling \$1283.50 has been cleared and the total credits and debits from previous years have been cleared. The current outstanding credit is \$138.45 and total debit \$0.06.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that cash account reconciliations are properly carried out on a monthly basis in order to minimize future adjusting entries;
- ensure that all the reconciliations are properly maintained;
- take appropriate action to identify and clear the adjusting entries carried forward from prior years; and
- investigate the poor record keeping of Trust Fund cash account and take appropriate disciplinary action.

15.9 Absence of Standard Operating Procedures

Audit Finding: Audit noted that the SOPs used by the following Registries of the Ministry are still in the draft format:

- Births, Death and Marriage Office
- Titles Office
- Companies Office
- Official Receivers Office

The Ministry informed that it had the Standard Operating Procedures (SOP) in place prior to the audit but these were not updated. The Ministry has now updated the SOP for each department within the Ministry such as the Titles Office, Companies Officer, etc.

Committee Recommendation

PAC recommends that the Ministry should ensure that SOPs are finalized for all four Registries under the Ministry.

15.10 Significant Number of Vacant Positions

Audit Issue: In 2015 there were substantial vacant positions. However, a total of 50 or 29% of the total positions in the Ministry were vacant as at 31/12/15.

The Ministry informed that it had advertised 87 vacant positions in May 2016 of which 80 positions have been substantively filled while 7 positions were re-advertised on 31 December 2016 following the increased remunerations after the Job Evaluation Exercise had concluded.

The Ministry has processed 38 positions out of the 43 that were advertised in December 2016 while the recruitment process is going on for the other 5 positions.

Committee Recommendation

PAC recommends that the Ministry should carry out a review of staff requirement and ensure vacant positions are filled.

15.11 Junior Officers Acting On Senior Positions

Audit Issue: The Ministry had total of 50 vacant positions as at 31/12/15. Audit noted that the positions vacant were mostly for senior positions and junior Officers were acting on some of these senior positions. The audit also noted instances where the junior Officers acting on senior positions did not meet the minimum qualification requirement for the positions they were acting on, details of minimum qualifications were not in the personal file and some files were not provided for audit verifications.

The Ministry informed that following the appointment of 80 officers, 22 positions became vacant. There were additional 14 positions created for the Births, Deaths and Marriages registry and these positions were also advertised with the 22 vacant positions on 31 December 2016.

This has been addressed following the recruitment of new officers following the job evaluation exercise.

Committee Recommendation

PAC recommends that the Ministry should take appropriate action to ensure vacant positions are filled by qualified officers.

15.12 Appointment of Temporary Relieving Clerical Officers (TRCOs)

The Ministry agreed that most of the TRCO's appointed for Digitization Project were not asked to provide a police clearance and a medical report due to the temporary appointments.

However, following the recommendation by the Office of the Auditor-General, the Ministry is now requesting for Police Clearance and Medical Report from all officers irrespective of the nature of the appointment.

The Solicitor-General had appointed 28 staff in the Births, Deaths and Marriages Registry (BDM). The Ministry now has offices located in Korovou, Levuka, Nabouwalu, Taveuni and Savusavu, Nausori and Navua apart from the main existing centres – Suva, Lautoka and Labasa which essentially resulted in the Ministry's increase in its revenue.

With all the 28 new appointed staff (substantive posts and no longer TRCO), once training is completed, these officers will be posted in these remote areas.

Committee Recommendation

PAC recommends that the Ministry should ensure that proper recruitment procedures are followed for recruiting TRCO's into the civil service.

15.13 Non Compliance with Service Agreement by Service Provider

Audit Issue: Audit findings indicate that the Ministry did not properly monitor compliance of service agreement by the Service Provider.

The committee was informed that the Ministry met with the Post Fiji Ltd ('Service Provider') regarding their non-compliance with the Service agreement after which the service providers has been complying with the terms and conditions of the agreement. Post Fiji Ltd had access to the Ministry's database to print only and not change the database. As for the payment of moneys, the Service Provider is delivering the revenue within 1 to 2 weeks.

It was noted that if the BDM system is down at the Ministry HQ, then Post Fiji will not able to access this as well. The Ministry does not purchase the blank certificates for the service provider but facilitates their request for the purchase of certificates from the Government Printery. Due to the geographical locations of these Service Providers branches, the spoilt certificates are delivered at the end of each month rather than within 7 working days.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure the Service Provider submits revenues due to the Ministry within seven days from the end of each month;
- ensure the Service Provider submits the point of sale data file to the Ministry in a compressed format via e-mail on a daily basis;
- ensure the Service Provider returns all spoilt certificates to the Ministry within seven working days; and
- keep record of the total number of certificate pages issued, number used and number unused by Service Provider for the year.

15.14 Missing Receipt Book

Audit Issue: The Ministry issued 20 receipt books to Government Service Centre (GSC) Suva starting from serial number 295101 to 296100 on 1/12/15. The audit noted that one of the receipt books with serial number 295801 to 295850 was not included in the lodgements on 10/12/15 as it was missing.

The committee was informed that the Ministry had not advertised the missing receipt book within 2 days of notification of the loss as stipulated in the 2013 Financial Manual but the missing receipt book was advertised in the Fiji Sun on 24 January 2017. The contract of the

Senior Accounts Officer who was in-charge of this receipt book was not renewed. However, this was not used for any high risk payments that OAG had picked out unless there were receipt records in the book.

Committee Recommendation

PAC recommends that the Ministry should investigate the matter and take appropriate disciplinary action against those responsible.

15.15 Non-renewal of Moneylenders Licences

Audit Finding: A significant number of money lenders did not renew their money lenders licence every year for the past three years. However, the Ministry did not take any action to verify whether these money lenders ceased to operate or were operating illegally. The audit also noted that the Ministry did not conduct any inspection of the licensed money lenders to ensure whether they were complying with Money Lenders Act.

The Committee was informed that the Registrar of Moneylenders maintains a register where all licenses issued annually are recorded. If the moneylender fails to renew the license before the expiry date then he/she is deemed to be an unlicensed moneylender and this will be updated in the register at the end of the year. The Ministry annually publishes a list of Registered Money Lenders. If that particular person does not want to renew his/her money lenders, the name will not appear on the Money Lenders register. If that person continues to operate without a license, legal action will be taken through the Police.

Committee Recommendations

PAC recommends that the Registrar of Companies should ensure that:

- a proper monitoring system for the money lenders is in place;
- money lenders comply with the Act through regular reviews.

15.16 Non Submission of Annual Returns

Audit Issue: The audit noted that some Government Commercial Companies have not submitted their annual returns to the Registrar of Companies Office for considerable period of time.

The Committee was informed that in 2015 after the implementation of the new companies Act, most companies had updated their records by lodging previous year's Annual returns. However, under the new Act, companies are no longer required to submit annual returns but have different financial reporting requirements depending on the type of company.

Committee Recommendation

PAC recommends that the Registrar of Companies should have a proper monitoring system to ensure all companies submit their annual returns in accordance with the Companies Act.

15.17 Poor Record Keeping by Official Receivers Office

The Ministry informed that following the recommendation by the audit team, Office of the Official receiver has opened a register to record all the active bankruptcy and liquidation files. The Ministry is liaising with the vendors to develop software that will enable the officers to record the list of all the debtors and creditors and their individual accounts.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that record keeping at the Official Receivers Office is computerized to enable the Office to easily track the cases referred to them;
- ensure that the Official Receiver maintains proper records of the individuals/directors including their photograph; and
- prepare a Disaster Recovery Plan (DRP) for the Official Receivers Office.

Section 15A: Fiji Correction Services

Roles and Responsibilities

The Fiji Corrections Service is responsible for the safety and security, the humane treatment and the provision of relevant and appropriate behavioral intervention programmes for all those committed to our custody by the Courts.

Under the framework of the Peoples' Charter for Change Peace and Progress and the Fiji Corrections Act 2006 and the 2013 Constitution, Chapter 2; Section 26, Chapter 5; Section 98,99,100,101,102,118,119, Chapter 6; Section 130, Chapter 7 and 8 , the Department has continuously focused on enhancing the quality of custodial care, reviewing the relevancy and effectiveness of inmates' rehabilitation programmes, developing its human resources capacity and capability, promoting the effective and efficient use of resources and its active participation in the major Government reforms to modernize the service.

PART A: FINANCIAL STATEMENT

15A.1 Audit Opinion

The audit of the 2015 accounts of the Fiji Corrections Service resulted in the issue of an unqualified audit opinion.

15A.2 Statement of Receipts and Expenditure

The Department collected total revenue of \$100,440 and incurred expenditure totaling \$34,814,004 in 2015.

Total revenue increased by \$37,865 or 60.5% due to Department taking over cremation segments at Vatuwaqa and Nasinu cemeteries.

Total expenditure increased by \$3,278,007 or 10% in 2015 compared to 2014. The increase was mainly due to increase in operating costs relating to Established staff as funds were allocated for appointment of 105 recruits as approved by Cabinet Decision No. 356 dated 23rd October 2012 for recruitment of 315 Correction Officers' within 3 year effective 2013 – 2015.

Major increase was also noted in Special Expenditure which was attributed to the Poverty Alleviation Programme for inmates upon completion of their custodial sentence for enhancing their livelihood which was held by Department of Social Welfare prior to 2015. The Department provided assistance to 103 inmates during the year. Moreover, the Department also incurred expenditure for the Pacific

Islands Regional Conference for Women's in Corrections held in July 2015 at Holiday Inn Suva.

In addition, capital construction costs also increased significantly due to timely implementation of capital construction projects. These included construction of new Lautoka Remand Centre including construction and completion of Block 1 – Accommodation

Building, New Administration Office and commencement of fencing works. The department also utilized funds allocated for construction of New Lautoka Womens' facility.

15A.3 Appropriation Statement

The Department incurred a total expenditure of \$34,814,004 against the revised budget of \$38,047,300 resulting in a savings of \$3,233,296 or 8%.

15A.4 Trust Account Statement of Receipts and Payments

- The increase in Trust revenue was caused by the increase in inmate's participation in Sugar Cane Cutting, Job placements and Prisoners cash safe keeping upon admission as a convict.
- There was a major increase in the demand for inmates to cut cane as the expenses incurred was less than that of the normal sugarcane harvesting gangs from nearby communities. It was noted that from the earnings of a prisoner working in the field, 40% of their income goes to the consolidated fund and 60% is kept in a trust account until the prisoner is discharged.

15A.5 Trade and Manufacturing Account

- The committee noted that the TMA account is used when prisoners work in the Sugar Cane Farm (Operation is called '*Musu Dovu*'), where cane farmers have difficulty in acquiring labourer to cut and harvest their cane.
- The TMA ceiling for FCS business units is \$200,000 and at the end of the year, the net profit is remitted back to Government. Last year, the office had remitted \$350,000 and the office target for this year is \$500,000 to be remitted back to Government.

PART B: AUDIT FINDINGS

15A.6 Variance between TMA Bank Reconciliation Balance and FMIS General Ledger Cash at Bank Closing Balance

Audit Issue: As at 31/12/2015, there was a variance of \$186,576.77 between closing bank reconciliation balance and FMIS general ledger balance. Although in 2016 the Department identified and made adjustment totalling \$174,180.27 in the general ledger to rectify the issue, a variance of \$12,396.50 remains to be resolved.

- The Department informed that the variance was the difference between the Bank Reconciliation and the FMIS. The issue has been rectified by raising three Journal Vouchers as follows:
 - i) The first JV for \$13,148.00 addresses all the revenue and debtors variance – these were not posted to the FMIS but identified from the revenue receipts and then posted in the FMIS – this was part of the dishonoured cheques that were collected;

- ii) the second JV was for \$51,828.53 to address the FMIS bank allocation – this was receipted and banked but it was not raised to hit the bank allocation in the FMIS so this journal voucher addressed that; and
- iii) the third JV for \$614.15 was to be reversed from the revenue that was over-posted – it was posted twice.

Committee Recommendations

- PAC recommends that the Department should ensure variances between bank reconciliation and FMIS general ledger balances are investigated and rectified in a timely manner.
- The Department must comply with TMA Policy at all times.

15A.7 Non Proper Inventory Recording System

Audit Issue: The audit noted that the Department did not maintain proper inventory records to substantiate the quantity of TMA production and movement of inventory for the year ended 31/12/15.

- The committee was informed that the inventory ledger had just been recently implemented. The Department has a master register which records all incoming and outgoing inventory for all respective Business Units, and it has recruited competency based individuals with either Accounting or Commerce backgrounds to ensure proper records are maintained on a timely basis.

Committee Recommendations

- PAC recommends that the Department should ensure that proper inventory records are maintained for respective
- PAC recommends that TMA's and reconciled on a monthly basis.
- PAC recommends that the Department should develop SOPs outlining TMA processes.

15A.8 Liabilities Recognized Contrary To the Nature of the Account

Audit Issue: Contrary to the nature of liability account, the audit noted that the Department recognized liability with debit balance of \$4,982 in its financial statements as at 31/12/15.

- The Department informed that the debit balance of \$4,982.06 is reflected in the general ledger. This figure was accumulated from VAT allocation for three Business Units namely the Bakery, Joinery and Tailor.
- The individual VAT allocations for Bakery, Joinery and Tailor have been collected and paid.

Committee Recommendation

PAC recommends that the Department should ensure that correct nature of balances is reflected in its financial statements.

15A.9 Write-Offs

- The committee was informed that the write off was in relation to the Closing of Accounts whereby payments had been made via EFT from the Department to the suppliers including unpresented cheques listing. This is known as the slow-sweep stage whereby the cheques are presented on the next day of the financial calendar.
- Upon liaising with the banks, the EFT file has been processed and most of the suppliers have their accounts being credited except for the ones appearing in the unpresented listing.
- It was noted that there were some adjustments made to their Department's General Ledger allocations resulting in the allocations being over-stated, hence a debit balance.
- The Department ensures timely consultation with the MoE Drawing Reconciliation Officer to avoid variance within the EFTs raised and its reflection on the Drawing Account.

Committee Recommendations

- PAC recommends that the Department should ensure that valid transactions are posted into the general ledger and proper reconciliations are carried out on a timely manner.
- PAC recommends that the Department should carry out regular review of accounts which are static and consult Ministry of Finance to ensure that balances are fully supported and are valid amounts.

15A.10 Conflict of Interest

Audit Issue: The audit findings highlighted instances of abuse and conflict of interest for officers of the Fiji Correction Services. The creation and consequently, locating the shops of the Naboro Mart Limited on government premises pose the major source of conflict of interest for FCS staffs.

- The Department informed that this matter is before the courts and the case is still pending.
- The Department is now intending to wind-up the Naboro Mart Limited operating within Government premises as a way-forward to address the issues being highlighted.
- The committee noted that the Naboro Mini Mart is expected to close by the end of the Financial Year. However, the reason why the mini mart is still functional is due to the convenience of the staffs of Naboro Corrections Centre.
- The committee was informed that in recovering the amount owed to the Naboro Mart Limited, direct deductions are in force and is still ongoing from the officers involved to recover the debts.

Committee Recommendations

PAC recommends that the Department should:

- ensure that staffs are not involved in carrying out private business activities during working hours;
- conflict of interest of staffs is properly declared and managed.
- recover the salary for the Officer (EDP # 70990) from Naboro Mart Limited since he was paid by Government while working for Naboro Mart Limited.
- its resources and assets are used only for authorised and official purposes and not for the private benefits of the staffs.
- ensure that the operation of private shops belonging to Department officials on Government premises is discontinued.

15A.11 Purchases Made Without Tender Board Approval

Audit issue: The audit noted that from February 2015 to October 2015, the Department purchased livestock feeds¹¹ from a Company for amount totalling \$422,463 without any tender contrary to the Department's Finance Manual Section 2.3.1.

- The committee was informed that the Department has taken proactive measures in creating awareness to their staff on processes involved in procuring assets in terms of acquiring 3 quotes, and the importance of abiding by the Finance Instructions 2010, and the policy on procurement.

Committee Recommendation

PAC recommends that the Department should ensure that Tender Board approval is sought for the procurement of goods and services valued more than \$50,000 as required under Section 2.3.1 of the Department's Finance Manual.

15A.12 Discrepancies in Tally Card Records

Audit Issue: Audit visit to the Korovou Stores on 12/01/2016 noted the following anomalies:

- Shortage of \$359.48 of toothpaste indicating that the stock cards were not updated for movement of toothpaste from the stores.
- On 11/08/15, the Department purchased 5000, 100g of herbal toothpaste. Review of the tally cards revealed that only 2,000 herbal Colgate's were recorded for the same invoice number. The audit noted that 3,000 packets toothpaste costing \$6,270 was not recorded in the tally card.
- The Department informed that the inventory bookkeeper is appointed by the Department to ensure that the register is kept up to date at all times.
- The department has taken necessary disciplinary actions against persons responsible for updating of tally cards and inventory controls.
- The department has also developed procedures for ensuring monthly stock takes and tally cards were regularly updated and verified against physical stocks.

- The committee was informed that in the new financial year, one delegated day has been assigned for proper record keeping.

Committee Recommendations

- PAC recommends that the Department should ensure that the tally cards are regularly updated and verified against physical stock; and
- PAC recommends that the Store man should be disciplined for not updating the movements of inventory in the tally cards.

15A.13 Anomalies Noted In Procurement of Goods and Services

Audit Issue: Audit findings showed disregard to procurement and accounting regulations by the Department.

- The committee was informed that the procedure of payments via LPO is that once invoices are issued, payments are then processed. However, the committee noted that some private firms did not accept Government LPO's.
- However, the department usually adheres to the processes dictated in the Finance Manual whereby 3 quotes are usually obtained.
- It was noted that the reason why some private companies did not accept Government LPO's was due to unfavourable experience in the past between the supplier and the Government body.
- The Department is no longer engaging sole suppliers of certain products of the needed items in order to safeguard the department and the processes.

Committee Recommendation

PAC recommends that the Department must ensure compliance with regulations relating to procurements at all times.

Section 16: Ministry of Communication

Roles and Responsibilities

The Ministry of Communication is responsible for providing coordination, support and leadership on all matters of policy, law, regulation and strategy for the Information, Communication and Technology [ICT] sector.

Following Government restructure after the General Election in 2014, the Ministry now comprises the following Departments: Information and Communication.

The new, streamlined Department is responsible for informing the people of Fiji about Government's policies, programs and plans. The Department disseminates information by producing television and radio programs, publishing a biweekly newspaper, managing the Government website and social media accounts and issuing news releases about important Government initiatives. The Department is also the link between Government and the media, making sure reporters have the information they need to cover Government activities.

The Department is responsible for providing daily media monitoring reports to the Prime Minister and Cabinet Ministers. It also plays a very important role during natural disasters by providing timely and accurate updates to the media and the public. The Department of Information comprises five Units: News, Policy, Research, Radio, and Film and Television.

The Department of Communications mission is to provide efficient, competitive, cost-effective and accessible telecommunication and postal services to all Fijians. The Department also works closely with the Telecommunications Authority of Fiji in ensuring that proper monitoring, compliance and regulatory oversight of the sector is maintained.

PART A: FINANCIAL STATEMENT

16.1 Audit Opinion

Audit of the 2015 accounts of the Department of Information and Communication resulted in the issue of a qualified audit opinion.

The basis of qualification was that the trust receipts totalling \$15,186,286 received on behalf of the Department were not supported by the receiving agency, Commerce Commission.

16.2 Statement of Receipts and Expenditure

The Department of Information and Communication collected total revenue of \$2,834 and incurred total expenditure of \$3,589,433 in 2015.

Total expenditure decreased by \$317,286 or 8% in 2015 compared to 2014 mainly due to savings arising from unutilized budgetary provisions for vacant established positions which were not filled during the year.

16.3 Appropriation Statement

The Department incurred expenditures totalling \$3,589,433 in 2015 against the budget of \$7,433,013 resulting in a budget savings of \$3,843,580 or 52%. The significant savings is mainly due to funds allocated for special expenditures not being fully utilised during the year.

16.4 Trust Fund Account Statement of Receipts and Payments

The Telecommunication Development Trust Fund Account is maintained by the Department of Communication. The trust receipts included levies charged by the Commerce Commission to telecommunication operators that are directly deposited into the Department's bank account.

PART B: AUDIT FINDINGS

16.5 No coordination of receipts by receipting agency on behalf of Ministry

Audit Issue: Receipts were not issued for Communication Development Trust Fund Account in 2015 as accurate and full details were not available. Department had posted revenues to the general ledger (FMIS) with the assistance of the bank statements as source documents.

- The Department informed that the Fiji Commerce Commission had sent confirmation for 2015 Trust Fund deposits on 23/09/16. This was verified with the bank statements and thereafter receipts were accordingly issued.
- ICT levy is charged by the Commerce Commission, hence all remittances by respective Telecommunication operators are made directly to them. The Department does not reconcile the amount to be levied and actual deposits as this is the responsibility of the Commission.
- The Department is regularly liaising with FCC on a monthly basis to issue receipts to carriers and ensures the revenues are adjusted to the general ledger (FMIS) in a timely manner. Copies of receipt, bank statements and confirmation from FCC are used as supporting documentation for revenue received and these are reconciled with the GL reports.
- Telecommunications Trust Fund Regulation Policy was finalised and gazetted on 27th May 2016.

Committee Recommendations

PAC recommends that the Department should:

- liaise with the Commerce Commission on the submission of monthly remittance report;

- advise the respective telephone operators to advise the Department of their payment of any direct bank deposits to advise the bank with narration of the name of the paying entity for records purposes; and
- set a timeline to have a Trust Fund Usage Policy Guideline finalised.

Section 16A: Department of Information Technology and Computing Services

Roles and Responsibilities

The primary role of DITCS Services is to support the Government in the provision of ICT capabilities on a secure platform that will showcase opportunities and enhance public sector efficiency, professionalism for the Government and its employees. One of DITCS Service's strategic priorities is to transform or re-engineer government services across all Government agencies through the realization of the e-Government strategy. This holistic strategy adopts the three legged stool approach, focusing on People, Processes and Technology. In collaboration with other Government agencies, corporate sectors, NGOs and other stakeholders, DITCS Services will develop, promote, coordinate and support strategies that foster services excellence through the utilization of e-Government Application tools.

PART A: FINANCIAL STATEMENT

16A.1 Audit Opinion

The audit of the 2015 accounts of the Department of Information Technology and Computing Services resulted in the issue of an unqualified audit opinion.

16A.2 Statement of Receipts and Expenditure

The Department collected revenue amounting to \$21,560 and incurred expenditure totalling \$13,459,771 in 2015.

Total expenditure increased by \$2,709,519 or 25.2% in 2015 compared to 2014 due to increase in the number of other Ministries and Departments Information Technology Infrastructure Capital upgrade projects and allocation of budget for National Switch.

16A.3 Appropriation Statement

The Department of Information Technology and Computing Services incurred expenditure totalling \$13,459,771 in 2015 against a revised budget of \$26,271,188 resulting in saving of \$12,811,417 or 48.8%.

16A.4 Statement of Losses

There was no loss reported for the Department in 2015. However, items worth \$101,181 were boarded in 2015 following the annual survey.

PART B: AUDIT FINDINGS

16A.5 Unutilized Funds for Upgrade of Ministries and Departments ICT Projects

Audit Issue: Audit findings indicate that the DITCS did not review the plans and arrangement made by the ministries and departments before disbursing funds to them. In addition, there was a lack of supervision and monitoring of the IT related works undertaken by a number of

ministries/departments. As a result substantial amount of funds disbursed to a number of ministries/departments for IT related works were not used and works were either not undertaken at all or not completed.

The Committee was informed that the Ministry had recorded the receipts and payments of money in a cash book and provided the reconciliation to the audit team but these accounts were not recorded in the FMIS General Ledger.

However, following the recommendation by the OAG, the Ministry sought approval from MoE to operate the Trust Funds and to record it in the FMIS GL which was granted. All of these processes are now centralised and all postings are done in these two bank accounts that are recorded in the FMIS GL and the Ministry is maintaining a ledger to itemise the receipts into fees and trust money.

Committee Recommendations

PAC recommends that the DITCS should:

- monitor the progress and scrutinize all acquittals received for funds provided to other ministries/departments to ensure that funds are used for the purpose it was provided; and;
- follow up with the ministries/department on the work done for the funds provided in 2015.

16A.6 Digitization of Registrar of Titles, Companies and Birth, Death and Marriages Records

Audit Issue: Audit findings indicate lack of proper planning and budgeting for IT projects included in the Public Sector Investment Program. The funds were vired out from the digitization of the Ministry of Justice projects for other works. As a result, scanners for the digitization of Registrar of Titles, Companies and Birth, Death and Marriages records were inadequate to meet the objectives.

The Department assured the Committee that it will continue to observe best practice project management methods to track effective project delivery against plans. Furthermore, it will review progress towards digitization and assess whether to change the project approach, in consultation with Ministry of Justice.

Committee Recommendations

PAC recommends that the DITCS should:

- ensure that the projects budgeted for Ministry of Justice is implemented on a timely manner and funds are used for purpose it has been allocated for; and
- consider providing additional high output scanners to expedite the digitization process.

16A.7 Capital Budgets Not Utilized

Most of the issues raised appear to be related to project management, governance and scheduling. The finding that indicates “DITCSs poor project planning, supervision and monitoring is the sole reason for failure to implement indicates that a deeper analysis of the issues was not undertaken.

The Department informed that very few complex projects are delivered according to the initial plan. Factors such as external project governance, sourcing of goods and services in a competitive market, the ebb and flow of resources, balancing of competing priorities and unforeseen changes to the environment all have an impact on project delivery.

The Department will continue to observe best practice project management methods to track effective project delivery against plans.

Project monitoring is an integral element of project management and the Department will ensure that projects are appropriately monitored.

Committee Recommendations

PAC recommends that the DITCS should:

- ensure that all IT projects are properly planned and adequate arrangements made to implement the projects as soon as funds have been provided; and
- ensure that projects undertaken are properly supervised and monitored at all phases including planning, implementation and completion.

16A.8 Private Public Partnership With “Software Provider”

16A.8.1 Software’s to be Developed and Timeframe is Silent in the Software Agreement

Audit Issue: The Government entered into a Private Public Partnership with “Software Provider” through a Head Agreement on 28 September 2012 which was subsequently terminated on 24 April 2014 and new Software Agreement entered on 24 April 2014. The number of software to be developed by “Software Provider”, its commencement date and the target dates of completion for each software development project was not specified in the Software Agreement or agreed on an annual basis.

The Department noted that “Software Provider” and the Fijian Government are complying with the terms of the Software Agreement. The Department will obtain a list of hardware.

Committee Recommendation

PAC recommends that the DITCS should prepare an annual agreement of software programs to be developed by “Software Provider”, its commencement date, the date of completion and the current status of each software development project and monitor the progress against it.

16A.8.2

Lack of Documents to Substantiate Payment made to “Software Provider”

Audit Issue: Audit could not confirm the payment totaling FJD \$2,280,772 made to “Software Provider” as at 31/12/15 was correct and justified.

The findings note that the minimum payment due to “Software Provider” under the existing contract is USD 500,000 per year (USD 125,000 per quarter). This is the amount that is being paid to “Software Provider”. This amount is payable regardless of transaction clicks or work completed, so there is no inconsistency regarding payments.

If future payment invoices vary from the minimum that is provided for under the contract, the Department will ensure that these are fully justified and documented by “Software Provider”.

Committee Recommendation

PAC recommends that the Department should ensure that all relevant documents are kept in the registry or attached with the payment vouchers for audit reference and verification.

16A.8.3 ***Non-compliance to Software Agreement Clauses by “Software Provider”***

Audit Issue: Audit findings indicate that due diligence was not exercised to ensure that “Software Provider” complied with the terms and conditions of the software agreement for the management of DITCS.

The Department notes that “Software Provider’s” non-compliance with the software agreement is presumed rather than definite, due to the supporting material not being reviewed during the audit, rather than the material not existing.

The Department also noted that if “Software Provider” has not obtained any indemnity covers, the Department can still hold “Software Provider” liable for damages. However, the software agreement does require such indemnities to be held and the Department will enforce this and any other conditions that “Software Provider” currently does not comply with.

The Department agreed with the recommendation and will request the Steering Committee to ensure “Software Provider” complies with the terms of the agreement.

Committee Recommendation

PAC recommends that the Steering Committee should ensure that “Software Provider” complies with the software agreement.

16A.8.4 Anomalies in Incidental Payments made to “ITC Management”

Audit Issue: The audit could not substantiate the incidental expenses paid to “ITC Management” as details of the services provided and the supporting documents for incidental expenses such as accommodation bills and the air ticket were neither attached to the payment vouchers nor provided for audit verification. In addition, audit could not ascertain if the prior approval was obtained by the ITC Management from the Steering Committee.

The Department informed that the “relevant supporting documents” are maintained by the Steering Committee, and any payments are approved by the Steering Committee. The Department has no authority to ask the Steering Committee to produce these documents. This is not a failure of the Department’s internal controls.

Not all supporting documents can be maintained by the Department, as some of these originate from and are the property of the Steering Committee.

The Department will continue to ensure that approvals are obtained by the Steering Committee prior to payment being made.

Committee Recommendations

PAC recommends that the Management should ensure:

- all supporting documents for payment made are maintained by DITCS; and
- that prior approval is obtained from the Steering Committee before payments are made to “ITC Management”.

16A.9 Follow – up Prior Year Audit Issue

Audit issue: The audit noted that there was a significant delay (2013 – 2015) in finalising the procurement policy. The DITCS was not able to explain the reasons for the delays in finalising the Procurement Policy by the Steering Committee.

The Department informed that the “relevant supporting documents” are maintained by the Steering Committee, and any payments are approved by the Steering Committee. The Department has no authority to ask the Steering Committee to produce these documents. This is not a failure of the Department’s internal controls.

Not all supporting documents can be maintained by the Department, as some of these originate from and are the property of the Steering Committee.

The Department will continue to ensure that approvals are obtained by the Steering Committee prior to payment being made.

Committee Recommendation

PAC recommends that Compliance should be made with DITCSS Decree 2013 and actions taken to finalize DITCS Procurement Policy.

Section 17: Public Service Commission

Roles and Responsibilities

The Public Service Commission under Section 126 (1) of the 2013 Constitution is responsible for the following functions:

- ✓ To appoint permanent secretaries with the agreement of the Prime Minister;
- ✓ To remove permanent secretaries with the agreement of the Prime Minister;
- ✓ To institute disciplinary action against permanent secretaries; and
- ✓ To make such other appointments and perform such other duties, functions and responsibilities as may be prescribed under written laws.

The Public Service Commission's statutory function is under Section 11 of the Public Service Act, 1999.

PART A: FINANCIAL STATEMENT

17.1 Audit Opinion

The audit of the 2015 accounts of the Public Service Commission resulted in the issue of a qualified audit opinion.

17.2 Statement of Receipts and Expenditure

The Commission collected revenue totalling \$3,144,110 and incurred total expenditure of \$38,587,428 in 2015.

Total agency revenue increased by \$2,702,310 or 611.7% in 2015 compared to 2014. This was mainly due to re-invoicing of all students under the old Public Service Commission Scholarship scheme to correct the negative receivables amount persistent over the past years.

Total expenditure increased by \$497,051 or 1.3% in 2015 compared to 2014 due to the increase in wages costs for all Government Wages Earners and increase in repairs and maintenance costs of office equipment.

17.3 Appropriation Statement

The Public Service Commission incurred expenditure totalling \$38,587,428 in 2015 against the revised budget of \$43,131,770 resulting in a savings of \$4,544,342.

17.4 Trading and Manufacturing Account (TMA) – Government Quarters

The net profit for the TMA increased by \$826,225 or 91.3% in 2015 compared to 2014. This was attributed to decrease in maintenance and operations expenditure by \$2,560,829 or 70.4% compared to 2014 and travel and communication by \$6,757 or 19.7% compared to 2014.

Whilst rental income decreased by \$1,737,982 or 37.7%, the corresponding decrease in expenditure was the determining factor for increase in net profit for the year 2015.

PART B: AUDIT FINDINGS

17.5 Agency Financial Statement

17.5.1 Performance Bond Account not disclosed

Audit Finding: The audit noted that the Trust receipts totalling \$191,221.59 was not recorded in the FMIS general ledger. Details of performance bond received were not maintained and bank reconciliations for the account were not prepared for the year 2015.

- The Department informed that this issue has been thoroughly dealt with and that details are thoroughly covered in the 2016/17 Agency Financial Statement.

17.5.2 Performance Bond Account Anomalies

Audit Finding: The audit noted that performance bonds received by the Commission were not deposited into the TMA Performance Bond bank account. In addition, a sum of \$6,980.74 was receipted under the FPO Trust account instead of the performance bank account.

- The Committee was informed that the MOE is thoroughly verifying and validating all the financials. Correct figures will be reflected in the 2016/17 Agency Financial Statement.
- The Committee was further informed that there were some misposting issues which we have sorted out by the Ministry of Economy.

Committee Recommendations

PAC recommends that the Ministry of Economy should ensure that:

- all amounts receipted are properly recorded in a performance bond register;
- all amounts received are deposited and recorded in the TMA Performance Bond bank account; and

- investigate and establish the bank accounts in which bond monies were deposited.

17.6 Trading and Manufacturing Account (TMA)

17.6.1 Receivables not reflected In the General Ledger records

Audit Finding: The audit noted that the Commission did not account for receivables totalling \$356,440.76 and related revenues in the FMIS General Ledger

- The Department informed that this was an ongoing issue from the Financial Year 2014.
- The problem has been rectified and the Committee was informed that the correct figures will be reflected in the 2016/17 Agency Financial Statement.

17.6.2 Quarters Income and Bond not transferred from Operating Trust

Audit Finding: The Commission directly deducted rent from salaries of officers' salaries who occupy government quarters totalling \$2,619,301.58. However rental deductions were not reflected as income in the FMIS ledger. The Commission also maintained bond received from tenants for rental purposes totalling \$84,071.07 which were also not reflected as rental bond in TMA liabilities.

- The Department informed that this issue had been adequately resolved. It was a misposting issue which has been corrected.

17.6.3 Poor Record Keeping for TMA - Government Quarters

Audit Finding: Audit review of the maintenance and upgrading records for TMA government quarters noted the following anomalies.

- Remittance to Ministry of Finance totaling \$1,142,344.80 were recorded as Maintenance and Operations expenses allocation;
 - Payment vouchers and supporting documents for maintenance and upgrading of government quarters were not provided for audit review; and
 - Records for maintenance cost for each government quarters, records of performance bond, progress reports, actual commencement and completion dates were not made available.
- The Committee was informed that MOE has taken a proactive approach in updating the necessary record including maintenance details, outstanding rent, performance bond record, details of quarter's maintenance retentions etc.

Committee Recommendation

PAC recommends that the Ministry of Economy should maintain proper records by having separate files for each project and details of bonds, payments by regularly updating into these files.

17.6.4 TMA Journals Not Provided for Audit

Audit Finding: Journal vouchers for rental for Official quarters totaling \$2,878,220.80 being credit entries and \$10,369.79 in debit were not provided for audit despite several requests.

- The Committee was informed that subsequent to transfer of the quarters administration function, MOE has revamped the accountability and reporting aspect of Training and Manufacturing Account (TMA).

Committee Recommendation

PAC recommends that the Office Accommodation Unit should ensure that accounting records such as journals are made readily available for audit review.

Section 18: Ministry of Rural and Maritime Development and National Disaster Management

Roles and Responsibilities

Government is committed to improving the provision of services to Fijians living in rural, peri-urban and maritime areas, ensuring that all people across the country enjoy the same level of attention.

Government believes that every Fijian has the right – no matter where they live – to the same access to such things as sealed roads, electricity, water, education, health and telecommunications.

The Ministry of Rural and Maritime Development and Disaster Management manages and coordinates Government's rural and maritime development programs. Guided by the socio-economic rights enshrined in the Fijian Constitution, the Ministry is focused on providing Fijians with the things they need to empower themselves and support their families.

The Ministry's programs are targeted at generating economic growth and improving living standards in Fiji's rural and maritime communities, which include self-help programs, work on non-cane access roads, maritime roads, and housing assistance.

The Ministry runs the Committee for the Better Utilization of Land [CBUL] which is tasked to help landowners put their land to productive use.

The Ministry also provides support services to rural, peri-urban and maritime communities, such as registration of births, deaths and marriages, issuing licenses and collecting license and permit fees.

Under the Disaster Management portfolio, the Ministry helps Fiji prepare for natural disasters and respond in their aftermath.

The Ministry is also responsible for the implementation of the National Disaster Management Strategy as required by the 1995 National Disaster Management Plan and the National Disaster Management Act 1998, covering disaster prevention, mitigation, preparedness, response, emergency operations, relief and rehabilitation.

PART A: FINANCIAL STATEMENT

18.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Rural, Maritime Development and National Disaster Management resulted in the issue of a qualified audit opinion. The qualification was as follows:

The Board of Survey was in progress during the audit and as such the audit could not substantiate the Statement of Losses (other than money) contrary to section 49(2) of Finance Instructions 2010.

18.2 Statement of Receipts and Expenditure

The Ministry of Rural, Maritime Development and National Disaster Management collected revenue totalling \$1,209,158 and incurred a total expenditure of \$29,926,149 in 2015.

The decrease in revenue by \$93,027 or 7% was mainly due to the decrease in receipt of liquor licenses fees, registration fees and building plan fees.

The total expenditure decreased by \$4,597,137 or 13% in 2015 compared to 2014 as a result of the decrease in capital grants and transfers fund allocated to the Ministry during the year.

18.3 Appropriation Statement

The Ministry incurred expenditure totalling \$29,926,149 against the revised budget of \$32,107,650 resulting in a savings of \$2,181,501 or 6%.

18.4 Trust Fund Account Statement of Receipts and Payments

Total closing balance of the Trust Fund account for the Ministry increased by \$511,054 or 12% in 2015 due to net adjustment of \$551,293 made to the account in 2015.

PART B: AUDIT FINDINGS

18.5 Write Off for Receivables and Trust accounts

- With the appointment of the new Senior Accounts Officer (a new post created within the Ministry), the Ministry has ensured the monthly reconciliations and checks are thoroughly done.
- The Ministry agreed to the Committee's recommendation that an internal audit be established again in order to closely identify any accounting discrepancies before the time of audit carried out by OAG.
- However, given the substantial amount of write-offs by MoE in 2015, the Ministry of Economy alluded that the clearing of the outstanding reconciliations and in determining the accuracy of the reconciliations entered was an issue.

Committee Recommendations

- PAC recommends that the Ministry should ensure that monthly reconciliations are properly carried out and reconciled to the FMIS records and any variances are investigated and adjusted promptly.
- PAC recommends that supervisory checks should be strengthened to prevent such discrepancies from recurring.

18.6 Board of Survey reports not provided

Audit Finding: The audit noted that the Ministry failed to submit the Board of Survey report for the year 2015 for audit review as the survey was in progress.

- The Committee was informed that the Ministry has engaged a storeman to ensure that the BOS is carried out.
- At the time of audit, the Ministry was still in the final stages of finalising their BOS. However, the BOS has been completed and properly authorised. The Ministry is now progressing towards the 2017 Board of Survey.

Committee Recommendation

PAC recommends that the Director Corporate Services should ensure that a Board of Survey is carried out annually in accordance with Section 49 of the Finance Instruction and a copy is readily available for audit verification.

18.7 Unsubstantiated Expenditure – Main Trust Fund Account

Audit Finding: Audit could not substantiate expenditures totalling \$144,229 as the Ministry did not produce the relevant records required for audit review.

- The committee was informed that the payment is made from HQ however the raisings of vouchers/PO is done from the Divisions.
- OAG further confirmed that an exit interview was conducted on this issue with the former Permanent Secretary who is now the Divisional Commissioner Central/Eastern.

Committee Recommendation

PAC recommends that the Manager Finance should strengthen record keeping in the Accounts Division to ensure that all accounting records are properly kept and submitted to audit upon request.

18.8 Long Outstanding Project deposits in the Trust Fund Account

Audit Finding: The audit findings indicate lack of proper monitoring of projects and associated project funds. In addition, unclaimed wages kept in Trust Fund account for more than 10 years indicates lack of proper monitoring of funds in the account by Accounting Officers.

- The Committee was informed that the balances in this Trust Fund Account relate to Rural Housing Deposit, Unclaimed Wages, Community contribution for self-help projects and the Prime Minister's National Disaster and Rehabilitation Fund.
- The committee was further informed that this is related to the staffs that are working from maritime islands and the recipients of such payment are processed at the District Offices.
- The Ministry is now withholding the process of new projects whilst it first tries to clear its unclaimed funds in the Trust Fund Account.
- For those unclaimed wages for deceased workers received from other organisations, the Ministry was not able to locate their beneficiaries.

- The ideal timeframe processing of applications would be for 3 months within a quarter. With the increased number of requests experienced in the Divisions, the Ministry has requested for an increase in their budget consultation for rehabilitation work. The Ministry assured the committee that projects carried out will be completed.

Committee Recommendations

- PAC recommends that the Ministry should investigate the previous year's unutilized contributions and ensure that pending projects are completed first before initiating new projects.
- PAC recommends for the Ministry to ensure that proactive measures are taken to identify the beneficiaries of unclaimed wages to process payments. The Corporate Services section should consult the relevant stakeholders to identify the legal beneficiaries so that payment can be made to avoid carry forward of the balance to the next accounting period.

18.9 Poor Implementation and other Anomalies for Self Help Projects

Audit Finding: The audit noted poor implementation of self-help projects. The following anomalies were noted:

- Project yet to be completed, even though all the materials have been delivered as recipients now face financial issues in the completion of the projects;
 - Completed water project failed to successfully deliver water to all individual homes as members continue to face transportation of freshwater from the source to their homes.
- The Ministry clarified that there was no transport for running around of proper documentation.
 - Under scheme 2 of the housing initiative, the Ministry has a Rural Housing Unit that administers this project. However, the Ministry also integrates with other Ministries and Departments to ensure that the activities/tasks are carried out.
 - The committee was informed that for most of the Ministry's project, the DO's office coordinates the development program and heavily relies on the technical officers.
 - The Ministry has engaged extension officers as well as provided staff capacity in the 4 divisions to ensure that the Ministry's objectives are met.

Committee Recommendations

- PAC recommends that the Ministry should ensure that projects are completed as stated in the project proposal forms.
- PAC recommends that the Commissioners and the Provincial Administrators should ensure that all completed projects are certified by the respective technical officers after completion.
- PAC recommends that the Ministry must enter into a standard Memorandum of Understanding (MOU) where necessary between the Divisional Commissioners and

the recipient community on the use of project especially on machine related equipment.

18.10 Non-Issuance of Purchase Order for Emergency Water Supply

Audit Finding: The audit noted that the Ministry did not issue Purchase Order to the following company for carting of emergency water to the various rural settlements and villages.

- The committee was informed that the procedure for water shortage is that if a person needs water in his/her community, they will be required to fill out a form and file with District Office depending on whether the person is within the water meter area.
- It was noted that funding is available with the Commissioner's Office.

Committee Recommendation

PAC recommends that the Divisional Accountant should ensure that a purchase order is issued when procuring any goods and services.

18.11 Absence of Delivery Dockets & Competitive Quotations

Audit Finding: During the drought period in the west, GSS was not able to deliver the water because of the lack of logistics and coordination with the Ministry. Due to this, the Commissioner Western had no choice but to seek assistance from the Private Firms.

- The Ministry informed that it has not strengthened the divisional secretary post to rectify and oversee this responsibility and procedures.
- The committee was informed that some of the vendors in the North and West deliver water for free on humanitarian grounds however, the Ministry has a list of vendors/contractors that will be able deliver water to the required areas in need.

Committee Recommendations

- PAC recommends that the Ministry should ensure that competitive quotes are obtained for procurements above \$1,000 as required under the procurement regulations.
- PAC recommends that the Ministry must obtain confirmation of delivery to establish that the services have been rendered prior to releasing payments.

18.12 Payment Made for Incomplete Non Cane Access Road

Audit finding: Audit review of the payments made for the non-cane access roads for the Western and Northern Division noted that full payments were made for incomplete work.

- The committee was informed that the Ministry has a road engineer stationed at the Ministry.
- The development road (non-case access road) is funded by the Ministry and proper work being done on this road is transferrable to FRA for upgrades and maintenance.
- The committee noted that there is no monitoring and evaluation on the impact of the road constructions done by the Ministry, as it is on a need as is basis.

Committee Recommendations

- PAC recommends that the Ministry should inquire on the deficiencies and negligence noted in the projects and take appropriate actions to correct and strengthen internal controls.
- PAC recommends that appropriate action should be taken against the engineer for approving the payments for incomplete work.
- PAC recommends that the Ministry should recover the amount overpaid from the Contractor.

18.13 Rural Housing Assistance – Delay in Construction

Audit Finding - The audit site visit inspection revealed that the following houses have not been completed even though all the materials have been fully delivered and are kept unused at the recipient's compound for two to three months, under the Rural Housing Assistance Scheme.

- It was noted that there is a village housing scheme known as scheme 1 and scheme 2.
- The Ministry informed that in relation to the audit query, scheme 2 was where the recipient has deposited \$6,000 and the Government subsidies (\$20,000) the other 2/3 for the construction of 24 by 16 house ablation.
- Under the provision of this scheme, the Ministry will provide 2/3 of the payment, supply and deliver the materials for the initial plan and the recipient will provide a carpenter. The issue was that the recipient was not able to provide a carpenter which resulted in the delay of the construction.
- With the increase in the budget allocation, the Ministry is working closely with the Divisional Commissioners on a strategy to also have inbuilt cost of the carpenter.
- The conditions for this scheme are that the recipient will have to reside in the village and cannot be squatting, land entitlement with the minimum deposit.

Committee Recommendations

- PAC recommends that the Commissioners, Provincial Administrators and District Officers should ensure that agreements are made with recipients of assistance to ensure that materials are used within a reasonable timeframe.

- PAC recommends that the Provincial Administrators and the District Officers should ensure that all constructions works and completed projects are certified technical officers after completion and the completion certificates to be maintained in their Project files.

18.14 Anomalies Noted for Public Sector Investment Program – Northern Division

Audit Finding - Audit scrutiny of the Public Sector Investment Program Project (PSIP projects) revealed the following anomalies:

- There was no technical report or certification from the building engineer for completion of various stages of work;
- Incomplete project after the completion timeframe;
- Monthly project status and monitoring report were not filed and produced to audit to determine the status of the project.
- The Ministry informed that the Kubulau Duplex Quarters & Rabi Duplex Quarters are the quarters for the Assistant District Officers to service Kubulau, Wainunu and part of Cakaudrove West.
- The Ministry reported that some tenders awarded to the private firms were not capable enough of carrying out the renovation works for Kubulau Quarters.
- The Ministry of Infrastructure and Transport is now carrying out this task and the payment was done because there was some work done by the previous contractor.
- Also, the committee noted that MoIT is obliged to facilitate the upgrades and maintenance of the quarters compared to the private sectors.

Committee Recommendations

- PAC recommends that the Divisional Officers, Provincial Administrator and Planning Officers should ensure that community projects are monitored on a monthly basis and reported to the Commissioner and the Permanent Secretary.
- PAC recommends that progress reports should be filed in the project files for records and status followed up. All agreements should be competently vetted.
- PAC recommends that the Ministry and the Division should investigate the anomalies highlighted above and take appropriate actions to correct and strengthen internal controls.
- PAC recommends that the Ministry and the Division should ensure that due diligence checks are performed prior to releasing payments to the contractors.

18.15 Inadequate Management of Project Materials/Items at Top Yard Store

- The Committee noted that the Mualevu Footpath has been completed.
- The top yard belongs to the Commissioner Eastern Division and is not under the jurisdiction of the Ministry's Permanent Secretary for the storage of materials before it is being sent to the Maritime zones – Kadavu, Lau, Rotuma and Lomaiviti.

- The National Disaster Management office has special bulk store. The Ministry has an Australian Logistics Officers who is currently taking care of the stock with the proper store's officer with an assistant.
- One of the donated items highlighted by OAG was a 4 Wheel Drive. The Ministry was informed by FRCS that the office will need to pay duty tax if it wishes to send the vehicle back to where it was imported from.
- The items mentioned in the Appendix of the Audit Report are usable items which have regarded as obsolete in value and MoE has advised that those already bought items can be transferred to other areas where they can be utilised. The committee was informed that these obsolete items are usually used by the divisional district areas and offices that are used in the rural and settlement areas.

Committee Recommendations

- PAC recommends that the Officer in Charge of the Top Yard Store should ensure that files for projects for which materials are received are properly maintained at the Store.
- PAC recommends that the Officer in charge should also ensure that unserviceable items, damaged and obsolete stock are removed from the yard to allow proper storage space for the new project building materials and other items.
- PAC recommends that Project Officers at the division should ensure that Project materials are delivered to the Project recipients on the next available vessel so that stockpiling of materials can be avoided or minimized.

Section 19: Republic of Fiji Military Forces

Roles and Responsibilities

The Republic of Fiji Military Forces [RFMF] is responsible for upholding and defending the Fijian Constitution. Its primary responsibility is to ensure peace and security within the country for the benefit of all Fijians. It also makes a significant contribution to United Nations Peacekeeping operations in troubled areas around the world.

As part of its contribution to the wellbeing of the Fijian people, the RFMF's Engineering Corps carries out an extensive range of development projects across the country that improve the living conditions of ordinary Fijians, particularly those in rural areas. The RFMF's naval division provides surveillance of Fiji's maritime zone and operates a coastal radio station for all vessels within Fijian waters as required by the International Law of the Sea.

PART A: FINANCIAL STATEMENT

19.1 Audit Opinion

The audit of the 2015 accounts of the Fiji Military Forces resulted in the issue of a qualified audit opinion due to the Force not including the Trust Fund Account Statement of Receipts and Payments for RFMF Engineers Project Fund Account with receipts totaling \$1,985,410 and payments totaling \$2,921,204 not recorded in the FMIS general ledger.

19.2 Statement of Receipts and Expenditure

The Force collected revenue totaling \$434,901 and incurred expenditure totaling \$85,091,759 in 2015.

Total expenditure increased by \$3,390,529 or 4% in 2015 compared to 2014 mainly due to:

- Established Staff costs increased by \$2,799,708 or 4% in 2015 compared to 2014 largely due to increase in employer's contribution on FNPF from 8% to 10%.
- Capital Construction costs increased by \$2,130,821 or 276% in 2015 compared to 2014 due to on-going capital projects and new projects undertaken for the year 2015, which included Black Rock Mess Hall Project, upgrading of Sukanaivalu Barracks, renovation/upgrade of infrastructure, upgrade of Logistic Support Unit Complex, upgrade of 3FIR and RFMF infrastructure and amenities.
- Capital Purchases increased by \$2,046,969 or 100% in 2015 compared to 2014 due to purchase of communication equipment for the Naval Division and military training warlike stores for the Logistic Support Unit.

19.3 Appropriation Statement

The Force incurred expenditure totaling \$85,091,759 against a revised budget of \$103,317,114 resulting in savings of \$18,225,355 or 18%.

19.4 Consolidated Trading and Manufacturing Account

- There are 2 TMA Accounts – Plant Pool TMA and Hydrographic TMA regards to the sale of Maps.
- The recording of receipts in FMIS and GL at the time of audit was that the TMA Account was not under FMIS which was not initially part of Government Funds where it should be recorded.

PART B: AUDIT FINDINGS

19.5 Anomalies in the Operation of Engineers Project Trust Fund Account

- The committee noted that the Board of Survey was not carried out independently hence the office was strongly advised that in future, MoE and OAG as an observer, to be invited to carry out and verify the BOS undertaken. The composition of BOS is that there should be an independent member as advised by MoE.
- The tally cards are used to tally with the FMIS which confirms that the reconciliations carried out correctly and matched with the Operating Balance.
- The Committee was informed that the review of the Finance Manual is done every year and the timing of the vetting of stock to be taken into revised accordingly as advised by MoE.

Committee Recommendations

PAC recommends that the Force should ensure that:

- all transactions are recorded in the FMIS general ledger as and when incurred;
- the annual financial statements include the Trust Fund Statement of Receipts and Payments for the Project Trust Fund account;
- proper approval is obtained from Ministry of Economy for the operation of the Force Engineers Project Trust Fund account and also liaise with Ministry of Economy to open the FMIS general ledger account; and
- bank reconciliations are checked and approved on a monthly basis.

19.6 Anomalies Noted in the Trading and Manufacturing Account

Audit Finding: Audit noted that the stock take was carried out by the officers directly involved in maintaining and accounting for the stock without consultation for the involvement of external auditor, Auditor General's Office as observers. Therefore the stock take was not carried out independently.

- The committee was informed that the officers directly involved in maintaining and accounting for the stock without consultation for the involvement of external auditor was an oversight on the Force's part.
- It was noted that this has been regularised in their accounting processes in accordance with the Finance regulations and that stocktake will be done by an independent party with OAG being invited as an observer in future.

Committee Recommendations

PAC recommends that the Force should:

- ensure that annual boards of survey are conducted by Officers who are independent from the custody of the TMA stock; and
- consult external auditors to observe annual stock take as part of stock take process.

19.7 Operating Trust Fund Account

- **Audit Finding** - The committee noted that the initial reconciliation statement for December was compiled from the 1st GL report. At the time of audit, the final report was yet to be provided by MoE hence the final reconciliations statement was yet to be submitted to OAG to determine any mispostings.
- The committee strongly advised that once the final reconciliations statement are generated by MoE, the Ministry should ensure to inform all Government Ministries and Department regarding the status of their reconciliations.
- The committee was informed that the Force's Standing Orders was first adopted in 1975 and since then, the office has reformulated its financial manual/charter to suit the forces financial processes. The manual is currently being vetted by Solicitor General's Office.
- RFMF was able to explain with detailed reconciliation evidence the \$2.1m in variance in the Force's Reconciliation and FMIS Balance.

Committee Recommendation

PAC recommends that the Force should liaise with the Ministry of Economy to rectify the variances noted between its reconciliation and the FMIS general ledger.

19.8 Items Not Taken on Charge

Audit Finding - Audit noted that the items worth \$854,241 procured in 2015 by the respective stores such as Supplies, Logistic Support Unit (LSU), Engineers, Medical and Plant Pool stores were not taken on charge in the tally card by the respective quarter masters.

- The committee was informed that this is an on-going issue for the RFMR which is attributed to the high turnover of staff due to peace keeping deployment and training and rapid turnover of stock especially with ration, uniform and personal kit.

- The succession planning for the Military is in place as the agency usually strategizes everything.
- In addressing the above issue, civilian accounts officer has been posted to the Logistics Supplies Unit (LSU), Navy and Engineer to oversee the procurement/stores process.

Committee Recommendations

PAC recommends that the Force must ensure that:

- adequate supervisory checks are in place to ensure stocks are promptly taken on charge when received; and
- stock card contains basic information such as date of acquisition, quantity received, quantity issued and date of issue etc. consideration is given to an automated stock management system.

19.9 Purchase Orders not Issued Prior to Service Delivery

Audit Finding - Audit noted that the Force paid expenses totaling \$43,586.71 in 2015 for procurements made in 2013 and 2014. In addition the Force did not issue purchase orders for the procurements made totaling \$43,586.71 in 2014 and 2013. The purchase orders were raised in 2015 to facilitate the payments.

- The committee was informed that some of the transactions were made during the closing of accounts period whereby the issuing of the PO was closed.
- It was noted that now the office issues monthly reminders to all cost centres as an understanding with the supplier to procure items in future.
- In this way, it will ensure the regular clearance of purchase orders before the end of the financial year exercises whereby all open PO are required to be cancelled in the FMIS system.

Committee Recommendations

PAC recommends that the Force must ensure that:

- expenditures pertaining to current period are met from the current period's budgetary provisions; and
- local purchase orders are raised for all procurements made.

19.10 Unauthorized Procurement of Uniform Accessories

Audit Finding - Audit noted that the Force did not obtain competitive quotes for uniform accessories purchased amounting to \$87,182.50. In addition, purchase of uniform accessories worth \$51,778 was made without purchase orders during 2014 for which payments were made in year 2015

- The Force informed that there were a high number of troops deployed overseas. Due to the urgent and rapid deployment of troops, stocks available for personnel issues were unable to cater for the total requirements.

- The purchases of uniform accessories were made from the supplier because the items were required immediately which met all specifications and were in stock. It was noted that the other 2 suppliers did not have stock available.
- The location where the troops were deployed was volatile and was facing winter spell hence there was urgency request to purchase additional gear.
- In addressing the above issue highlighted by OAG, the RFMF has now procured ample stock in case there might be surge in the number of troops deployed.
- An LPO was issued on some of the items but were cancelled due to the financial year end exercises whereby all open purchase orders in the FMIS system were cancelled before the end of 2013 financial year.

Committee Recommendation

PAC recommends that the Force should ensure that procurement procedures are followed whereby competitive quotations are obtained, local purchase orders are raised and all current year payment commitments are settled during the year.

19.11 Planned Capital Projects not Undertaken

Audit Finding - The committee was informed that budget released in 2013 to the RFMF to carry out the capital projects amounting to \$2.3m, only \$1.8m was used for the upgrade of engines, oil system and navigational system.

- The Force informed that because of the intervening circumstances that were beyond the RFMF's control such as the Australian Sanctions, the Fiji Navy did not fully utilise the budgeted funds for the Life Extension Programme (LEP).
- The Kiro Boat that ran aground has been completed by the Board of Inquiry and RFMF is looking into the recommendation highlighted in their report regarding the disciplinary measures.
- The committee noted that the sea worthiness of the vessel *Kikau*, *Ikau* and *Kiro* refits the life expectancy.
- With the resumption of the military relations, the vessel *Kikau* is currently in Australia for LEP works.
- The audit noted that in 2015, the budget estimate for the Force was allocated \$287,500 for Phase 1 for the construction of a seawall and a river wall at the Naval Training Base. In 2014, the force was allocated \$115,000 for the project. The committee was advised that the budget was used for Geotech and Capital Works as part of the phase.
- The construction of the seawall at the Naval Training Base was delayed because the RFMF was not satisfied with the plans done by the Ministry of Infrastructure and Transport.
- With the approved budget of \$7.4m allocated to Black Rock Integrated Peacekeeping Centre (BRIPC), the RFMF only utilised \$7538 for the road works, electricity and fence.

Committee Recommendations

PAC recommends that the Force should:

- ensure that all capital projects are properly planned, scheduled and implemented following approval of Budget Estimates; and
- investigate and take appropriate action against officers responsible for delaying the implementation of these projects.

19.12 Over Spending In Projects Undertaken by the Force Engineer

- **Audit Finding** - The budget for the Rotuma Hospital Phase 1 Project was \$965,077 and the actual expenditure incurred by the Force was \$1,103,367 resulting in cost overrun by \$138,289.
- The committee was informed that the RFMF did not transport the raw materials from Rotuma back to Suva for the construction of the Rotuma hospital. This was to ensure that the RFMF did not overspend their budgetary allocations towards the construction of the Rotuma Hospital as it was going to be expensive.
- It was noted that the Ministry of Health and Medical Services has reimbursed the Force \$1,103,367 on 2nd June 2017.
- The Force has taken necessary steps to ensure that such anomaly is not repeated in future through the engagement of civilian staff to oversee capital projects undertaken by the RFMF such as an Architectural and Surveyor specialists and also for audit purposes.

Committee Recommendations

PAC recommends that the Force should ensure that:

- proper planning and realistic costing of project is done. Any variation in the cost must be justified and consulted with the respective ministries/department in a timely manner before expenses are incurred;
- all agreed cost variations are recovered from the respective ministries and departments so it does not affect the other capital projects with the Force; and
- projects are managed and completed within the budgeted cost and timeframe.

19.13 Local Purchase Orders Raised Only to Regularize Payments

Audit Finding - The audit noted several instances of purchase orders issued after invoice date or after goods and services were acquired from various vendors.

- The committee noted that there was a similar case whereby private firms not accepting Government LPO has to procure necessary materials.
- In view of this, RFMF no longer raise Purchase Orders to regularise payments as there are urgency of getting the work done as soon as possible.
- Stringent measures has been adopted by the Force where it was also noted that for any future requests for payments without PO will require:

- i) Explanation of non-issue of PO;
- ii) Certification that no PO was issued; and
- iii) Approved by COS RFMF.

Committee Recommendation

PAC recommends that the Force should ensure that no procurement is made without issuing the Local Purchase Order.

Section 20: Fiji Police Force

Roles and Responsibilities

The Fiji Police Force has the important responsibility to keep the people of Fiji safe by maintaining law and order, protecting property, and upholding the rule of law. Every Fijian should feel secure in their homes and free to go about their daily business without any form of harassment or abuse.

Crimes need to be properly investigated, wrongdoers need to be quickly identified and cases need to be brought to trial with the necessary evidence.

To do this, Fiji needs a Police Force that is professional, well equipped and trained, adequately compensated, and supported by technology.

PART A: FINANCIAL STATEMENT

20.1 Audit Opinion

The audit of the 2015 accounts of the Fiji Police Force resulted in the issue of an unqualified audit report.

20.2 Statement of Receipts and Expenditure

- The Force collected revenue totalling \$2,552,320 and incurred expenditure totalling \$109,046,124 in 2015 as provided in the budget. In addition, a sum of \$25,466,191 was provided from Head 50 Miscellaneous Budget from the Ministry of Finance to pay the Job Evaluation Exercise arrears.
- The increase in revenue was due to the increase in commission (LICI Insurances, FNPF, and Carpenters Finance for instance) and increase in the number of application processed for the Police Clearances (migration or employment purposes) and licenses (liquor and fire arms/guns).
- The committee noted that there were funds provided from Head 50 Miscellaneous Expenditure Budget of \$25,466,191 was not included in the total expenditure in the Statement of Receipts and Expenditure for 2015 of the Fiji Police Force.
- MoE advised the Committee that this fund provided by the Ministry of Economy is used for Special Expenditure and is recorded in the SLG84 because \$25m amount was not budgeted for by the entity.
- Despite the explanation given above, the committee was still of the view that the \$25M paid out by the Force for the Job Evaluation Exercise should be recorded in the Forces total expenditure for the year.
- The committee was informed that for those officers yet to receive the JER and allowances for Special Constables that a task forces committee has been formed by the Force to review and certify payments accordingly. The point of contact shall be the Force Accountant.

- The reason for the delayed payments was because of the logistical difficulties in identifying and locating those eligible recipients.

20.3 Appropriation Statement

The Force incurred expenditure totalling \$109,046,124 against the revised budget of \$120,499,901 resulting in savings of \$11,453,778 or 9.5%.

PART B: AUDIT FINDINGS

20.4 Anomalies in Underline Accounts

- The audit review of the underline accounts noted the following anomalies:
 - Variances were noted between the total debit and credit of the Drawings, Inter Departmental Clearance (IDC) account and Bank Lodgement Clearance (BLC) Account reconciliation statement and FMIS general ledger. Refer to Table 20.3 for details.
 - Revolving Fund Account (RFA) allocations 20-1-1-2099-570101 and 20-1-2-20101-570301 had debit balances of \$114,920.52 and \$432, respectively. Since reconciliations were not provided, for audit verification, the audit could not substantiate the correctness of the above balances.
 - The RFA increased by \$157,643 or 202% in 2015 compared to 2014. This was due to the non-clearance of advances by officers.
- The Force informed that the Revolving Fund Account (FRA) increased in 2015 compared to 2014 was because in 2014, the MoE had initiated the book clean-up process whereby \$697,909 was written off to clear the advance account.
- The Committee was informed that the Accountable advances issued in 2015 had been acquitted and cleared.
- It was noted that from 2016, the Force has implemented strict monitoring system whereby officers who fail to acquit Accountable Advances within 7 days, direct deductions are made from their salary. A 12% interest will be charged on late submission of acquittals that is standard for all Government Ministries and Departments under the Financial Instructions and the balance of the amount is recovered from the officer's salary.
- Lastly, the Force advised that the office did not entertain late retirement of Accountable advances and that it was the sole responsibility of each officer to acquit with receipts however, should there be missing receipts, a declaration form will need to be filled out by the officer responsible.
- The duration of surcharge from the officer's salary to recover the advance amount is 6 fortnights to clear the outstanding amount owed to Government.

Committee Recommendations

- PAC recommends that the Drawings, IDC and BLC account prepared by the Force should be reconciled to the FMIS general ledger. Any variances noted should be investigated and necessary adjustments made to the relevant records.
- PAC recommends that all RFA and Trust Fund reconciliations should be thoroughly scrutinised by the Force Accountant for on a monthly basis.
- PAC recommends that the Force Accountant should ensure that debit (overdrawn) balance in Provisional Tax Account is investigated and reconciled regularly.

20.5 Raising of Journal Vouchers

- **Audit Finding:** Audit review of the journal vouchers raised by the Force noted that some of the vouchers were not approved by the authorised officers.
- The Committee was informed that the Force has noted the recommendations of the Auditors and has given clear instructions to Accounts staff that no postings are to be done into the FMIS with journals being approved by the relevant authority.
- The Committee was further informed that the initial verbal approval had been given for the Journal voucher entries during the closing of accounts however the Journal vouchers were not signed and approved by the authorising officer.
- The Committee was informed that the officer responsible in this incident had been transferred out to another Unit as a disciplinary measure.
- Despite the above comments, the Committee was of the view that there was leniency on the disciplinary actions taken by the Force with the journal voucher amount ranging from \$588,801.02, to \$2,577,706.11 to \$6,671,564.71 respectively.

Committee Recommendations

PAC recommends that the Force should:

- ensure all journal vouchers are approved by Force Accountant or Deputy Force Accountant before posting to the general ledger; and
- take appropriate action against responsible officers for posting unapproved journal vouchers to the general ledger.

20.6 Absence without Leave

- **Audit Finding -** The audit noted that Police Constable 3496 was not entitled to a salary for the period July 2012 to July 2014 as the officer was absent from work without authorisation. This resulted in an overpayment of salaries amounting to \$31,937.64. The officer was terminated from the Force on 29th June, 2015.
- The committee was informed that this case, File No. SDHQ Cap 97/14 is currently being perused by the Legal Officer before a decision is made on the relevant charges.

Committee Recommendations

PAC recommends that the Commissioner should ensure that:

- internal control procedures are strengthened to avoid officers receiving wages/salary when absent from work; and
- recovery measures for the overpayment are put in place.

20.7 Delayed Capital Projects

- **Audit Finding** - The Force was allocated a budget (revised) of \$4,085,873 for Capital Construction in 2015. The committee noted that only \$459,628 or 11% was utilised.
- FPF informed the Committee that this was mainly attributed to the following:
 - Construction of Valelevu Police Station
 - Construction of Beqa Police Post and Quarters
 - Forensic Science Project
 - Upgrade of Criminal Records Information System
- The committee was informed that the delays in project completion and/or implementation were due to projects not thoroughly assessed at the preliminary stage. Discussions held with the FPF (Procurement Manager) confirmed that Engineer Estimate for all these projects used for budgeting purposes did not reflect a realistic cost. As a result, the budget was insufficient as the actual construction cost was more than the budgeted amount.
- The capital construction which involved a substantial sum of public funds was not put out for public tender. The audit noted that from the planning stage, the Force had intended to engage Ministry of Infrastructure and Transport. The Force therefore requested for a Waiver of Tender for which one request was approved while the other requests were declined by the Minister of Finance later in the year.
- The OAG further informed that the lack of proper project planning and assessment is evident in the above anomalies.
- The Forces process for capital projects is that in order to call a tender, an estimate needs to be obtained from MoIT (Department of Government Building and Architects) to verify the architectural drawings and provide an estimate engineers cost for tender calling purposes. The agency will also confirm that availability of funds to undertake this project.
- The committee was informed that the Valelevu Police Station is scheduled to be completed by December, 2017 and the contractor undertaking this project is Cope Construction.
- The FPF informed the committee that the role of CIU is to oversee all Government Capital Projects and ensures and maintains a standard that is required by Government. The role of FPF is provide all scope and requirements to CIU for instance, Tier 1 construction for Police Station in Lautoka, FPF will provide information to the Construction Implementation Unit (CIU) on the number of man power, number of vehicles and stats on the number of population that the centre serves.

- With the information provided to CIU and upon receiving the request, the unit will engage a consultant to carry out the scope, preliminary works and drawing up a formulation plan. In addition to that, a Tender will be called upon the approval from the Fiji Police Force.
- The project monitoring is undertaken by FPF, CIU (MoE) who are the project managers and Ministry of Infrastructure and Transport (Works) and if there is any deviation or variance on the project costing, then all stakeholders noted above will be equally held responsible for the same.

Committee Recommendation

PAC recommends that proper assessment of projects with realistic costing should be done at preliminary stage.

20.8 Payment of Retention

- **Audit Finding** - The committee noted that retention monies for contractual payments were not transferred to the Trust Fund Account. As a result, the current year's budget was utilised to pay the retention claims submitted by the contractors for the work completed in 2014.
- FPF informed the committee that at the time of audit, the retention sum was paid from the Operating Account on Small Minor Repairs and Maintenance through internal process of 3 quotations. For each payment made, the Force has now ensured that 10% is deducted as defects liability for 2/3months depending on the duration of the contract.
- The committee still did not agree with such measures as payments should only be paid out from the Trust Account where all the retention money are kept.

Committee Recommendation

PAC recommends that retention funds should be transferred to the Trust Fund Account to ensure that subsequent year's budget appropriation is not affected and that the Force will be able to meet the payments to contractors as and when due.

20.9 Underline Accounts

- **Audit Issue** - The committee noted that underline reconciliations were not submitted to Ministry of Economy on a timely basis.
- The Force informed that it has carried out the reconciliation and verified the balances stated in the statement of VAT and PAYE which has a difference of \$2,725,793.00. This was that PAYE deduction being deducted from the arrears of established staffs for various Police Officers and payments made to FRCS VAT (vendor).

Committee Recommendations

PAC recommends that the Force Accountant:

- should ensure that the underline reconciliations are prepared and submitted to Ministry of Finance on a timely basis.
- must ensure that the reconciliations are verified with the balances stated in the Statements of VAT and PAYE provided by FRCS.
- The difference of \$2,725,793 should be investigated and rectified.

CHAPTER 4: Volume 3: Audit Report on the Social Services Sector

Section 21: Ministry of Education, Heritage and Arts

Roles and Responsibilities

The Ministry is responsible for the delivery of Education and Training Services to schools, pre-schools, and training centres and it is also responsible for the preservation of the different cultures in Fiji. These include the provision of curriculum frameworks, policy-guidelines, qualified teaching personnel, and programmes support to controlling authorities and education. The Ministry also has responsibilities for ensuring that standards in education are met and maintained through the regulation and recognition of education. Through advisory services, support is rendered to school management for the effective running of schools as well as financial assistance for construction and maintenance of school facilities.

The Ministry is also tasked with improving rural education standards and the education opportunities of disabled students and out of school youths. The Ministry has undertaken three (3) new initiatives and these include the establishment of the Fiji Teachers Registration Board, the formulation of the language policy and the establishment of seed capital for Poverty Relief Fund, which also co – funded by private public partnership scheme.

PART A: FINANCIAL STATEMENT

21.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Education resulted in the issue of an unqualified audit opinion.

21.2 Statement of Receipts and Expenditures

The Ministry of Education collected revenue totalling \$1,701,455 and incurred total expenditures of \$398,375,173 in 2015.

State revenue increased by \$304,223 or 23.3% in 2015 compared to 2014. The increase was mainly due to recovery of students fees from Technical Colleges during 2015.

The agency revenue increased by \$29,985 or 50.7% in 2015 compared to 2014. This was due to the increase in request for recounts, rechecks and certified copies of the exam results and an increase in sale of school farm produce in 2015.

The total expenditure increased by \$21,248,033 or 5.6% in 2015 compared to 2014 as a result of the following:

- increase in recruitment of the number of Teachers and Administrative Staff as per Minister's initiative to increase employment.

- purchase of rations, production of texts and materials, examination expenses and printing of examination papers, day schools materials, office books periodicals and board meeting expenses.
- implementation of Ministry of Education Initiatives, increase in workshop and requests for assistance from schools. Minister's initiatives fund was used for repairs and maintenance of schools, teacher quarters and hostel for borders.

21.3 Appropriation Statement

The Ministry of Education incurred expenditures totalling \$398,375,173 in 2015 against the revised budget of \$401,649,310 resulting in a savings of \$3,274,137.

21.4 Statement of Losses

There was a loss of \$34,847.36 reported for the Ministry in 2015.

Items worth \$17,100 were lost due to theft while items worth of \$81,142 were written off following conduct of board of survey for the year ended 31 December 2015.

Moreover, general ledger balance of (\$49,940.49) was written off as approved by Ministry of Economy.

PART B: AUDIT FINDINGS

21.5 Stale Cheques appearing in Un-presented cheque listing

Audit Finding - Audit review of the Ministry's unrepresented cheque listing revealed that the stale cheques worth \$153,216 were still appearing in the unrepresented cheque listing as at 31/12/15.

- The Ministry informed that the cheque mode of payments related to allowances of Teachers that travelled to remote schools. It is the responsibility of the cheque bearer to cash the cheques within 6 months.
- The Ministry is now ensuring that stale cheques to be cleared on time and also have taken precautionary measures by requesting all Teachers to have Bank Accounts.
- All visits around the schools in the Maritime areas, the Ministry advised that there is a routine schedule to carry out checks on the schools accounts.
- The Ministry of Economy advised that in terms of improvement in financial operations, the Ministry conducts internal audit to various departmental Ministries and follows up with its recommendations via a Memo to the Permanent Secretary and every quarter, an audit exit meeting is carried out with the Ministry.
- It was noted that there was a lack of effective monitoring within the Ministry that resulted in its financial irregularity.

Committee Recommendation

PAC recommends that internal Control procedures such as review of bank reconciliations by supervisors in the Accounts Section should be strengthened to avoid such anomaly.

21.6 Write Off

Audit Finding - The audit noted that the Ministry of Finance approved write-off of 49,940.49 to the Ministry's general ledger balance for the year ended 31/12/15.

- The Ministry informed that this was in relation to previous write off of \$6.8m.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- Monthly reconciliations are properly carried out and reconciled to the FMIS records. Any variances should be investigated and rectified in a timely manner.
- Internal controls relating to reconciliations, specifically supervisory checks, should be strengthened.

21.7 Understatement of Expenditure in the Financial Statements

- **Audit Finding** - The Revolving Fund Accounts (RFA) relates to the prepaid expense account and due to the insufficient funding in the operational account, the Ministry used the RFA was used to pay for the Supervisors allowances and Markers claims hence this was not reflected in the financial as prepaid expenses.
- The Ministry informed that there was a budget allocation of \$300,000 however; the Balance was paid from the RFA Account.
- RFA is the Accountable Advance allocation, Accounts Receivables and IDC. These are suspense accounts that the Ministry post and then it is cleared off later. For instance for the Accountable Advance, the Ministry issues a certain sum from the RFA and once acquittals are provided, then the Ministry of Economy will clear this from the Accountable Advance allocation and post it into the expenditure where the budget is.

Committee Recommendation

PAC recommends that the Ministry must ensure that expenditures for the year are charged against the Budget Estimates for the year.

21.8 Over Expenditure

Audit Finding - The audit noted that for the past five years, the Ministry has over spent the funds allocated for Established Staff (SEG 1) and Government Wage Earners (SEG 2) in the Budget Estimates.

- The Ministry informed that this is due to the less budget allocation compared to the actual teachers subjected to rural and location allowance. There was also a lack of Person to Post (P2P) Miss posting that resulted in the over expenditure.
- Also, the Reintroduction of the staff and student audit electronic database. Schools in the maritime areas failed to update the database in order for the Ministry to determine its actual budget request.
- The Ministry uses a Disadvantage Formula that has certain categories within which take into account accessibility and road. Location allowance is categorised into remote and very remote.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- proper planning and financial management practises are employed to avoid over expenditures; and
- going forward, the budget preparation process is improved so that all planned expenditures are taken into account.

21.9 No Board of Survey for Drawings Account

Audit Finding - The audit noted that the Ministry failed to carry out Board of Survey on drawings account cheques as at 31/12/15. The total unrepresented cheques recorded in the drawings account reconciliation was \$4,027,440 as at 31/12/15.

- The Ministry informed that Drawings BOS has been done for 2016 onwards and that it will ensure compliance in future.

Committee Recommendation

PAC recommends that the Ministry should ensure that Board of Survey on drawings account cheques is carried out at the end of the year.

21.10 Loss of Taxpayer's Funds

Audit Finding - Audit noted that monies totalling \$34,847.36 were reported to be lost by the Ministry as at 31/12/15. In addition, the Ministry disclosed amounts totalling \$17,100 in the Statement of Losses as at 31/12/15 losses (other than money) for which the Ministry is yet to determine whether recovery should be made or not.

- The Ministry informed that the loss reports have been sent to Ministry of Economy's recovery team and Ministry of Education will only initiate recovery once Ministry of Economy provides the deduction authority. Follow ups have been done with the recovery unit.
- The Ministry has also filled police reports and police is still investigating in some of the stated matters. The Ministry will only initiate recovery once approval is granted by Ministry of Economy. For the cases of RKS and NHS the bursars have been terminated and are under police investigation.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that proper internal controls are implemented to avoid loss of public funds;
- ensure that losses are recovered by instigating surcharging action against those that were in control of funds or items at the time of loss.

21.11 Tender not Called for Procurement Exceeding \$50,000

Audit Finding - The Ministry failed to call for tenders even though the value of goods and services procured exceeded \$50,000

- The Committee was informed that the Ministry transport assistance was for boats, bus vouchers and RSL Operators. Boats were provided to schools only upon realising certain savings out of the transport allocation.
- Monthly Bank Reconciliations of Government Schools are being carried and is submitted to the Ministry for review and issuance of cash cheques.
- The Ministry of Economy advised that in the 2016 Financial Year, an internal audit was conducted on the Primary Section of the Ministry of Education, identified waiver of tender of free text books and the waiver tender of 2 capital projects for the private schools however, this was a Ministerial Directive.
- All procurements were not done at once. Each Boat costs about \$19,000 - \$20,000 and this was procured upon request and savings that were generated from the Transport allocation.

Committee Recommendation

PAC recommends that the Ministry should ensure that proper procurement procedures are followed at all times.

21.12 Misposting of VAT

Audit Finding - Audit review of the expenditure revealed that the Ministry posted VAT inclusive expenditure into the FMIS General Ledger

- The Ministry assured that it will ensure compliance in future and ensure that correct allocations are used for postings.

Committee Recommendation

PAC recommends that the Ministry should adjust the expenses to the correct expenditure allocations.

21.13 Outstanding Retirement of Accountable Advance

Audit Finding - The audit noted that accountable advances were not retired within 7 days of the completion of travel by the respective officer's. It was also noted that as at 30/11/15, accountable advances totaling \$881,459.43 were yet to be retired. The aging of the outstanding

accountable advances indicates that \$837,810.16 or 95% of the advances were outstanding for more than 30 days.

In addition the audit review of the advance account reconciliation as at 31/11/15 revealed that numerous travel advances were not being fully accounted for upon the retirement of advance by the respective officers.

- The Ministry informed that it is strictly monitoring the accountable advance retirement and clearance. Salary deductions are implemented for those staff who do not submit their acquittals on time.

Committee Recommendations

PAC recommends that the Ministry should:

- improve the management of accountable advances to ensure that officers fully account for taxpayers' funds disbursed as advances;
- ensure that all advances are retired within seven days of completion of travel;
- conduct an investigation into the unaccounted advances as at 31/12/15;
- commence salary deductions for officers with long outstanding accountable advances.

21.14 Utilization of Capital Expenditure

Audit Finding - Audit noted that the Ministry only utilized \$4,123,809.85 or 31.44% of the total revised budget allocated for Capital Expenditure for the year 2015; a sum of \$8,993,290.15 or 68.56% remained unutilized at year end.

- The Ministry informed that Maintenance and Upgrading relates to \$1.5m relates to Government Schools and Office renovations.
- For the new Bau Central College, the \$438,000 out of \$2.6m was only used for the proprietary works that were needed on site. The Committee was informed that \$2.6m was allocated in 2016 for the cost of the projects for the New Bau Central College however the current estimates will be about \$1.6m. After the 2016 financial year, the Ministry was not able to undertake its capital works due the cyclone rehabilitation work.
- The actual cost of the project is about \$1.6m for the 8 double story (phase 1) and there are 4 phases and to be completed in 14 weeks from now.
- The Sigatoka Methodist College involves the relocation of the schools due to the eroding of the Sigatoka Riverbanks. The whole list of Government projects was put on hold after Winston and the State of emergency that the 469 affected schools and the funds was on R at the moment. The new intended site for the school is liaising with Ministry of Lands (Geo Tech) and has studied its soil structure. Sand Dunes and the new site would also be used by the Methodist Church.
- The Committee was informed that this anomaly resulted because this was a Government project initiated by it.

- One Learning Device Per Child Program – this was allocated for the purchase of Laptop and the tender was awarded in 2015.
- For the Levuka World Heritage Upgrading – renovations of the heritage site (Bure) which was partially completed and the Committee noted that the funding for this was from Government.

Committee Recommendation

PAC recommends that the Ministry should ensure that proper planning is conducted for the utilization of capital expenditure budget so that funds allocated are fully utilized for its intended purpose.

21.15 No Reconciliation for the Supply of Free Milk

Audit Finding - Supply of Free Milk - The audit noted that the respective schools failed to submit the delivery dockets to the Ministry confirming the quantity of milk supplied by the supplier. As a result, the Ministry was not able to carry out regular reconciliation to confirm the accuracy of quantity of milk received by the schools against the quantity invoiced by the supplier for payment.

- The Ministry informed that it coordinates with CJ Patel for the provision of Free Milk and Weet Bix.
- Other initiatives that the Ministry has undertaken is the distribution of free text books to the 730 Primary Schools and 167 Secondary schools. Also, the provision of free transport initiative to students from urban, rural and maritime schools.
- The Ministry has established a database for the students that require transport assistance. Students that are assisted are tallied against the stage of fair and the mode of transport.
- Another mode of control mechanism is where free bus fare vouchers are counted at District level and after it has been physically counted, it is maintained in a database. Payment vouchers are reconciled against the attendance register of the school students.
- The School determines the eligibility of which child gets the free bus care scheme irrespective of the zoning.
- Free text book initiative – the cost of this to the Ministry was approximately \$1.2m in 2016 to print the text books. In the 2016/17, the Ministry has been allocated \$5.3m for the printing of textbooks for 2 years and will decrease in the next budget request submission.
- The Printing of text books was not printed within the Ministry's Printing Centre. In the last financial year, 3 tendering processes were followed and were awarded to all 3 Tenders. Star Printing was one of them.
- The Government Printing has requested the Ministry to tender and it can only facilitate the printing of Exam Papers.

- Payments were made on the initial invoices issued by CJ Patel and the issue was the remoteness of certain schools to deliver the dockets and lack of awareness by school heads. Now, CJ Patel prepares documents in triplicates.
- The delivery docket is similar to the invoice issued. Schools heads signs off at the invoice and verified by the recipient
- CJ Patel contract will end at the end of 2017.

Committee Recommendation

PAC recommends that the Ministry should require all schools to submit delivery dockets to allow it to carry out regular reconciliation for the quantity of milk supplied and quantity invoiced for payment. Alternatively, advise the supplier to submit copy of signed delivery docket with invoice for payment.

21.16 Non Payment of Quarters Rent

Audit Finding - The audit noted the occupants of the government quarters at Government Secondary Schools have failed to pay rent from the date the quarters have been occupied. As at 31/12/15, a total of \$72,126.20 was outstanding.

- The Committee was informed that there was an understanding between PSC and the Ministry residing in Government quarters not to pay rent.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- the occupants of the government quarters pay rent as stipulated in the PSC Circular 79/2011;
- immediate action is taken to recover outstanding rent from the respective occupants of the government quarters.

21.17 Failure to Submit Audited Accounts – Cultural Agencies

Audit Finding - The audit noted that the last audited accounts submitted by Fiji Museum and Fiji Arts Council were for years 2007 and 2003, respectively. However, the Ministry continued to provide annual operating grants to the two agencies

- The Ministry informed that it engaged the Attorney General's Office to facilitate the timely submission of the outstanding unaudited account on these cultural agencies.
- The Fiji Museum has engaged Earnest and Young to audit their previous Accounts.
- Records Management for schools have made improvements for the Internal Audit Team came when the payment voucher was not incomplete.

Committee Recommendations

PAC recommends that the Ministry should:

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

21.18 Tenders not called for Maintenance and Upgrading of Works

Audit Finding - Audit noted that Ministry/School did not follow proper procurement process when engaging the Contractor (construction company) for the maintenance and upgrading works. Construction works were not properly supervised and certified prior to payment. As a result, completion of project works was considerably delayed.

- The Ministry informed that the tender was split in 2 ways and the works was not completed on time.
- School Management Handbook was lodged for School Heads to abide by the Government Standard Regulations.
- 114 schools have been audited by the Ministry's internal audit team in terms of the utilisation of FEG and also have an online monitoring system.
- The Ministry informed that a special audit project carried out that the maintenance was still yet to be completed and the Committee was informed that the draft Auditor General's report, this issue is not reflected.
- The Ministry has abided by the OAG recommendations which resulted in the completion of the classroom and cautioning of the School Head.

Committee Recommendations

PAC recommends that the School should ensure that:

- proper procurement procedures are followed at all times; and
- weekly reports detailing progress of such all capital works are communicated to the Director AMU.

PAC further recommends that the Ministry should:

- ensure that all capital works are thoroughly monitored and payments are only released upon successful completion of the works by the contractors; and
- consider providing project management training to School Heads responsible for project management.

21.19 Overdrawn Caution Trust Fund Account

Audit Finding - The audit noted that the Caution Trust Fund account of a government school was closed by the Bank on 02/06/15 due to insufficient funds. As a result the School failed to refund the student leaving the school at the end of 2014 and 2015 school year. In addition, the audit noted that the School does not have any record to substantiate the amount owed to the students enrolled before 2014.

According to the School Principal, the students have been continuously requesting for the refund. However, due to insufficient funds, the School has been unable to provide refunds to the students.

Furthermore, the audit noted that the School also made payments outside the trust fund rules and regulation without the approval of the Permanent Secretary for Education.

- The Ministry informed that the Trust Fund Account was managed by the Board of the Schools and trust signatories were the school heads.
- The Director Secondary is responsible for all Secondary Schools and Director Primary is responsible for all Primary Schools

Committee Recommendations

- PAC recommends that the School should ensure that it complies with the rules and regulation of the Trust Fund Account.
- PAC recommends that the Ministry should investigate the withdrawal of cash from the Trust Funds Account and take appropriate action.

21.20 Payment of Board of Governors Allowances

Audit Finding - The audit noted that the Board of Governors for a Government School were paid allowances totaling \$10,190 for managing the operation of the schools which was paid from the Free Education Grant.

- The Committee was informed that the payment of the Board of Governors Allowances is not recovered because the Government School involved could not provide the Ministry the current address of this Board of Governors.
- The FEG Governors were utilising the Free Education Grant (FEG) Grants for personal utilisation.
- The Board Sitting allowance was from \$110 - \$180 which were not supposed to be paid allowances as it was on a voluntarily basis.
- The Committee was informed that some schools that were not Government Schools were also utilising the FEG Grant.
- Payment is authorised by the Board Members themselves.

Committee Recommendations

- PAC recommends that the School should ensure that FEG are used for the sole purpose of facilitating teaching and learning.
- PAC recommends that the Ministry should take appropriate action to ensure board allowances paid to the Board of Governors are recovered.

21.21 Unsubstantiated Expenditure

Audit Finding - The audit noted that payment vouchers for payments totaling \$68,289.78 made from the Free Education Grant in 2015 were missing, thus audit was not able to determine the authenticity of payments made.

- The Committee was informed that Records Management have been strongly emphasized by the Ministry and part of the internal audits documents was with the Ministry's internal audit team for schools only when OAG conducted the Audit for the Ministry.

Committee Recommendation

PAC recommends that the School should ensure that proper accounting records are maintained. Efforts should be made by the School to locate the missing records.

21.22 Incomplete Capital Projects

Audit Finding - Capital Projects Monitoring sites – Delainamasi Government School. The committee was informed that the project went through a start stop period however the Ministry conducted an investigation on the percentage of funds used and the status of work completed so far.

- The Ministry has completed a 1 by 2 classroom and is still awaiting the rest of the phases. Start Stop mode was caused by when the head teacher was not following the guidelines where works were not done in phases. Now phase by phase completion of works is followed as a planning process.
- The Ministry informed that it has a monitoring division to monitor the capital projects every 2 weeks.

Committee Recommendations

PAC recommends that the Ministry should:

- carry out further investigation into the arrangement the School had with the contractor which has resulted in the incomplete project and take appropriate action; and
- consider providing proper project management training to responsible staffs in the School.

21.23 Anomalies in Maintenance and Upgrading Project

Audit finding - Audit noted that a government school engaged the services of a Company for maintenance and upgrading works. The audit noted that the School deliberately split the contract into two in order to avoid the tender process.

- The Ministry informed that when it suspended the Board, the secondary section of the AMU conducted an inspection of the buildings of Government Schools and it was found that that it was not up to standards as compared to the private schools.
- Grant was allocated from FEG for the maintenance and upgrading. The Funding for a Term for school maintenance will only be used within that term only.
- There were no signed contracts, no quotes and not approved plan – the Ministry have an agreement with the schools. MOE advised that a contract and an MOA will be combined into one in document.
- The Ministry informed that grading of the schools in Fiji is based on the actual determinant for the grade of the schools comes from the student population. School Audit and Staff Audit are done by the school head for the final budget. Early Child Hood centre numbers is separate from the Primary School and the Ministry uses a database for clear demarcation.

Committee Recommendations

- PAC recommends that the School should ensure that proper procurement procedures are followed at all time.
- PAC recommends that the Ministry should review and strengthen the internal control procedures in the School.

Section 22: Ministry of Health and Medical Services

Roles and Responsibilities

The Ministry of Health's goal is to provide a health care system that is accessible, affordable, responsive, equitable and of a high quality to the people. In doing so, the Ministry of Health and Medical Services will address its strategic themes of provision of health services, protection of health, promotion of health, productivity in health and people in health to achieve the major outcomes summarized below. To achieve this goal, the Ministry will develop from available resources a comprehensive health delivery system dedicated to primary health care, health promotion and disease prevention. Improvements to the delivery of health services will continue to be pursued by the Ministry and in partnership with key stakeholders including the private sector and development partners. The Ministry will also continue with the training of personnel to address critical staff shortages in health institutions, together with the maintenance and upgrading of health facilities in the rural areas. In addition, services will continue to be provided for the care of the elderly.

PART A: FINANCIAL STATEMENT

22.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Health and Medical Services resulted in the issue of a qualified audit opinion.

22.2 Statement of Receipts and Expenditure

The Ministry's revenue increased by \$322,146 or 5.2% in 2015 compared to 2014 due to increase in revenue from hospital fees.

The Operating Expenditure increased by \$17,222,755 or 9.6% in 2015 compared to 2014 due to increase in the number of nurses, doctors and payment of overtime and allowances, the number of mercy flights and travelling expenses for patients in remote areas, the introduction of free medicine scheme and the increase in the laboratory, consumables and other pharmaceuticals and non-release of funds from the donors.

The Capital Expenditure increased by \$6,611,507 or 27.1 % in 2015 compared to 2014 due to the nature of projects implemented which needed a lot of preparatory work and liaison with various stakeholders and purchase of Bio-medical equipment for Urban Hospitals.

22.3 Appropriation Statement

The Ministry of Health incurred expenditures totalling \$239,013,308 in 2015 against the revised budget of \$269,738,232 resulting in savings of \$30,724,924.

22.4 TMA Profit And Loss Statement and Balance Sheet

The Committee was informed that the Ministry only has 1 TMA Account – Fiji Pharmaceutical Bulk Purchase Scheme.

PART B: AUDIT FINDINGS

22.8 Anomalies in Cardiology Services Trust Fund Account

Audit finding - The Trust Fund Cash Account balance and the FMIS general ledger receipts and payments balance should reconcile at all times. In addition, the trust fund account should not be overdrawn. However it was noted that there was a variance of \$416,411.93 between these two ledger records.

The committee was informed that the cause of the variance were mispostings.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that trust fund account FMIS general ledger and cash account are properly maintained and reconciled;
- take appropriate action to identify and clear the adjusting entries carried forward from prior years; and
- investigate the poor record keeping of Trust Fund account and take appropriate disciplinary action.

22.9 Trust Accounts not Disclosed in Financial Statements

Audit Finding - The audit noted that none of the Trust Fund accounts' transactions were recorded in FMIS general ledger maintained by the Ministry of Economy. In addition, bank reconciliations for CWM Hospital – Cardiac Force for the months of May, June, July, October and November 2015 were not provided for audit review.

The committee was informed that a request was sent to MoE to create GL Accounts for the three trust accounts. Once the account is created, journals will be passed and the bank GL and cash account will balance in the 2016 closing of accounts.

Committee Recommendation

PAC recommends that the Ministry should ensure that all Trust Fund accounts' transactions are recorded in the FMIS general ledger.

22.10 Subcontracting of Civil Works for New Naulu Health Centre

- Audit noted that the total contract sum was \$984,801.73 (VIP).

- It is alleged that the contractor had bought the materials from the supplier on 15th December 2015 and they were at the site offloading at the time the audit visit was made whereas OAG have a different interpretation of this scenario.
- The committee was informed that there are plans for the relocation of the Abattoir located in Naulu however the timelines of this has not been specified.

Committee Recommendation

PAC recommends that the Ministry should investigate the subcontracting of works by the Contractor and the variation allowed to the contractor for relocation of existing water meter and take appropriate action.

22.11 New Medical Waste Incinerators not installed

Audit finding - Government Tender Board 40/2013 awarded the contract for the supply, installation and commissioning of 4 Medical Waste Incinerators for Nadi, Taveuni, Savusavu and Nabouwalu Hospitals to a Supplier on 12/6/13 for total contract sum of \$324,270.21. However, as of the date of audit on 8/12/15, the Medical Waste Incinerators were yet to be installed are lying idle for two years.

- The committee was informed that the procurement of materials was done in 2012 however this has not been installed to date.
- It was noted that the Chimney was not compliant with the Ministry's standard of Medical Waste Incinerators because the original specifications were not met

Committee Recommendation

PAC recommends that the Ministry should investigate and take appropriate action for delay in installation of the incinerators.

22.12 Anomalies in the Refurbishment and Extension of Operating Theatre Complex at CWM Hospital

- The audit noted that the tender was awarded to a contractor on the total sum of \$9,954,295.12 for refurbishment and extension of the Operating Theatre at CWM Hospital.
- The audit further noted that although the Ministry was required to withhold \$276,436.27 from the total contract sum as retention sum only a sum of \$148,472.61 was withheld.
- The committee was informed that the retention sum has still not been cleared due to some defects in the building which will be attended to by the Contractor.
- Under the contract agreement, the contractor was required to pay delay damages at the rate of \$100 per day for every day of delay for which the Ministry is currently undertaking this recommendation.
- However, the Operating Theatre is fully operational and this issue has been rectified by the Ministry.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that capital projects are properly planned and reviewed to avoid variations and delays;
- comply with procurement procedures at all times;
- investigate and take disciplinary action against officers responsible for reducing the performance bond from 10% to 5% despite clear directive from GTB that performance bond to be 10% of the contract price;
- charge delay damages for works not completed on time;
- ensure that appropriate disciplinary actions are taken against those responsible for deducting incorrect retention sum; and
- comply with conditions of the contract at all times.

22.13 Anomalies in the Construction of New Ba Hospital

- The committee was informed that when the Ministry had advertised for Clerks of Work to undertake this capital project, there were not many applications received when the project had started.
- However the Clerks of Work had been later engaged but not during the initial stages when the project first began.
- The committee was further informed that the construction works at the New Ba Hospital is currently on-going and is monitored daily by the Clerk of Works and Project Manager to ensure that the conditions of the contract are complied at all times.
- There are weekly inspections which are also conducted by other consultants such as Architect and Services Engineer.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that Clerk of Works is appointed at the commencement of the project until the project is completed; and
- comply with conditions of the contract at all times.

22.14 Anomalies in the Construction of Makoi Maternity Unit

Audit Finding - The findings show poor project management by the Ministry which resulted in significant delays by 407 days compared to the initial expected completion date of 3/7/15. The project was still yet to be completed as at the date of audit on 19/12/15.

- The committee was informed that the delay in the construction of the Makoi Maternity Unit was a result of 2 landslides and this was beyond anyone's control.

- However, it was noted that the Makoi Maternity Unit Project has been successfully completed awaiting handover from Contractor.
- The Ministry was of the view that disciplinary action (for the delay in submission of the layout design which resulted in the prolongation claim by the contractor) should be at the discretion of the Permanent Secretary Infrastructure and Transport.
- The Permanent Secretary Health and Medical Services had already written to the Permanent Secretary for Infrastructure and Transport about the delay of this project and other projects and for PS MoIT to take responsibility and instigate necessary disciplinary action.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that all capital projects are properly planned to avoid variations and delays;
- comply with procurement procedures at all times;
- comply with terms and conditions of GTB approvals at all times; and
- seek disciplinary action by Permanent Secretary for Infrastructure and Transport against the Project Architect for delay in submission of the layout design which resulted in prolongation claim by the contractor.

22.15 Inconsistencies between Contract Agreement and DBGA Instruction for the Refurbishment and Maintenance of Lami Health Centre and Quarters (WSC 116/2014)

- The Contract was prepared by the Ministry and was vetted by the Solicitor General's Office before execution. All relevant stakeholders including MoIT were given copies of the contract for their reference.
- The Ministry has discussed with MoIT to refer to the contract agreement and have adhered to the instructions given.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- all instructions issued by DBGA are consistent with the contract agreement;
- amendments to the retention sum and percentage are clearly stated in the instructions issued;
- any instruction for amendments to the contract from the DBGA are approved by the Permanent Secretary for Health and Medical Services prior to implementation; and
- appropriate disciplinary action is taken against those responsible for not carrying out their duties diligently.

22.16 No Contract Agreement for the Upgrade and Extension of Rotuma Hospital

Audit Finding - The construction of the Rotuma Hospital Phase 1 was awarded to the Republic of the Fiji Military Forces (RFMF) on 25/11/14 by Ministry of Finance at a total cost of \$2.4m.

The audit noted that there was no contract agreement between the RFMF and the Ministry of Health and Medical Services. As at the date of audit, the contract agreement between RFMF and the Ministry was still with Solicitor General's Office for vetting. The audit also noted that the Ministry already paid RFMF a total of \$795,739.0821 (VIP) for the construction of phase 1 – Rotuma Hospital even though no contract agreement was signed.

- The committee was informed that this Capital Project is currently on-going and currently being undertaken by the RFMF Engineers.
- Future contracts undertaken by the Ministry will be taken to the Solicitor General's Office for legal vetting before committing.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that Contract agreement is signed before any payment is made for all capital works; and
- follow up with Solicitor General's Office on the progress of vetting the contract agreement.

22.17 Considerable Delays in Project Completion

- The audit noted that the Ministry did not charge delay damage but instead allowed additional time to the Contractors to complete the projects.
- The Ministry informed that the reason for the delay was because of the preliminary work not undertaken and there are times where the construction raw materials are unavailable by the supplier.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure proper planning, supervision and management of projects; and
- consider charging delay damages to the contractors for the delays in project implementation.

22.18 Considerable Delays in Payment of Retention Sum

Audit Finding - The audit noted considerable delays in payment of retention sums when the Defects Liability Period (DLP) expired for several projects. It was also noted that some contractors were paid retention sum without any evaluation of the project after the defect liability period.

The committee was informed that MoIT initiates and assesses the defect liability and not the Ministry.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- final inspections are carried out and inspection reports prepared;
- retention sums are released only for projects which have satisfactory final inspection report;
- retention sums are maintained in a Trust Fund account by the Ministry to ensure that funds are available when payments are due; and
- appropriate disciplinary action is taken against officers responsible for paying retention sum without final inspections.

22.19 No Valid Indemnity Cover

Audit Finding - The audit noted instances where indemnity insurance cover provided by the Contractors had expired before the project works were completed. The Ministry did not take any action to ensure the contractor has valid indemnity insurance cover for its employees and third parties after the indemnity insurance cover expired.

- The Ministry informed that under the contract agreement for construction works between the contractor and ministry, the contract is required to indemnify the client and keep the client indemnified against all proceeding, claims, demands, liabilities or expenses of any nature brought or alleged against the Ministry that may arise directly from negligence or bad faith of the contractor and its employees.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- where indemnity insurance cover is provided, the expiry of the cover is properly monitored and renewed on a timely basis; and
- appropriate disciplinary action is taken against officers responsible for not performing their duties diligently.

22.20 Anomalies in Charter of Aircraft

Audit Finding - Audit findings show that the Ministry did not comply with the Government Tender Board terms and conditions for aeromedivac services

- OAG advised the Committee that the invoice provided by the Ministry was not detailed and clear hence the invoice was not able to clarify the GTB rates for the routes mentioned in the audit report.
- It was noted that there are 2 different rates – Helicopter and Aircraft and there are routes that are tender approved that differs in terms of Duration and Distance.

- MoE advised the Committee that an Internal Audit team from the Ministry of Economy is being posted at the Ministry's Accounts section to assist with their processes.
- The committee was informed that some destinations are not quoted by the GTB hence the control pricing lies with the discretion of the service provider.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that appropriate level of funding is requested from Ministry of Finance for charter of flights to avoid using the current year's budget to pay for previous year's expenses;
- obtain written confirmation from service providers who are unable to provide the service before obtaining services from other approved service providers;
- ensure that request for aeromedivac services and the invoices state the rate used by the service providers; and
- clarify with GTB the rates for the routes which do not have the approved rates.

22.21 Funds Not Utilised for Warehouse Management Software

Audit Finding - The audit noted that the ITCS did not purchase the Warehouse Management software for the Fiji Pharmaceutical and Biomedical Services. As a result, a total of \$1m allocated in 2015 for the purchase of software was not utilized at all. As at 31/12/15, the expression of interest for tender to purchase a Warehouse Management Software was with the steering committee.

The audit also noted that the Ministry did not take any action to follow up with the ITCS on the delay in purchasing the software.

The audit further noted that no funds were allocated either in ITCS or in the Ministry's budget for 2016 for purchase of the Warehouse Management Software. Hence the Ministry will not be able to acquire a Warehouse Management Software in a near future.

- The committee was informed that the Ministry's fund was with ITC for the procurement of the Warehouse Management Software.
- There were some challenges faced by ITC which resulted in the funds not being utilised by the Ministry.
- The committee noted that the Ministry had made appropriate follow ups with ITC and had also submitted funding request in the 2016 budget since the project was not facilitated/completed in 2015. However, the funding request was unsuccessful in 2016.
- The Ministry has again requested budget for the project in 2017-2018 financial year.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- follow up action is taken with the ITCS; and
- liaise with the Ministry Economy for funding in its next budget submission to purchase the software.

22.22 Insufficient Information of Patients for Local and Overseas Treatment

Audit Finding - The audit noted several instances where the Ministry did not obtain the required documents from the patients such as bank statements, payslips, FNPF and the details of the person supporting him/her including the bank statement, FNPF and payslip before approving the assistance towards their treatment.

The audit noted that the findings showed the negligence on the part of the Senior Administrative Secretary (SAS) could result in a high risk of favouritism and deserving patients denied receipt for Government Assistance.

- It was noted that the Ministry now carries out a vigorous checks and balances signed off by the Permanent Secretary to avoid high risk of favouritism.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- all the necessary documentation and information is obtained for all patients before approving government assistance towards their treatments;
- a list of the necessary documentation is provided by the Medical Specialists prior to the patients applying to the Health Services; and
- appropriate disciplinary action is taken against those officers responsible for not carrying out their task properly.

22.23 Variance between Quoted and Invoice Prices from Hospitals in India for Overseas Treatment

Audit Finding - The findings indicate that the SAS-Registration failed to compare the actual cost incurred with the quotation cost and to obtain the necessary explanation for the huge variances in the actual cost. As a result, the additional expenses were incurred by the Ministry which could have been used for other patients needing financial assistance.

- The committee was informed that this is entirely dependent on the level of treatments given to patients requiring further treatments in India. In some cases, the price quoted and higher than the initial quotes or vice versa which the Ministry will cover the additional cost of the patient depending on his/her financial status.
- The current arrangement that the Ministry follows is where it assessed by a Committee and based on the financial background of the patient.

- At times in life or death situations, patients are sent to India for further treatments because it is cheaper compared to Australia and New Zealand hence heavy costs are incurred.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- detailed quotations are obtained from the hospital;
- agreements are entered into with patients on additional costs of overseas treatment;
- overseas hospital consult and obtain prior approval from Ministry of Health for increase in the treatment cost except in cases of emergencies where prior approval cannot be obtained.

22.24 Considerable delay in Approving Assistance

Audit Finding - The audit noted numerous instances where it took several days for the Ministry to decide and approve financial assistance for patients seeking medical treatment overseas.

- The Ministry informed that a new check list has been developed and it's the responsibility of the patients to provide accurate information on time to get appropriate decision/processing in a timely manner.
- However, the Ministry advised the Committee that it does inform patients accordingly particularly for life saving treatments and those patients who continue to visit the Hospital for regular checks and current system is now working well with the Ministry.

Committee Recommendation

PAC recommends that the Ministry should review its decision-making process for overseas treatment and set a quicker timeline for decision-making.

22.25 Excessive Establishment in Individual Grades of Officers

- **Audit Finding** - Cabinet on 1/7/14 approved 441 new positions for the Ministry for the year 2015. However the audit noted that the Ministry employed 79 officers in excess of its approved staff establishment for 2015. The audit further noted that the additional 79 positions were not approved by the Minister for Health and Medical Services.
- The Ministry informed that these are not newly created positions. Positions exist at other facilities and some of these movements are temporary only. In other instances, Divisional Heads distribute staff with positions depending on the needs on the ground. Therefore, although it exceeds the facility approved establishment, it is covered from the numbers at other facilities. These arrangements are internally done and the P2P clearly records all these movement of positions.
- The Ministry further informed that at some stage it will need to regularise these movement with a variation notice that will further adjust its P2P record.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that all new appointments are made in consultation and approval of the line Minister; and
- investigate the matter and take appropriate action against those responsible for unauthorized appointments and payroll expenses.

FIJI PHARMACUETICAL AND BIOMEDICAL SERVICES

22.26 Performance Bond Requirement Not Strictly Adhered To by FPBS

Audit Finding - The audit noted that FPBS did not strictly comply with the performance bond requirement despite clear directive given by Ministry of Finance vide circular no. 15/2013 on performance bond.

Performance bond were not recorded for a number of contracts for supply of drugs, consumables and medical equipment.

- The committee was informed that the FPBS has in place an officer to monitor all contracts.
- In addition to this, all Performance Bond for post pay transactions will not be required and suppliers will be deducted \$20 per point of non-performance.
- With this new development, the performance bond from 2015 onwards is for the suppliers on pre-payment.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that any variation or waiver of performance bond is approved by GBT and not FPO;
- ensure that performance bonds submitted by the suppliers are monitored to ensure it is valid and up to the amount approved by GTB; and
- follow up with the suppliers to ensure performance bonds are submitted by the supplier.

22.27 Anomalies in the Free Medicine Program

- The committee was informed that the FPBS carried out its evaluation and the following recommendations were implemented:
 - (i) The establishment of a dedicated resource management to oversee the FMP; and
 - (ii) Resources are HR - A Pharmacist, one Storeman and two drivers; Office space; delivery van
- This has alleviated the anomalies in the inventory and proper management of the program such as:

- (i) Proper stock control management especially with recording of inbound and outbound; and
- (ii) Availability of FMP is usually 97%

Committee Recommendations

PAC recommends that the Ministry should:

- take appropriate action to ensure all drugs and consumables under Free Medicine Program are available at all times;
- ensure proper controls over the drugs and consumable stock is implemented;
- periodic stock count is undertaken and any variance is investigated and reconciled with the stock card and the EPICOR system; and
- ensure that FPBS have adequate resources to implement and manage the Free Medicine Program.

22.28 Anomalies in Purchase of Medical Consumables and Essential Medicines

Audit Finding - Audit findings indicate that the supplier had not being able to fulfil its contractual obligation to supply the medicine. In addition, FPBS received and paid for near expired medicines resulting in waste of taxpayers' funds and risk of issue of these medicines/consumables to members of public.

- It was noted that there are certain products that are difficult to source because of its small market. There are products that are also shortage in the market. These two products fall into these categories – Vitals and Non Essentials.
- Despite FPBS market research, results indicated that most suppliers are not able to supply because of the above reasons.
- The Ministry informed that the intent to receive products that are closer to the expiry date is to make the life-saving medicines available in the hospitals if there is none available even though it will not be used at all.
- The supplies were finally received after they are able to secure the market without any penalties.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that the supplier fulfills all the obligations under the approved contract;
- have provision in contract for supplier to incur penalty for all late deliveries; and
- strategies to ensure that items nearing expiry dates are not supplied.

22.29 Supplier yet to honour Contract Agreement

- The committee was informed that a Senior Accounts Officer is currently being stationed at FPBS to ensure proper accounting procedures are maintained and followed.

- The committee noted that from 2015, the FPBS have adopted a strategy called the *BAFA Stock* to accommodate any variations in the inventory are classified accordingly to ensure timely monitoring and checks.
- All the orders on the table except one have been receipted. Some orders did not receipt the full quantity due to pack sizes of products issues against the ordered quantity and difficult to source by the Contractor.
- The Ministry is now strengthening the processes and system of contract management is progressing – reorganizing operations and resources, developing the monitoring mechanisms for supplier performance, training of staff.

Committee Recommendations

PAC recommends that The Ministry should:

- ensure that all orders placed on a regular basis are followed up regularly.
- consider charging delay damages for any delays in supply of medicines by the suppliers;
- discuss with the supplier to resolve the delays in supply of drugs and consumables; and
- consider other suppliers of drugs and consumables.

22.30 Provision of Essential Medicines – Contract Number 121/13 – Open Contract for Supply of Essential Medicine

- **Audit Finding** - FPBS through GTB awarded contract for supply of essential medicines to three companies. The contract was for a term of two years commencing on the dates as specified in respective contracts. However the audit noted that contract agreement did not state the contract sum for the supply of essential medicines.
- The Committee noted that this issue was raised in the 2014 Audit report and due to poor supervision by the Senior Officers in the Procurement Section, the contract agreement did not state the total contract sum. Since there was no approved contract amount, the Ministry did not have any control over the price or the total value of medicines to be supplied by the suppliers.
- The committee was informed that the response the total sum is now being reflected in new agreements from 2016.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that contract sum is stated in the contract agreement;
- appropriate disciplinary action is taken against those officers responsible for drafting the contract for not including the contract amount; and
- Ensure that recommendations made in Audit Reports are promptly addressed.

22.31 No Contract Agreements for Medical Supplies and Equipment

Audit Finding - The audit noted that FPBS did not sign contract agreements with the suppliers for supply of medical supplies and equipment.

- The Ministry advised that the FPBS acknowledges the challenges in their processes and capacities when the contract system was enforced. It also acknowledges the complexities of the processes it has to follow.
- FPBS however also ensures that the services are not affected due to delays of supplying resources.
- Further, FPBS always ensures that the contract is in place.

Committee Recommendation

PAC recommends that the Ministry should ensure that a valid contract is in place with all suppliers of medical supplies and equipment at all times.

22.32 User Guide and Other Documents not provided by the Suppliers for the Supply, Installation and Commissioning of Intensive Care Unit (ICU) Equipment

Audit Finding - The Ministry purchased various equipments for ICU at CWM Hospital for \$3,898,559.5738 from various suppliers during the year. However the suppliers did not provide the service manual, soft copy of operator guide, spare parts list and up to date catalogues

- The committee was informed that user guides were made available by the suppliers as this is always one of the key requirements for new equipment and for this case it was then made available in e-copy.

Committee Recommendation

PAC recommends that the Ministry should ensure that service manual, and operator guide (written and soft copy), spare parts list and up to date catalogues and/or system information are obtained from the supplier and kept at the Biomedical Section.

22.33 Items Ordered yet to be received

Audit Finding - The audit noted on several instances, FPBS did not obtain the Confirmation of Order Received from the suppliers. As a result, it was not possible to determine the expected date of delivery for the items. As at the date of audit on 27/11/15, the orders placed by the FPBS for supply of drugs and medical consumables with various suppliers were still open orders, indicating that the drugs and consumables ordered were yet to be received.

- The committee was informed that the supplies were received later.
- It was noted that the Purchasing Operations re-organization has been carried out where officers are being trained to use information system to generate report and analyse report for open PO's.

- The task was usually carried out by the same purchasing officers however due to the overwhelming tasks that have to carry out, the follow- up of orders or ETA is missed out.

Committee Recommendations

PAC recommends that the Ministry should:

- constantly follow up those orders which have been delayed and should consider enforcing the delay penalty clauses;
- obtain confirmation of orders received from the suppliers for all orders placed;
- ensure that in case of delays in supply alternative suppliers approved by GTB are considered; and
- appropriate disciplinary action is taken against responsible officers for not performing their duties properly.

22.34 Delay in Supply of Drugs and Consumables

Audit Finding - On several instances the suppliers did not supply the drugs and consumables ordered on expected delivery dates. However the FPBS did not deduct delay damages from these suppliers for payments made for the same purchase even though the items were not supplied on the expected delivery dates.

- The committee was informed than officer has been assigned to monitor open Purchase Orders which used to be carried out by the purchasing officers. This was done after re-organization of the operation in the beginning of 2017 in response to the changing procurement policies and requirements.
- The surcharge that was mentioned in the OAG report was introduced by the SG's office into our contract. It has been reduced to \$20 per day instead of \$100.
- FPBS is in the process of finalizing the mechanism of performance measure and procedures of implementing deductions.

Committee Recommendation

PAC recommends that the Ministry should ensure to follow up all orders placed on a regular basis and charge delay damages for any delays in supply.

22.35 Discrepancies between Stock Card Records and Actual Stock

Audit Finding - The audit noted several instances where stocks recorded in the stock card did not match with actual stocks on the shelves.

- The Ministry informed that the discrepancies are caused by multifactorial issues such as HR constraints that resulted in the high work load.
- The committee noted that HR numbers have been increased we end of 2016 with and additional of 9 GWEs recruited.

- Also an expert consultant related to supply chain was recruited by DFAT to determine areas of issues and make recommendations for sustainable improvement based on the report produced.
- The final report will be discussed before implementation.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- stocks are properly recorded when received or issued;
- stock card are updated at all times; and
- appropriate disciplinary action is taken against Stores Officer for discrepancies in stock.

22.36 Discrepancies between Epicor System and Stock Card Records

Audit Findings - The audit noted significant variance in stock balance for several drugs and consumables recorded in EPICOR system and the stock cards. Comparison of the stock balance recorded in EPICOR system with the stock card revealed a variance of \$23,628,814.97.

- The committee was informed that an expert consultant related to supply chain was recruited by DFAT to determine areas of issues in the warehouse operations and make recommendations for sustainable improvement. The final report will be discussed before implementation.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- drugs and consumable stocks are properly recorded in EPICOR system and the stock cards;
- periodic review of stock balance in EPICOR system and stock card should be undertaken and any variance investigated and reconciled;
- an inventory management software is acquired for the FPBS that is linked to all dispensaries; and
- take disciplinary action against Officers responsible for drugs and consumables stock for poor record keeping and variance highlighted above.

22.37 Discrepancies between Epicor System and Actual Stock Take

Audit Finding - Audit review of stock take report as at 30/10/15 revealed significant variance between the stock balance in the EPICOR system and actual stock count for several drugs and consumables.

- The committee was informed that an expert consultant related to supply chain was recruited by DFAT to determine areas of issues in the warehouse operations and make recommendations for sustainable improvement. The final report will be discussed before implementation.

Committee Recommendations

PAC recommends that the Ministry should:

- investigate the variances noted and take appropriate remedial action; and
- take disciplinary action against Officers responsible for poor record keeping of drugs and consumables.

22.38 Value of Expired Stock

Audit Finding - The Ministry of Health has three Divisional Hospitals, 18 Sub-Divisional Hospitals, over 80 Health Centre's and 99 Nursing Stations Fiji wide. However, FPBS did not carry out annual stocktake at any of these hospitals and health centres to determine the expired drugs and consumables. The only data on expired drugs and consumables available was for FPBS. The audit noted that drugs and consumables with total value of \$294,489.66 expired at FPBS alone as at 31/10/15.

- The Ministry informed that the majority of the hospital consumable medical supplies, such as medicines or drugs have a shelf life. In the public sector or even private sectors health system disposing expired consumables are unavoidable activity therefore a minimum target is set to control cost wastage via expiration.
- FPBS has set less than 3% wastage of total expenditure of each product category however this will be monitored regularly.
- The committee was informed that there are eight [8] types of medical consumable categories procured annually that do not only include medicines: medicines or drugs, vaccines, family planning, laboratory reagents & consumables, surgical dressings, surgical consumables, x-ray consumables and dental materials. Each of the types has its own budget provided mainly by the government.

Recommendations

PAC recommends that the Ministry should:

- review the reorder levels for all drugs and consumables to avoid losses due to expired drugs and consumables;
- implement proper inventory management system to reduce the cost of expired drugs and consumable;
- ensure all hospitals and health centers submit annual returns of expired drugs and consumable to the FPBS; and
- take appropriate disciplinary action against Officers responsible at FPBS for not keeping proper record of expired drugs and consumables for all hospitals and health centers.

22.39 Out of Stock Drugs and Consumables

Audit Finding - Scrutiny of the EPICOR system on 24/11/15 revealed that total of 406 types of drugs and consumables were out of stock at the FPBS. In addition, the EPICOR system did not state the date out of stock drug and consumable were reordered.

- It was noted that FPBS has a process to place orders. During a fiscal year the processes of ordering are only placed if:
 1. Physical Stock verified;
 2. There is no transiting supply with an existing purchase order;
 3. Is it a 'request to order' product or a 'stock item'; and
 4. Availability of fund to raise order.
- Therefore ordering will only be done once due diligence is carried out.

Committee Recommendation

PAC recommends that the Ministry should ensure that drugs and consumables are ordered at minimum reorder point to avoid 'run outs'.

22.40 Stock Below Predetermined Minimum Level

Audit Finding - The review of the EPICOR System as at 24/11/15 revealed that several drugs and consumables on hand were below the predetermined minimum stock levels. However, the FPBS in its EPICOR System did not have the dates these drugs and consumable were reordered.

- The Ministry informed that a report will be generated by the consultant and the Ministry will act according to the recommendation put forward.

Committee Recommendations

PAC recommends that the Ministry should:

- investigate why drugs and consumables below the predetermined minimum stock level stock were not reordered;
- take appropriate action to ensure appropriate level of drugs and consumables are available at all times.

22.41 Stock in Excess of Predetermined Maximum Level

Audit Finding - The review of the EPICOR System as at 14/12/15 revealed that total of 530 types of drugs and consumables were available in excess of the required maximum stock levels. The audit noted that the total value of drugs and consumables purchased in excess of the maximum stock level required was \$18,022,471.95 as at 14/12/15.

- The Ministry informed that the products reported should be entered on the EPICOR as number of boxes instead of the individual unit in the box. This error occurred due to human and information system constraints.
- The committee was further informed that the consultant has identified this issue and the report will have the recommendation for improving the processes for Managements endorsement.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that the FPBS does not hold drugs and consumables stock in excess of the predetermined maximum stock levels; and
- investigate over stocking of drugs and consumables and take disciplinary action against those responsible for over purchasing.

22.42 Anomalies at CWM Hospital and Valelevu Health Centre Pharmacy

Audit Finding - The Pharmacists at the Valelevu Health Centre and CWM Pharmacies did not carry out a proper stocktake before ordering further supplies of medicines from the FPBS. Several medicines were either overstocked or not available at all.

- The Ministry informed that from FPBS, regular supervisory visits are being carried out to health facilities which are an added workload to Pharmacists.
- FPBS aims to audit stock inventory management and hope that the information system will soon be finalised, listen to challenges and opportunities for improvement from officers and make recommendations for improvement to hospital management.
- The committee noted that the issues relating to poor inventory management are related to workload in serving patients which takes most of the time in the office and do not have a proper information system to assist them apart from stock cards.

Committee Recommendations

PAC recommends that the Ministry should ensure:

- proper monitoring of the orders placed by Pharmacists to avoid overstocking;
- drugs and consumables are ordered at minimum reorder point to avoid nil stock;
- appropriate disciplinary action is taken against the Pharmacists responsible for not performing their duties properly.

22.43 Payment Vouchers Not Provided for Audit Verification

Audit Finding - The FPBS did not provide a number payment vouchers for audit verifications for payments totalling FJ\$1,157,151.75, US\$1,483,467.80 and NZ\$176,225.62 made in 2015 by Fiji Procurement Office (FPO) on behalf of FPBS. The payments were made to various overseas suppliers by FPBS for purchase of drugs and consumables by FPO for FPBS.

- The Ministry informed that FPBS now have started filing payment vouchers for local purchase orders and indents in the same office.
- As a way forward, all payments for international supplies are purchased by MoE.
- Under the Free Medical Scheme (FMS), there are 142 types of medicines, available in 132 retail sections and there are 4 that are made available in hospitals such as injection needles. Patients who are eligible will need to be registered and will be given a special card for acquiring of certain medical services.
- The committee was informed that with the use of Health Card, patients referred to Public Health Facilities will be given medicines as prescribed free of charge.
- By informing the public about FMS, free medicine initiative is advertised as the medication is supplied from Government.
- The committee noted that there are no General Practitioners available in the maritime islands due to technical reasons as this requires consultant prescriptions and close monitoring

Committee Recommendations

PAC recommends that the Ministry should ensure that all payment vouchers are properly filed and kept by the FPBS Accounts Section.

Section 23: Department of Housing

Roles and Responsibilities

The Department of Housing is responsible for providing access to adequate, quality and affordable accommodation for all citizens and especially the low-income groups and the poor. The Department plays an important role in the Government's effort to combat poverty through the effective administration of the National Housing Policy, which has a specific emphasis on upgrading and resettlement programs for the less fortunate in Fiji.

The Department is also responsible for administering Government grants to social housing providers such as the Public Rental Board, the Housing Authority and the Housing Assistance Relief Fund.

PART A: FINANCIAL STATEMENT

23.1 Audit Opinion

The audit of the 2015 accounts of the Department of Housing resulted in the issue of a qualified audit report.

The basis of qualification was that the correctness of the Statement of Losses could not be verified as the Board of Survey was not completed.

23.2 Statement of Receipts and Expenditure

The Department collected revenue amounting to \$18,090 and incurred expenditure totaling \$17,448,683 in 2015. Total expenditure increased by \$5,964,859 or 52% in 2015 compared to 2014 due to increase in grant to Public Rental Board (PRB), continuation of Lagilagi Housing Development Phase 2 Project and Squatter Upgrade and resettlement projects, increase in grants for First Home Buyers and PRB Savusavu Development Project.

23.3 Appropriation Statement

The Department of Housing incurred expenditure totaling \$17,448,683 in 2015 against a revised budget of \$27,699,066 resulting in saving of \$10,250,383 or 37%.

23.4 Statement of Losses

There was no loss reported for the Department in 2015. However, the board of survey for the year ending 31 December 2015 was not completed by the Department.

23.5 Trust Fund Account Statement of Receipts and Payments

The City Wide Informal Settlement Upgrading Trust Fund Account had a credit balance of \$7,269 as at 31/12/15 which remained unchanged when compared to balance as at 31/12/14.

PART B: AUDIT FINDINGS

23.6 Unsubstantiated variance in City Wide Trust Fund

Audit Finding:

The Finance Instructions 2010, Section 58(3) states that 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.¹

The Department's City Wide Trust Fund account cash at bank had a balance of \$7,269.30 in FMIS general ledger. However, the Department did not prepare the City Wide Trust Fund reconciliation for the year 2015 and also did not provide the bank statement for audit.

As a result, it was not possible to substantiate the balance of \$7,269.30 in the City Wide Trust Fund account as at 31 December 2015.

The Committee was informed that the Ministry has written to the People's Community Network (PCN) and have demanded that they pay up the amount owed to the Ministry by end of this month (April, 2017).

Committee Recommendation

The Department should ensure that trust fund account bank balance is reconciled with the Trust Fund FMIS general ledger balance on a monthly basis and errors or omissions are adjusted immediately.

23.7 Accounts Receivable with Credit Balance

Audit Finding:

The Ministry's Finance Manual 2013, Section 16.3.3 states that within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Assistant Accountant shall reconcile the ledger balances to the general ledger reports and prepares a ledger reconciliation statement.

The Department's Accounts Receivable (AR) FMIS general ledger balance had a credit balance of \$46,035.98 as at 31/12/15 instead of debit balance.

The credit balance may have resulted from incorrect journal entries passed to these accounts or through mispostings. As a result, the audit could not ascertain the accuracy of the RFA balance as at 31/12/15.

The committee was informed that the reconciliation has been done to rectify this issue by the Ministry's Accounts' Section. The generalization was actually factored in January 2016.

23.8 Anomalies noted in Underline Account

Audit Finding

The Ministry's Finance Manual 2013, Section 17.2.5 states that reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced. The Senior Accountant must verify all the reconciliations before signing and submitting it to Ministry of Finance.

Also, the Finance Instructions 2010, Section 60(1)(a) also stipulates that each month, the Accounting Head must provide a signed and dated report to the Permanent Secretary to advise whether all reconciliations and check required in the agency's Finance manual have been carried out.

The audit noted that the Department failed to prepare and submit its monthly reconciliations for various underline accounts for the period January to December 2015. In addition, there was no evidence of checks by the supervising officers.

Absence of reconciliations will result in the Department failing to detect irregularities in the respective underline accounts in a timely manner.

As a result, audit was not able to ascertain the correctness of the balance reflected in the Department's underline accounts.

The committee was informed that Department failed to prepare and submit its monthly reconciliation for various deadlines however, this issue has now been rectified in January 2016.

Committee's Recommendations

The Department should continue to ensure that:

- monthly reconciliations for underline accounts are prepared, signed and submitted for
- Permanent Secretary's endorsement on a timely manner; and
- all signed reconciliations are submitted to the Ministry of Finance for necessary action.

23.9 Unreported Losses

Audit Finding

The Finance Instructions 2010, Section 17(7) states that 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.

The audit noted that the Department did not complete its Board of Survey for the year ended 31/12/15. Due to lack of proper planning and coordination by the Department, the Board of Survey for 2015 was not completed.

As a result audit could not establish whether all losses have been reported.

The committee noted that this was a similar issue raised in the previous audit report. The committee was informed that the Board of Survey was conducted and completed where a report was submitted in March 2016 to the Ministry of Economy, and again to the Office of the Auditor-General in September 2016.

Committee's Recommendation

The Department should ensure that annual board of survey is properly planned and conducted to ensure losses are properly disclosed in the financial statements and strictly abide by the relevant guidelines of the Ministry.

23.10 Non Provision of Salaries and Wages Reconciliations

Audit Finding

The Finance Instructions 2010, Section 17(7) states that the 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.

The Department paid a total of \$281,328.43 in salaries and \$16,972.91 in wages for the period 1/1/15 – 31/12/15. However, the Department failed to provide salaries and wages reconciliations for the period 1/1/15 – 31/12/15 for audit verification.

Discussion with the Accounts Officer revealed that the reconciliations were maintained in soft copies but got destroyed due to computer crash. The Department did not maintain the hard copy of the reconciliations.

Payroll reconciliation is an important internal control and absence of reconciliations will result in the Department failing to detect irregularities in the payment of salaries and wages in a timely manner.

The committee was informed that monthly salaries and wages were kept and sent to the Ministry of Economy and the issue has been rectified with the Accounts Section via maintaining hard copies, with respect to the 2016 and 2017. The committee notes that the Ministry has put in place internal control measures to enhance the compliance of the Accounts Team with the regulations and procedures by the Ministry of Economy.

Committee's Recommendations

The Department should continue to ensure that salaries and wages reconciliations are prepared and hard copies are maintained for audit and other reviews.

23.11 Anomalies in Lagilagi Housing Development Project

Audit Finding

The Ministry of Local Government, Housing and Environment Finance Manual 2013, Part 2 stipulates that proper management of expenditure is fundamental to ensuring value for money in delivering services to the community. Having cost-effective internal controls within purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.

Cabinet in its meeting on 24/9/13 approved grant of \$2,013,140.13 for the commencement of phase 1.3 of Lagilagi Housing Project at Jittu Estate Raiwaqa by Project Manager. A further \$2,000,000 was allocated in the 2014 Budget Estimates to allow for the completion of Phase 1.3 by the Contractor who was also engaged for Phase 1.2 of the project.

Government approved additional \$6,913,224.38 for Phase 2 of project for the period 2014 to 2016. Audit review of the Lagilagi Housing Project revealed the following anomalies:

- The Department provided \$6,913,224.38 to Project Manager for Phase 2 of the construction of Lagilagi Housing Project.

However, the Project Manager engaged a Contractor for the implementation of Phase 2 of the Lagilagi Project at a cost of \$6,913,224.38 without calling for tenders.

- The Department did not require the Project Manager to follow proper government procurement procedures when selecting Contractors for the Lagilagi Housing Project. In addition, the Department paid funds totaling \$4,325,383.79 in two installments to the Project Manager for payment of construction work carried out by Contractor even though the contractor was not selected in an open and transparent manner.

The Committee was informed that whilst the Auditor-General team raised that the building contract for Lagilagi Housing Project Phase 2 was not tendered out openly, it should be noted that this housing project is one building contractual agreement awarded to Contractor and the Project tender evaluation committee agreed to award this contract to the concerned building contractor.

The Lagilagi Housing Development was divided in 3 building development phases that is Phase 1.1 & 1.2 (30 units); Phase 1.3 (26 units) and Phase 2 (56 units) because phased budget allocation as per 2013 Cabinet Decision. The Contractor was awarded the Building Contract by Project Manager through successful bidding of Tender. Hence, this explains the reason why Fortech was the successful bidder for the first phase to enable the project to carry on with the sense of uniformity.

Committee's Recommendations

The Department should ensure that:

- necessary guidance on procurement procedures are provided to Project Manager to follow where public funds are involved;
- project funds given to Project Manager is properly monitored and the amount used by Project Manager to pay for its operational and staff costs and Participatory Slum Upgrading Project is recovered;
- ensure that all payments are made as per the payment schedule of the grant agreement and the \$300,000 additional payment is recovered; and
- project completion at each stage is properly verified and inspected before the payment is released to the Project Manager.

23.12 Delay in Tender Evaluation Process

Audit Finding

All bids received are to be evaluated in accordance with the evaluation criteria that were set for that particular tender and in accordance with the Procurement Guidelines within one month from the date original bids details are received from the Government Tender Board (GTB).

The Department was allocated a sum of \$3,000,000 in the 2015 Budget Estimates for the Town Wide Informal Settlement Upgrade to upgrade various informal settlements namely Qauia, Wakanisila, Nadonumai and Waidamudamu on iTaukei land along the Suva-Nausori Corridor. More than 1,000 families are expected to benefit from this program by the time it is completed in 2017.

The audit noted that the Department did not upgrade any of the informal settlements in 2015. The Department only managed to sign consultancy agreement for upgrading the informal settlement after significant delays.

The delay was attributed to difficulties faced by the Department in getting the members from different ministries/department together to convene the tender evaluation meeting and the time taken by the consultants to submit additional information.

Hence, the Department was unable to utilize the sum of \$2,943,136.61 allocated for the settlement upgrade in the 2015 Budget Estimates. The findings indicate the lack of coordination and communication between the relevant stakeholders for timely evaluation and awarding of tenders

The committee was informed that the Department of Housing in 2016 to 2017, evaluated tender on one tender for evaluation exercise in strict compliance with the MOE's, Tender Protocol, Procedure and Process.

The committee was advised that under the new tender board (under the new Committee), it is mandatory that all the tenders be evaluated and awarded within three months. So all the issues, as mentioned in this audit finding should not be recurring in the next, that is, 2016 audit details

Committee's Recommendation

The Department should continue to:

- ensure that tenders are evaluated in a timely manner; and
- liaise with Ministry of Finance on difficulties faced in convening the tender evaluation meeting.

23.13 Delay in Processing First Home Buyers Applications

Audit Finding

The Ministry of Local Government, Housing and Environment Finance Manual Part 2 states that the proper management of expenditure is fundamental to ensuring value for money in delivering services to the community.

To encourage home ownership, the Department was allocated a sum of \$6,699,500 in the 2015 Revised Budget Estimates for First Home Buyers program. Under this program a grant of \$5,000 was given to applicant buying ready built house and \$10,000 to those who purchased land and built a new house.

All first home buyers' applications are assessed by their respective banks for loan eligibility and then the relevant documents are forwarded to the Department. After the Department's review, these documents are forwarded to the Office of the Attorney General for further review and approval from the line Ministers and Permanent Secretaries.

There were significant delays in processing the grant applications after it was received from the banks on behalf of the grant applicants. From the sample of application reviewed, the Department took an average of 113 days to provide final approval for the grant to the applicants.

The significant delay in processing the grant applications could affect the government intention to encourage and support home ownership.

The committee was advised that the Ministry has carried out extensive roadshow in the West, North and Central Divisions for its outreach programme in the first quarter of 2015 whereby 95 percent of the people showed their interest for the First Home Buyers Grant Scheme. The Ministry has also attended monthly talkback shows in three vernacular languages with the FBC during the two years. To streamline the process, all applicants will have to apply through the bank, any of the commercial banks, including Housing Authority in order to qualify because the criteria require the applicant to access the Grant through a bank loan.

Committee's Recommendation

The Department should review its application processing time to improve the Department's service delivery.

Section 24: Ministry of Women, Children and Poverty Alleviation

Roles and Responsibilities

The Ministry of Women, Children and Poverty Alleviation oversees two of Government's most important Departments: the Department of Social Welfare and the Department of Women. These two Departments support Government's efforts to break down barriers thrown up by gender, age, and economic standing.

Department of Social Welfare

The Department of Social Welfare administers Fiji's recently-reformed social welfare programs, which include the Poverty Benefit Scheme, Child Protection Allowance, Food Voucher Program, Social Pension Scheme and Bus Fare Subsidy. In managing these programs, the Department is responsible for ensuring that aid flows to those who need it the most, while stamping out corruption and fraud in the system.

The Department is equally committed to ensuring that these programs do not create a culture of dependency, focusing efforts and energy on graduating individuals and families from welfare to workfare.

The Department also has the statutory responsibility to ensure the protection and wellbeing of children, which includes managing juvenile centers.

Department of Women

The Department of Women is responsible for providing Fijian women and girls, particularly those in rural communities, with the skills and education they need to participate as equal members in society. It works to provide the necessary support to enable them to bring about positive changes for themselves, for their families and for their communities.

The mission is underscored in the National Women's Plan of Action, which is aimed at boosting women's employment opportunities, increasing women's participation in decision making, eliminating violence against women, improving women's access to basic services and addressing women's issues in new legislation. The Department works with other Ministries to ensure that gender perspectives are addressed in all Government policies and initiatives and to promote gender equality.

PART A: FINANCIAL STATEMENT

24.1 Audit Opinion

Audit of the 2015 accounts of the Ministry of Women, Children and Poverty Alleviation resulted in the issue of an unqualified audit opinion.

24.2 Statement of Receipts and Expenditure

The Ministry collected revenue amounting to \$150,166 and incurred a total expenditure of \$43,933,368 in 2015.

The total revenue increased by \$132,572 from \$17,594 in 2014 to \$150,166 in 2015 mainly due to increase in miscellaneous revenue. The increase in miscellaneous revenue was due to refund of allowances for welfare beneficiaries as a result of closed or invalid bank accounts.

The total expenditure increased by \$8,398,536 or 23.6% in 2015 compared to 2014 mainly due to the increase in staff establishment from 158 in 2014 to 179 in 2015, increase in FNPF employer contribution from 8% to 10% and transfer of Poverty Monitoring Unit from the Office of the Prime Minister to the Ministry.

Expenditure also increased due to the introduction of Expanded Food Voucher Program for pregnant mothers in rural areas, increase in number of recipients in the Poverty Benefit Scheme, Social Pension Scheme and Care and Protection Scheme and implementation of new programs such as Child Helpline, Integrated national Poverty Eradication Programme and Fiji National Women's Expo.

24.3 Appropriation Statement

- The Ministry incurred an expenditure of \$43,933,368 against the budget of \$44,812,148 resulting in savings of \$878,780.
- The savings of \$878,780 was for the Social Protection Scheme allocation which cannot be used for HR related cost.

PART B: AUDIT FINDINGS

24.4 Recruitment Anomalies

Audit Finding - Audit review of temporary relieving appointments revealed the following anomalies:

- The temporary relieving positions were not advertised;
- The TROs were handpicked from expression of interest received by the Ministry and from NEC volunteers although some applicants did not have qualification in the relevant field of study;
- Proper interviews were not conducted and police and medical clearances were not obtained prior to the appointment of these officers.
- The Committee was informed that it is mandatory to advertise all new vacant positions whether it is temporary or permanent.
- The Permanent Secretary of the Ministry assured the Committee that the recruitment is transparent and now based on merit as compared to the process in 2015.
- On the anomalies regarding the post of Driver, the Committee was informed that the post was advertised and filled. The driver is still employed by the Ministry. The Ministry is

requesting the Ministry of Economy to regularise the others posts and to be under the Ministry's established positions.

- On the anomalies regarding the appointment of Women Interest Assistant, the qualification certificate has been obtained and filed into the relevant folder.
- The Committee was informed that the Ministry does not have a succession plan. However, the Ministry uses learning and development plan in terms of identifying the gaps where the officers need training.
- With regards to Welfare officer II, the MQR is Diploma in Social/Community Work or Psychology from a recognised institute. However, very few students opt for this course. Three quarter of the applications that are received do not have these qualifications. Hence, the Ministry looks at the best possible candidates and the person that is being appointed had experience in this particular field.
- The Permanent Secretary advised the Committee that every department now has Standard Operating Procedures and when it comes to recruitment they basically go through the checklist.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that the proper recruitment procedures are followed for appointments into the civil service; and
- ensure that personal details and the academic records of all officers recruited is maintained in their respective personal files.

24.5 Creation of Project Posts without Proper Approvals

Audit Finding - The audit noted that the Permanent Secretary created 15 new project positions in 2015 without any consultation or approval of the line Minister. In addition, the Permanent Secretary appointed the officers for the newly created project positions without advertising the posts.

- The Ministry informed that positions were appointed without being advertised as it was mainly for data entry which was related to the bus fare program. Later, the positions were advertised and those who performed well were taken in on line positions.
- The Ministry of Economy informed the Committee that the last internal audit was conducted in the 2015 financial year. The audit highlighted the issues on reconciliation. The ministry is yet to submit the reconciliation for the 2016-2017 financial year.
- Mrs Venina Duvuduvukula informed the Committee that the Ministry has already submitted the monthly reconciliations for 2016 to MOE. However, Mr. Mohammed Rahat confirmed that 2016-2017 reconciliations have not been received by the FMIS unit.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- all new appointments are made in consultation and approval of the line Minister as required under Section 127 of the 2013 Constitution of the Republic of Fiji; and
- all recruitments are undertaken through an open, transparent and competitive selection process based on merit.

24.6 Officers Responsible for Vehicle Accident Not Surcharged

- The Ministry informed that it submits the accident report to the Ministry of Economy and Solicitor General's Office. The surcharge amount is determined by the Solicitor General's Office.
- If the driver that is responsible for the vehicle accident leaves the Ministry, the money can be recovered through the Small Claims Tribunal.
- Ministry of Economy informed the Committee that for leased vehicles the officer responsible has to pay the excess amount only as the leased vehicles are covered under insurance.

Committee Recommendations

PAC recommends that the Ministry should:

- consult with Ministry of Economy and Solicitor General's Office for the best way to recover debt/cost owed by driver who has been re-engaged and those who are no longer employed by the Ministry; and
- maintain proper records pertaining to accident cases such as accident reports, internal decision of the Ministry, and all correspondence with Ministry of Economy and Solicitor General's Office.

24.7 Continuous Funding for failed Projects

- **Audit Finding** - A women's Group based at Nasalia village in Naitasiri was allocated a sum of \$40,692.85 for construction of a Women Resource Centre to generate cassava flour. However, the scrutiny done by the Ministry in 2015 revealed that the Women's Group was not active and the cassava flour project was not operational.
- The Ministry informed that this is the joint project between the Ministry of Women, Children and Poverty Alleviation and the Ministry of Agriculture. The Ministry of Agriculture is working towards not just installing the machine but also making sure that the building has to be compliant with the required OHS standards for the project that it is to be taken.
- The project has not yet started as the Ministry needs to put in place the procedures such as the OHS requirements.
- The Ministry has put in place quarterly monitoring processes for all their projects now.

- Nasalia village was identified for the project due to the existing resources and the marketing of the product.
- The Committee was informed that this project was under the flagship of Fiji and Indonesia Corporation. There was a heavy commitment by the Government of Indonesia to invest in this equipment and the capacity building of community itself.

Committee Recommendations

PAC recommends that the Ministry should:

- thoroughly assess projects in terms of its socio and economical contribution in the community before providing financial assistance; and
- monitor the projects and provide guidance to ensure the project progresses well and is successfully completed in a timely manner.

24.8 Review of Case Files – Poverty Benefit Scheme (PBS)

Audit Finding - Audit review of SPS recipient case files noted that required documents necessary for processing of SPS application were not filed in several case files. Moreover, some case files were not approved by the Welfare Officer or a Senior Welfare Officer, some assessment forms were not properly filled and there was no evidence in some files to indicate a subsequent home visit was done.

- The Ministry informed that the Birth Certificate is the primary document required to begin the processing of applications received.
- There are a total of 53,648 case files; 24,452 cases files for Poverty Benefit Scheme, 3,384 for Care and Protection Scheme and 25,212 for Social Pension Scheme.
- It becomes a pending case if the applicants do not provide the relevant documents and this becomes an issue.
- In regards to the review of cases, a periodic review is carried out every 5 years. However, systematic reviews are carried out annually which is part of the Departments annual outputs.
- The Ministry has challenges in terms of the storage of case files due to the shortage of space.

Committee Recommendations

PAC recommends that the Ministry should:

- obtain and file the required documents from the recipients;
- review and update case files periodically;

- consider entering in a formal agreement with the FNPF and other relevant stakeholders such as Ministry of Economy/After Care Funds to confirm a recipient's pension status; and
- ensure that adequate training/supervision is provided to subordinate officers handling applications.

24.9 Review of Case Files - Social Pension Scheme (SPS)

- The Ministry informed that the Birth Certificate is the primary document required to begin the processing of applications received.
- There are a total of 53,648 case files; 24,452 cases files for Poverty Benefit Scheme, 3,384 for Care and Protection Scheme and 25,212 for Social Pension Scheme.
- It becomes a pending case if the applicants do not provide the relevant documents and this becomes an issue.
- In regards to the review of cases, a periodic review is carried out every 5 years. However, systematic reviews are carried out annually which is part of the Departments annual outputs.
- The Ministry has challenges in terms of the storage of case files due to the shortage of space

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that a Welfare Officer handling the case reviews applications thoroughly and ensures that all the required documents are filled and necessary verification made before the file is submitted for a Senior Welfare Officer's approval; and
- consider entering in a formal agreement with the FNPF and other relevant stakeholders such as Ministry of Economy/After Care Funds to confirm a recipient's pension status.

24.10 Continued Social Pension Assistance to Deceased Recipients

Audit Finding - Audit review of the 180 Social Pension Scheme recipients on a random basis from the Suva Welfare Office revealed that seven deceased recipients continued to receive their allowances after death.

- The Ministry informed that it is facing challenges with respect to this issue as there is no proper link between the Ministry and BDM.
- Most of the recipients living in rural and maritime areas do not submit their life certificate which results in issues of determining the deceased recipients.

Committee Recommendations

PAC recommends that the Ministry should:

- work in partnership with the Birth, Death and Marriage section of the Ministry of Justice to identify deceased recipients on a timely basis; and
- consider amending its Standard Operating Procedures to include requirement for the recipient to submit their life certificate on a practically agreed review time.

24.11 Control Weakness on Competitive Tender processes

Audit Finding - The audit noted that the total cost of purchase or supply of items of similar nature (promotional items and printing works) from the supplier during 2015 and 2014 were more than \$50,000. However, the Ministry did not call for tenders for the supply of these items.

- The Ministry informed that the above has not been violated as per the financial instructions 2010 section 11 part 2 where it states that total value of goods and services to be obtained from a single supplier for a particular project or contract. The above are all single request obtained on different dates with justification on the need to obtain from the same supplier due to the quality of services they provide in comparison with other printing supplier.

Committee Recommendation

PAC recommends that the Ministry should call for tender when procuring similar goods, services or works costing more than \$50,000 from a same supplier.

24.12 Unutilized Budgetary Allocation

Audit Finding - The audit noted that the Department of Women had significant savings in two of its budgetary allocation in 2015.

- The Ministry informed that it is facing challenges in term of staffing in order to ensure that all projects are implemented.
- Office of the Auditor General highlighted that a procurement plan needs to be prepared for budgeted programs. There is currently no policy to mark or quantify what is poor planning.

Committee Recommendation

PAC recommends that the Ministry should ensure that proper plans are put into place to ensure that funds made available in budget estimates are resourcefully utilized.

24.13 Information Management Anomalies – Database for Social Welfare Programs

Audit Finding - Detailed study and understanding of the Ministry's programs and schemes was to be undertaken in 2013 and integrated into e-application software supposed to be developed by the ITC18, however, as at the date of audit, the Ministry was still using the manual system.

The consolidated MS-Excel records provided for audit did not have the relevant primary fields such as the tax identification numbers, date of birth and birth registration number. In addition, the consolidated records did not have the standard formatting in order to enable effective data analysis such as identifying multiple payments to single recipient.

Moreover, a Memorandum of Agreement was not signed between important stakeholders to enable sharing of information

- The Ministry informed that this issue is beyond its control as the central authority is with ITC and the new system is yet to be implemented by ITC.
- The main cause of delay in the database is from the service provider Yalamanchili. This company is designing the software for the whole of government.
- The Ministry stated that the issues here were related to the migration of data from their current database to the new system which is yet to be worked out by the service provider Yalamanchili.

Committee Recommendations

PAC recommends that the Ministry should:

- follow up formally with the ITC on the progress of e-application software;
- have a standard format for its record kept in MS-Excel and include important fields in its the record such as tax identification numbers, date of birth, birth registration number, etc. to enable data analytics; and
- liaise with relevant stakeholders and enter into a Memorandum of Agreement for information sharing.

Section 25: Ministry of Youth and Sports

Roles and Responsibilities

The Ministry of Youth and Sports is responsible for:

The formulation and implementation of policies and programs aimed at enabling youths to meet challenges of their generation and create a better future through informed choices; and

The promotion and development of sports and its infrastructure both in the urban and rural areas in recognition of the important role of Sports in nation building, and to create a vibrant and highly competitive sports industry which will be economically beneficial to Fiji.

PART A: FINANCIAL STATEMENT

25.1 Audit Opinion

Audit of the 2015 accounts of the Ministry of Youth and Sports resulted in the issue of an unqualified audit opinion.

25.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$93,600 and incurred a total expenditure of \$16,057,426 in 2015.

The total revenue increased by \$17,869 or 23.6% in 2015 compared to 2014 as a result of increase in commission paid by insurance agents, union and other organizations for the direct deduction done by the Ministry and sale of surplus school farm produce.

The total expenditure increased by \$7,060,735 or 78.5% in 2015 compared to 2014. The increase was mainly due to increase in operating grant provided to Fiji National Sports Commission.

25.3 Appropriation Statement

A savings of \$633,320 or 3.8% was recorded in 2015 due to control measures put in place to ensure funds were utilized only for the purpose it was intended as per financial and procurement guidelines.

PART B: AUDIT FINDINGS

25.4 Reimbursement of Tuition Fees without Prior Approval

Audit Finding - The audit noted that the Ministry reimbursed 50% tuition fees to Officers for part time studies at tertiary institutions without prior approval of the Permanent Secretary.

The Ministry informed that the Permanent Secretary had endorsed 50% re-imburement of fees for all officers and is available on file for verification.

However, its Administration Unit had been reminded to take note of the recommendation and ensure:

- *prior* approval is obtained from the Permanent Secretary before commencement of part-time studies
- no re-imbursement is made to those who undertake fulltime studies with full pay
- that no retrospective approval for reimbursement of tuition fees allowed in future
- that only one course per trimester is allowed per officer

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- all reimbursement of tuition fees is approved by the Permanent Secretary prior to commencement of studies; and
- no retrospective approval for reimbursement of tuition fees is allowed in the future

Section 26: Higher Education Institutions

Roles and Responsibilities

As part of its investment in education, Government provides grants to a number of tertiary institutions in Fiji that allow them to provide world class education and training for Fiji's young people. Government supports these institutions so that they can expand their operations, improve the quality of their offerings, and become more involved in our national development. These grants complement Government's "topper's scheme" and the Tertiary Loans Scheme [TELS] by ensuring that Fiji's tertiary institutions offer programs that are relevant to the needs of students and to the nation's needs. The grants are administered by the Higher Education Commission which sees that they are targeted towards building local skills and capability in areas of national priority. This provides Fiji with well-trained young people who will boost economic productivity, improving the lives of all Fijians. In return for these grants, Government has very high expectations of these institutions to develop governance structures that improve the quality of education of children and that plug into that nation's development efforts. Higher Education Institutions grants are specifically allocated to institutions that qualify for funding by Government according to the funding model approved by Cabinet. These are those that have been fully accredited with the Fiji Higher Education Commission and have charitable trust status.

The Higher Education Institution Grants is provided for the following Institutes:

1. University of the South Pacific
2. Fiji National University
3. University of Fiji

In addition, the following institutions will also be provided with special funding:

4. Corpus Christi
5. Fulton College
6. Monfort Boys Savusavu
7. Monfort Boys Veisari
8. Sangam Institute
9. Vivekananda Technical Centre

In addition to its operating grant, FNU will receive a capital grant for work on its Labasa campus in Macuata in 2015. A new allocation is provided for preparatory works for the establishment of FNU's teaching hospital that will be established in Lautoka to train doctors, dentist, nurses and other allied workers for Fiji and the region. The hospital will also provide advanced medical and surgical procedures to local communities. Government plans to provide a total of \$10 million for this project and the remaining cost will be sought from development partners.

PART A: FINANCIAL STATEMENT

26.1 Audit Opinion

The audit of the grant provided to the Higher Education Commission was conducted together with the audit of the Ministry of Education, resulted in the issue of an unqualified audit opinion.

26.2 Statement of Receipts and Expenditure

A total grant of \$79,985,127 was paid to the Higher Education Commission in 2015 mainly for grants to various Universities and Higher Education Institute and for the Commission's operation.

There were no funds disbursed to Fiji National University in Navua resulting in decrease in total expenditure by \$4,064,075 or 5% in 2015 compared to 2014.

26.3 Appropriation Statement

The Ministry of Education paid grants totalling \$79,985,127 against the revised budget of \$85,739,200 resulting in savings of \$5,754,073 or 7%.

CHAPTER 5: Volume 4: Audit Report on the Economic & Infrastructure Sector

Section 30: Ministry of Agriculture

Roles and Responsibilities

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.

PART A: FINANCIAL STATEMENT

30.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Agriculture resulted in the issue of a qualified audit opinion.

30.2 Statement of Receipts and Expenditure

- The Ministry of Agriculture collected revenue totalling \$590,964 and incurred total expenditure of \$52.58 million in 2015.
- The Committee was informed that there has been a substantive decrease in agricultural produce and inspection fees as some of this fee is now collected by BAF.
- The Committee noted a decrease in expenditure due to prudent management of overtime for government wage earners and the BAF grant was reduced in 2015.
- The prudent management of overtime had an implication on the delivery of services but the Ministry has now developed processes and systems to address the issue.
- The Ministry ensures that resources are provided to staff in the outer islands. However, the Ministry would not be able to provide transport to all stations as some staff located at these stations do not have driving license. However, driving license is a compulsory requirement for the recruitments for such positions now.
- The Deputy Secretary informed the Committee that it is yet to be clarified whether Biosecurity Authority of Fiji falls under Ministry of Agriculture or Ministry of Public Enterprise.
- The Committee was informed that there had been a delay in Land Clearing Project and Beef Multiplication Program as the Ministry wanted to move into the revival of identified beef areas that existed. However, the response on this was not successful.
- The Deputy Secretary stated that the Ministry is still working on reviving the beef industry in Fiji.
- The Committee was informed that the Capital Construction expenditure decreased due to the difficulty faced by officers in trying to implement the

capital programs. The approved program had certain criteria's which needed to be followed and it had a number of challenges with its implementation. However, the Ministry has now amended the criteria.

30.3 Appropriation Statement

- The Ministry had a savings of \$12.39 million due to the vacant positions in the Ministry. One of the challenges that is faced by the Ministry in terms of recruitment is that less people apply for positions that would be based in rural areas.

30.4 Trading and Manufacturing Account

- The Committee was informed that the Ministry is still reviewing the operations of the account and the Ministry also, ensures that the reconciliations are done on a timely basis and in accordance with the Finance Regulations.

PART B: AUDIT FINDINGS

30.6 Anomalies noted in the Trading and Manufacturing Account

Audit Findings - 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.

In addition, reliance on the Ministry's stock take balance of \$709,077.85 is limited as the stock takes were not independently carried out; the stock take was done by officers directly involved in maintaining and accounting for the stock without an independent supervision. There was no evidence to indicate officials from Ministry Economy participated in the stock take.

- The Ministry informed that it is trying to review the operations of the account and ensuring reconciliation is done on a monthly basis.
- The Ministry is working with the Asset Management Unit of the Ministry of Economy to reconcile the account. However, the Ministry has managed to balance part of the account to date.
- The Ministry emphasized the lack of human resources and capacity to carry out this TMA activity and resolve the issues that arise.
- The Deputy Secretary stated that there is a decentralisation plan in place for the Ministry which has strengthened staff capacity. However, there is a need to strengthen monitoring and supervision from the Head Quarters.

Committee Recommendations

PAC recommends that the Ministry should:

- Maintain proper records and provide evidence to substantiate amounts and balances reported in its Trading and Manufacturing Accounts.
- Should ensure that proper reconciliations are carried out and any errors or omissions are promptly investigated and rectified.

- The internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies.
- Annual stock take must be conducted by Officers who are independent from the operation of TMA stock.

30.7 Errors in TMA Bank Reconciliation

Audit finding - Review of the Ministry's monthly TMA bank reconciliation revealed the following discrepancies:

- Board of Survey was not conducted at the end of the year for the TMA cash on hand balance.
- A variance of \$263,038 was noted between the cash at bank balance of \$657,468 as per bank reconciliation statement and the cash balance as per general ledger (FMIS) of \$394,430 as at 31 December 2015.
- Unpresented cheques totaling \$87,281.89 in bank reconciliation statement as at 31 December 2015 included a stale cheque (cheque No. 843101) of \$7,907 resulting in the bank reconciliation balance at the end of the year being understated.
- A TMA Bank Balance of \$7,877 is included in the FMIS under the overall TMA Bank Balance of \$394,430. The details of this bank account were not made available to audit.
- The Committee was informed that there was a problem of inter funding that was carried forward from previous years and the postings were wrongly done. However, the Ministry has managed to reconcile the account in 2016-2017 financial year.
- The Ministry highlighted that an Assistant Accounts Officer is now in charge of ensuring reconciliations are done on a monthly basis in a proper manner.

Committee Recommendations

PAC recommends that the Ministry should ensure:

- That the responsibility of carrying out bank reconciliations is given to Senior Accounting Officers having adequate knowledge of the bank reconciliation process.
- That internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies from recurring.

30.8 LWRM Trust Fund Account

Audit finding - A variance of \$16,397 was noted between Main Trust Fund account general ledger (FMIS) balance and the Trust Account Cash at Bank general ledger (FMIS) balance as at 31 December 2015.

- The Committee was informed that the variance is a result of inter funding from previous years and was not detected earlier as there were no proper reconciliations done in the previous years.
- The Ministry has worked with FMIS unit and managed to balance the account in 2016.

Committee Recommendations

PAC recommends that the Ministry should ensure:

- Monthly reconciliation process is strengthened to mitigate the various issues highlighted above.
- That errors and discrepancies identified during the reconciliation process are corrected promptly. Ministry of Economy assistance should be sought where necessary.
- That proper book of account are maintained and provided for audit when requested.

30.9 Statement of Losses

Audit findings - The following anomalies were noted regarding the maintenance of fixed assets record and the submission of Statement of losses:

- The Ministry did not carry out a Board of Survey (BOS) for 2015.
- The Statement of Losses was submitted for audit for the year 2015. However, audit noted that the Statement of Losses only reflected the losses relating to sheep from Batiri Station only. For presentation purpose of the Ministry's Statement of Losses, audit only managed to compile the losses for the months of July to December. In addition, losses from the month of January to June 2015 were not provided for audit verification. Thus the Statement of Losses provided in the Agency Financial Statement has been understated. In addition, the Statement of Losses did not reflect losses to other fixed assets
- The Ministry informed that it has now set up an internal Asset Management Unit which ensures that the Board of Survey for the Ministry is done as required.

Committee Recommendations

PAC recommends that the Ministry should:

- Ensure that all property, plant and equipment purchased by the Ministry are properly recorded in the FAR.
- Ensure that a Board of Survey is carried annually to take stock of all its assets and update the fixed assets records.
- Investigate the cause of significant delay in carrying out the Board of Survey and take necessary action against responsible officers.
- Ensure that monthly Losses Reports are maintained and made available for audit purposes.

31.0 Revolving Fund Account

Audit finding - Audit noted that monthly reconciliations for the following accounts were not up-to-date. Furthermore the Ministry's Inter Departmental Clearing and Imprest account reconciliation was prepared up to the month of September and October, respectively. However, both have nil balances at year end.

- The Committee was informed that the reconciliation is an on-going process and an in-house training has been conducted on how to do proper reconciliations.
- The Ministry of Economy confirmed that the Ministry has submitted their reconciliations to the MOE in a timely manner.

Committee Recommendations

PAC recommends that the Ministry should ensure:

- monthly reconciliation process is strengthened;
- all Accountable advances are retired within seven days of completion of travel; and
- That all the relevant supporting documents for all RFA accounts are properly maintained and produced for audit scrutiny.

32.0 Operating Trust Fund Account

Audit finding - Audit noted that the Operating Trust Fund Account reconciliations prepared were up to October 2015 only. As a result, it was not possible to substantiate the balance of \$230,422 as at 31/12/15.

- The Committee was informed that reconciliations for this account is now conducted on a monthly basis and the reconciliations are submitted to MOE on a timely basis.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure monthly reconciliations are carried out properly and accurately;
- ensure that unreconciled balances between the reconciliation statements and the general ledger (FMIS) are investigated and adjusted;
- ensure that all the relevant supporting documents for Operating Trust Fund accounts are properly maintained and produced for audit scrutiny; and
- the internal control procedures in the Accounts Section, specifically supervisory checks should be strengthened to avoid such discrepancies from recurring.

33.0 Arrears of Revenue

Audit finding - The Ministry had a balance of \$804,226 in arrears of revenue as at 31 December 2015. Audit noted that significant portion of the arrears (\$709,524 or 88%) has been outstanding for more than 5 years.

- The Ministry informed that this is still a challenge.
- For the meat inspection arrears, the Ministry is liaising with the Registrar of Companies to obtain information on whether the companies are still operational.
- The Ministry is working with Ministry of Economy Asset Management Unit to see a way forward in trying to recover the arrears of revenue.
- The Ministry has written off \$3.1 m from cocoa development in 2012. However, the Ministry still has \$237,460 in their books under cocoa development arrears.

Committee Recommendations

- PAC recommends that the Ministry should improve its debt collection strategies to enable the recovery of outstanding revenue.
- PAC recommends that the Ministry must ensure that adequate accounting records are maintained to substantiate arrears of revenue balances at year end.

PART C: REGULARITY AUDIT FINDINGS

30.12 Implementation of a Succession Plan

Audit finding - The Ministry failed to provide a copy of its succession plan despite numerous requests and follow ups by audit. It was noted that the Ministry continues to re – engage retired officers for long periods of time due to lack of technical officers.

The audit further noted that the Ministry failed to obtain approval from the Prime Minister’s office for the re-engagement of all of the retired officers in the Ministry. In addition, the Ministry has not obtained approval for the re-engagement of the expatriate staffs but are paying them salary at the highest level on the salary grade.

- The Committee was informed that there is a succession plan in place for all the divisions. However, the local graduates are leaving to join the private sector due to employment conditions. Also the retention of engineers is an issue faced by the Ministry.
- In terms of the staff re-engagement, the Ministry does a submission to the Office of the Prime Minister and upon approval renews expatriate and local staff contracts.

Committee Recommendations

PAC recommends that the Ministry should:

- develop and implement a succession plan as provided for by PSC to ensure continuity in its operations;
- obtain approval from the Prime Minister’s office prior to the re-engagement of any retired officers.

30.13 Rice Revitalization Program

Audit finding - The Ministry paid a sum of \$59,995.50 to acompany (C14) on 15/05/15 via cheque no. 19246 for the supply of Rice Agro Inputs. Audit noted that the total cost was split in two local purchase orders contrary to section 28.3 of the Procurement (Amendment) Regulation 2012.

- The Ministry recognised that the splitting of procurement is not correct.
- However it informed the Committee that this was a challenge due to the lack of understanding on accounting procedures amongst technical officers that needed to be addressed given that the technical officers are involved in procurement for capital projects.

- The Committee was informed that the Ministry has been conducting training for the technical officers as some of the procurement process has to be done by these officers.

Committee Recommendation

- PAC recommends that the Ministry should ensure that tender are called for procurement above \$50,001 and prevent splitting LPOs.

30.14 Absence of Tender Boards Approval

Audit finding - The audit noted that the Ministry has paid an amount in excess of \$50,000 to a company (C15) for building and maintenance of quarters and solar power installation without Government Tender Board approval. The Ministry engaged the contractor for different small works, each amounting to less than \$50,000 without any contract although the contractor was paid a total of \$151,610.

- Ministry of Economy informed the Committee that for verification and record purpose of the projects undertaken, it is vital to take pictures.
- The Committee was informed the majority of the work carried out was maintenance work and not construction work. Their priority had been to carry out maintenance on those quarters that were occupied.
- The Ministry emphasized that the funds allocated for the repairs and maintenance had not been enough to undertake the maintenance activities on all the Quarters.

Committee Recommendations

- PAC recommends that open tenders must be called for procurements above \$50,001 so that transparency and accountability of the Ministry is maintained at all times. It will also ensure the selection of the best available contractors at the most economical cost to carry out a particular task.

Section 32: Ministry of Fisheries and Forest

Roles and Responsibilities

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

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

PART A: FINANCIAL STATEMENT

32.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Fisheries and Forests resulted in the issue of a qualified audit opinion.

32.2 Statement of Receipts and Expenditure

- The Ministry of Fisheries and Forests collected revenue totalling \$3.5 million and incurred a total expenditure of \$22.9 million in 2015.
- The Ministry is agreeing with the OAG report on this analysis which shows the true record of the receipts and expenditures.
- The over-expenditure under the Operating Grants and Transfers was due to the Pine Resin Project, as the Project did not materialise as initially planned for due to the disagreement on rates between Fiji Pine Ltd and the Resin Project investor.
- The Ministry is now planning to look for an investor to re-establish the Pine Resin Project and to work with the Communities to recommence in Deuba.
- The Committee also noted that the over-expenditure relating to the Rotuma Ice Plant Project is now completed and is currently servicing the Community. One of the main reasons for this project was for the preservation of fish which is now fully operational. This project is also inclusive of staff quarters which are now completed and occupied.

32.3 Appropriation Statement

The Ministry incurred a total expenditure of \$22.9 million against the revised budget of \$23.9 million resulting in savings of \$1 million or 4.5%.

32.4 Trading and Manufacturing Account

- The “cost of manufacturing goods transferred to trading account” increased by \$7,277 or 7% in 2015 compared to 2014.
- Gross profit for 2015 decreased by \$25,349 or 62% when compared to 2014. This was mainly attributed to the reduction in sales in 2015.
- In 2015 the TMA net loss reduced by \$22,386 from a net loss of \$66,313 in 2014. This was mainly attributed to the reduction in expenses in 2015.
- Net assets decreased by \$32,477 or 39% from 84,225 in 2014 to \$51,748 in 2015 due to the net loss incurred in 2015.

32.6 Statement of Losses

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

PART B: AUDIT FINDINGS

32.7 Anomalies in the Trade and Manufacturing Account

Audit finding - A review of Trading and Manufacturing accounts and related records revealed the following anomalies:

- The Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the balances of the following Balance Sheet items.
- There was a variance of \$20,320 between the FMIS general ledger and Ministry's cash book balance. Furthermore, bank reconciliations were not performed for the TMA cash account during 2015.
- The Ministry informed that its Senior Accounts Officer has been posted to overlook all the TMA processes to address and rectified all the short falls in the TMA. Assets Management Unit at the Ministry of Economy has been assisting their Officers in training, reconciliation and stocktaking at the Ministry's TMA in Nasinu.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- monthly reconciliation process should be strengthened to mitigate the various issues highlighted above; errors and discrepancies identified during the reconciliation process are corrected promptly, and in consultation with the Ministry of Finance, where necessary; and
- The draft Agency Financial Statements including the Trading and Manufacturing Accounts are thoroughly checked, balances substantiated and clarified with the Ministry of Finance before they are submitted for audit.

32.8 Drawings Account Reconciliation

- The audit noted that there were variances between the Drawings Account reconciliation and the general ledger balances as at 31/12/.
- The Ministry concurred with the OAG findings as necessary adjustments could not be done in 2015 due to insufficient funds. Adjustments were made in 2016 with the assistance of FMIS team. Training on the new Drawings Reconciliation format was instigated by the FMIS team in 2017, as way forward to curb this issue.

Committee Recommendation

- PAC recommends that the Ministry should investigate and rectify the variance of \$216,033 between the two records.

32.9 TMA Stock Figures

Audit finding - The audit noted that an independent stocktake was not conducted on the closing raw materials and closing stock for the year 2015. Instead, the stock certificate was signed off by the Principal Accountant and the Permanent Secretary.

- The Ministry agreed with the OAG findings as PSFF has directed their SAO to oversee the TMA operation. AMU (TMA Unit) of the Ministry of Economy has been assisting in the training and stock take and proper recording of stock and equipment.

Committee Recommendation

- PAC recommends that the Ministry should ensure that an officer who is independent of the Ministry is present to oversee the stock take process.

32.10 Stale Cheques

Audit finding - The audit noted that stale cheques for the Ministry of Fisheries and Forests as at 31 December 2015 totalled \$57,322.25 out of which a sum of \$50,104.60 was carried forward from 2014.

- The Ministry informed that Stale Cheques adjustments were made in 2016 with the assistance of the FMIS team. Training on the new Drawings Reconciliation format was instigated by the FMIS team in 2017, as way forward to curb this issue.

Committee Recommendation

- PAC recommends that the Ministry should improve management of unrepresented cheques by complying with Section 5 of the Finance Manual.

32.11 Anomalies in the Fisheries Main Trust Fund

Audit finding - There was a variance of \$1,304.22 between the Main Trust Receipts and Payment balance reflected on SLG 89 and the Main Trust Cash balance reflected under SAG 52

- The Ministry informed that it is seeking FMIS assistance in the adjustments of variance in the Main Trust Balance (SLG 89) and the Main Trust Cash Balance (SAG 52).

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- Accounts Officers are proactive in resolving unreconciled balances between the Ministry's reconciliation statements and the general ledger (FMIS).
- All errors and discrepancies are corrected promptly and to seek the Ministry of Finance assistance where necessary.

32.12 Anomalies in the Underline Accounts Reconciliation

Audit finding - There were variances noted between the FMIS ledger and the Ministry's reconciliation balances. The variances were mainly due to the incomplete reconciliations submitted to the Ministry of Finance.

- The Ministry informed that it has been complying with the monthly reconciliation of the underline accounts.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- Reconciliation of underline accounts are performed monthly; procedures relating to the preparation of reconciliation statements as stated in the Finance Manual are complied with to strengthen the reconciliation process.

PART C: REGULARITY AUDIT FINDINGS

32.1 Medical and Police Reports for New Recruits Not Provided

Audit finding - Audit verification of staff personal files revealed that medical and police clearance reports were not filed for newly appointed officers indicating that appointments of officers were made without compliance to required vetting process.

- The Ministry informed that HR Officers have been following up on updates on the medical form and police clearance form for the newly intake officers. Staff turnover and shortage of staff in the HR has caused the inability to follow up on these reports.

Committee Recommendation

PAC recommends that the Ministry should ensure that:

- proper vetting of applicants is conducted prior to the appointment of officers as required under General Orders 203; and
- medical reports and police clearance reports obtained and kept in the respective personal files to confirm the vetting process carried out.

32.2 Competitive Quotes not obtained

Audit finding - Audit noted that the Ministry made numerous purchases from various suppliers without obtaining competitive quotes contrary to Procurement Regulation 2010.

- The Ministry informed that Heads of Divisions and clerks have been notified on the use of competitive quotes for purchase of goods and services.

Committee Recommendation

PAC recommends that the Ministry should comply with the requirements of the Procurement Regulation 2010 by obtaining competitive quotations for purchase of goods and services.

32.3 Misallocation of Expenditures

Audit finding - Audit verification of the Ministry's 2015 payment vouchers revealed that the Ministry was charging expenses to unrelated expenditure allocations.

- The Ministry informed that virements have been prepared to address the misallocation. Clerks and Divisional Heads have also been notified to request HQ Accounts on the correct expenditure allocation to use in order to minimize this misallocation issue.

Committee Recommendation

PAC recommends that the Ministry should ensure that:

- all purchases made are charged to the correct allocation;
- all necessary expenditure to be incurred for the year is identified and adequately provided for in the Ministry's budget; and
- accounting information gathered are fairly represented so that proper decision making could be made.

32.4 Use of Operational Funds (Fund 1) to cater for Trading & Manufacturing Account (Fund 4) Activities

Audit finding - Audit noted that the Ministry's TMA bank account number 191888 held by the Bank of the South Pacific (BSP) was overdrawn by \$2,558 in September 2015. To clear the overdrawn account, the Ministry transferred funds totalling \$8,000 from the Operating Fund (Fund 1) to the TMA Fund (Fund).

- The Ministry assured the Committee that it will not entertain such Inter-fund transaction in future.

Recommendations

PAC recommends that the Ministry should strictly comply with TMA policies and avoid inter-fund transfers.

32.5 Consultancy Payments Anomalies

Audit finding - The Ministry engaged a consultant to develop a competency framework for the Ministry. Audit noted that the Consultant only provided the detailed work plan without the inception report when the first payment of \$5,100 was made vide cheque number 73621 of 24/05/15.

- The Ministry assured the Committee that in future it will abide by the terms and condition stated in the contract.
- The Committee was informed that the report has been submitted by the Consultant to the Ministry after the completion of the work carried out and payment made accordingly.

Committee Recommendations

PAC recommends that the Ministry should ensure that terms and conditions of contract agreements entered into for the provision of goods and services are honoured prior to effecting payments.

32.6 LPO raised after invoicing

- **Audit finding** - Audit noted that the Ministry did not adhere to proper accounting procedures when making part payment of \$5,000 vide cheque number 73622 of 24/06/15 to a company for the gravelling and repairs of bridge at the NFMPP site in Nakavu, Namosi. Review of supporting documents for the payment indicated that the Local Purchase Order (LPO) no. 91011-012147 of 24/06/15 was raised a day after the invoice for works done was received.
- The Ministry informed that it will ensure prior issuance of PO's for any purchase of goods and services.

Committee Recommendation

PAC recommends that the Ministry should ensure that internal control requirements for the purchase of goods and services (such as raising of LPOs prior to receiving goods and services) are upheld prior to payments being effected.

32.7 Utilisation of Capital Expenditure Funds for Other Projects

- **Audit finding** - Audit noted that the Ministry has been utilising funds from some Capital project allocations for the procurement of goods and services which are not related to those projects.
- The Ministry assured the Committee that this issue will not recur in the future and that it will abide by Ministry of Fisheries and Forests Finance Manual.

Committee Recommendation

PAC recommends that the Ministry should ensure that the funds are utilised for their intended purposes as set out in the budget.

32.8 Settlement of Previous Years Outstanding Accounts

- **Audit finding** - It was noted that the Ministry paid for outstanding accounts from 2014 in 2015 contrary to the requirements of the Ministry of Finance Circular Number 25/14.
- The Ministry informed the Committee that it will put stringently measures to avoid such practices.

Committee Recommendation

PAC recommends that the Ministry should ensure that the current year's expenditures are settled within the current financial period and not carried forward to the next financial year.

Section 33: Ministry of Lands and Mineral Resources

Roles 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.

PART A: FINANCIAL STATEMENT

33.1 Audit opinion

Audit of the 2015 accounts of the Ministry of Lands and Mineral Resources resulted in issue of an unqualified audit opinion.

33.2 Statement of Receipts and Expenditures

The Ministry collected revenue totalling \$15.1millionand incurred a total expenditure of \$25.3 million in 2015.

33.3 Appropriation Statement

- The Ministry incurred expenditure totalling \$25.4 million in 2015 against a revised budget of \$33.0 million resulting in a savings of \$7.6 million.
- The Committee was informed that there are over 400 staff employed with the Ministry.
- One of the challenges faced is the high turnover within its Accounts Sections whereby the recruitment of Graduates to undertake the financing of the Ministry.
- It was further noted that there is a need for the Ministry to engage qualified surveyors and geologists to undertake the important responsibilities that the Ministry undertakes as part of its mandates.

33.4 Statement of Losses

- The misappropriation of revenue of \$129,602.22 was recorded in 2015.
- An internal investigation was conducted internally (Finance Section) to authenticate the loss.
- The loss was a result on the issue of the receipt book to the revenue collectors that did not add up.
- The officer's contract has been terminated and has been implicated a prison sentence.
- The Write off amounting to \$6834.10 and \$32,049.98 in 2015 was due to the miss posting or misallocation used previously by the Ministry.

- MOE informed the Committee that the Ministry uses FMIS and is able to access the system centrally and is able to determine who did the positing and the date it was done.
- The Committee further noted that it is the responsibility of the immediate supervisor to conduct thorough verifications.

PART B: AUDIT FINDINGS

33.5 Anomalies in Trust Fund Account (Main Trust Funds)

Audit Issue: The following anomalies were noted when scrutinising the trust fund accounts and related records:

- Audit noted a variance when comparing the balances reflected in the general ledger for Cash to Trust amount for the Department of Lands. It was also noted that despite the write off of Trust Cash amounting to \$32,050 and an adjustment of Trust Account for \$170,101 on 02/06/2016, differences were still noted.
- A difference of \$212,241 also exists between the cash general ledger amount and bank reconciliation amount.
- The Ministry informed that the issues have been rectified and addressed accordingly in the Financial Year 2016.
- The Committee noted that there is continuous consultation with relevant banks and the Ministry of Economy instigated for better administration and management of the Trust Fund Account.

Committee Recommendations

PAC recommends that the Ministry should:

- liaise with the Ministry of Finance on appropriate ways to account for direct deposits of operating revenue made through bank transfers; and
- Reconcile operating revenues receipted through trust to payments made to operating revenue.
- Clarify with evidence the reasons for the cheques issued but not captured in the cheque register; and investigate and rectify the variances noted between its manual cashbook and the cheque register.

33.6 Presentation of Trust Account Statement of Receipts and Payments

Audit Issue - Audit review of the 2015 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.

- The Ministry informed that it is following up with the current leases. This issue was the result where the current resident leases had expired and when payments had lapsed, this accumulated which made it difficult for the defaulters to clear their outstanding balances.
- MOE informed the Committee that the last time an internal audit was conducted was in the 2015 financial year.

Committee Recommendations

PAC recommends that the Ministry should consider:

- Reflecting the nature or types of receipts and payments in the Trust Account Statement of Receipts and Payments.
- Preparing separate Statements for each Trust Fund Account.

33.7 Rental Being Charged on Expired Leases

Audit issue - It was noted from data obtained from the Crown Land Lease System that rental revenue was being charged on expired leases. This amounted to \$1,043,573.58 as at the date the date of audit on 4 November 2015.

- The Ministry informed that it has taken appropriate actions and stopped charging rental on expired leases.
- The Ministry has taken a proactive approach in informing the tenants 6 months before the expiry of leases to ensure necessary arrangements are made for payment

Committee Recommendations

PAC recommends that the Department should ensure that:

- lease rental is not charged on expired leases; and
- The necessary processes are taken prior and after the expiry of leases

33.8 Arrears of Revenue

- **Audit finding** - The audit noted the arrears of revenue for Department of Lands as at 31/12/15 amounting to \$26,980,319 included only crown land lease rent. The Department was not able to provide details of arrears for other revenue such as Valuer and Surveyor Registration Fees, Taxi Base Fees/Narere Government Barracks rent and premium.
- The Ministry advised that this is a recurring issue however the Office has taken appropriate measures to address this through targeting top defaulters of the various lease types and has stopped charging rentals on expired leases.
- The Committee was informed that the arrears of such revenue are due to the back log whereby there is no clear demarcation of the revenue paid. For instance, revenue collected from the Taxi Base Arrears is paid to municipal councils.
- The Committee was also informed that the Narere Quarters Arrears in 2014 were related to Capital Housing Projects 20 years ago undertaken by the Department of Lands on that state land.

Committee Recommendations

PAC recommends that the Ministry should:

- Arrears for all types of revenue collected are compiled on a timely basis;
- Take appropriate steps to vigorously recover 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.

33.9 Anomalies in the Underline Accounts Reconciliation

Audit issue - Audit noted the following anomalies:

- Monthly reconciliations for the Department of Lands Operating Trust and Revolving Fund Accounts were not prepared on time.
- An amount of \$1,317,407 was recorded as VAT from Provision for Goods & Services under the Operating Trust Fund Account. The balance in this account has always been increasing since it was opened in 2009 to record VAT collected on revenue and the VAT payment made to FRCA. The audit noted that the Department of Lands has not been paying the VAT collected to FRCA resulting in the outstanding balance increasing every year.
- The Ministry informed that the Trust Fund Account Reconciliations (VAT Reconciliations) are now conducted on a monthly basis.
- The Committee was informed that now, tenders/suppliers follow up with the Ministry to clarify or advise whether VAT has been deducted accordingly as per the Finance Instructions.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- Trust Fund Account reconciliations are prepared on a timely basis;
- The Ministry should ensure VAT collected is paid to FRCA on a timely basis.

33.10 Stamp duty

Audit issue - On 12th February 2015, Fiji Revenue and Customs Service (FRCS) and Ministry of Lands and Mineral Resources signed an agreement for Stamp duties to be collected by Fiji Revenue and Customs. The audit noted stamp duty amounting to \$35,035 was still collected by the Department of Lands during 2015.

The Ministry informed that the collection of stamp duties is now the responsibility of FRCS.

Committee Recommendations

- PAC recommends that all stamp duties collected after 12 February 2015 should be paid to FRCA.

33.11 Write Off of Government Asset Accounts

Audit issue - Audit noted that assets totalling \$38,884 which were not supported by relevant documents were written off by Ministry of Economy which resulted in loss to the Ministry and to government as a whole.

- The Ministry informed that some of the projects undertaken have been paid from other stakeholders and this has been put into the Trust Account.

- Part of the money that has been placed into the Trust Account caters for the Officers overtime and allowances. When the Ministry pays for their salary through the payroll system, the system does not pick out the Trust Account Figure as this is a unique number to the Payroll System.
- The Ministry off sets the amount that is being used in the Trust Account. There was no loss of money however OAG stated that it should ensure that ledger postings are checked and proper reconciliations of account balances are carried out to ensure that balances are fully supported.

Committee Recommendation

- PAC recommends that the Ministry should ensure that ledger postings are checked and proper reconciliation of accounts balances are carried out to ensure that balances are fully supported.

PART C: REGULARITY AUDIT FINDINGS

DEPARTMENT OF LANDS

33.14 Salary and Wages Reconciliation not prepared on Time

- Audit noted that in a number of cases, there was significant delay in preparation of salary and wages reconciliations.
- The Ministry informed that this is the issue of graduates leaving early as alluded to earlier in the Appropriation Statement.
- The issue of proper succession planning is in question particularly in the Accounts Section.

Committee Recommendation

PAC recommends that the Ministry should ensure that regular payroll (salaries/wages) reconciliations are performed on a timely basis.

33.15 Anomalies in Procurement and Payment Processes

- 33.14.1 Insufficient Supporting Documents**
- 33.14.2 Splitting of Cost**
- 33.14.3 Anomalies in the Payment of Rates for Crown Land – Municipal Council Allocation: 1-33301-79101-040612**
 - 33.14.3.1 Payments made after the Discount Period**
 - 33.14.3.2 Difference between Audit and Lands Calculation of the Rates Payable**

- The Ministry informed that it has an internal Procurement Team to undertake the General Tender Board Process.
- The team also advises other Departments within the Ministry on its Procurement and submits the fully vetted proposal to the Permanent Secretary for endorsement.
- The Committee was informed that there was no Disciplinary action taken however with the special Procurement Team within the Ministry, the procurement processes are now followed.

- Regarding the request for the Tender Board, the Ministry now ensures that it takes into account the 10% VAT of the total cost in case of unforeseen circumstances.

33.18 Record Keeping – Survey of Mahogany

- **Audit issue** - Audit reviewed the Nukurua Mahogany Project and noted that relevant records such as project information and monitoring/progress reports from the inception of the project were not held by the Ministry.
- The Ministry informed that the Mahogany plantations around the country covers a vast area of 58,860 hectares and holds 105 leases (Agreement for Lease) involving 204 landowning units (LOU).
- Relevant Divisions in the Ministry dealing with Survey are taking the responsibility of safeguarding and keeping the records relevant to the survey being carried out.
- The Committee noted that this task used to be undertaken by the Fiji Hardwood Corporation (FHC).

Committee Recommendation

PAC recommends that the Lands departments should ensure that proper documentation in respect to projects is properly maintained and made available for audit purposes.

33.19 Legislation governing Lands Department

- **Audit issue** - While it was noted that the Decrees relevant to the Department of Lands were issued from time to time to amend various sections of some legislation, a comprehensive review of relevant legislation is yet to be carried out.
- The Ministry informed that it is targeting the revision of the State Lands Act and to also develop a Valuation Act in the next fiscal year depending on the budgetary provisions allocated to the Ministry.

Committee Recommendation

PAC recommends that the Department should consider submitting proposal to review various legislations governing the Department.

33.20 Crown Land Lease System (CLLS)

Audit finding - The audit of Crown Land Lease System (CLLS) and its related records revealed the following anomalies, which may indicate under-utilisation of the database.

- UCV recorded in the CLLS is based on Municipal Council's UCV and not the UCV used by the Department for the purpose of lease rental calculation;
- Receipting is not automated in CLLS but is done manually after which the Statement of Accounts in CLLS is then updated;
- File reference has duplicate accounts;
- CLLS continue to charge lease rental on expiry leases; and
- CLLS does not integrate with FMIS.

- The Ministry informed that the use of a drone for aerial view of the landscape is not able to capture a clear image of the land boundary due to the canopy cover of forests and the physical terrain is a challenge itself.
- The timeline for the completion of the survey of land is difficult to determine as this should be planned a minimum of 10 years in advance.
- The issue of landowner's dispute, traditional land markings or qoliqoli areas resulted in the delay of survey.
- This task was initially outsourced to a Private Firm however after conducting a preliminary analysis; it was found that the execution of this activity would not be possible hence the Ministry was tasked to undertake and complete this work.

Committee Recommendations

PAC recommends that the Department should consider:

- recording UCV used for the purpose of lease rental calculations in the CLLS;
- incorporating a receipting module in CLLS to issue receipts to lessees and to automatically update their Statement of Account;
- consider carrying out data cleansing in CLLS.

DEPARTMENT OF MINERAL RESOURCES

33.21 Incorrect Payments of Salary

Audit Issue: Audit reviewed the 2014 incorrect payment of salary and noted that it is not yet resolved by the Department's Accounts Section.

The Committee was informed that the Department's Finance and Administration team are working together to ensure the timely processing of payroll advices on promotions, acting appointments and cessation of appointments. The Accounts Section is being vigilant to ensure arrears and or recoveries are paid out if advices are received late.

The Department agreed with the incorrect payment of salaries mentioned in the Audit report. A list of overpayment and underpayment is now prepared to be submitted to management for approval for appropriate action.

Furthermore, salary reconciliations is now conducted on fortnightly basis and is update till pay 12/2016. Management has also assigned an independent officer to conduct salary reconciliation for 2015

Committee Recommendations

PAC recommends that the Department should:

- implement an effective and efficient communication process between the Human Resource 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 34 and 35; and

- salary reconciliations are performed on a fortnightly basis and reviewed by the Accounting Head.

33.22 Salary Reconciliation Not Prepared on Time

Audit finding - The audit noted that the 2015 salary reconciliations were not prepared by the Department.

The Ministry informed that improvement is shown in salary reconciliations which are now conducted on fortnightly basis. Salaries Reconciliation is updated till pay12/2016.

Committee Recommendation

PAC recommends that the Department should ensure that regular payroll (salaries/wages) reconciliations are performed on a fortnightly/weekly basis and that the reconciliations are checked by the Accounting Head to minimise or avoid incorrect payments of salaries and wages.

33.23 Purchase Orders not received

Audit finding - Audit noted that purchase orders were not signed by requesting officer to confirm that goods and services have been received.

The Department informed that has implemented a proper checking system to ensure that all PO's are received by Stores personnel although they had focused on signing the receivable on delivery dockets of every goods and or services supplied. Corrective measures taken on PO's identified by auditors and proper procedures followed on current practice.

Committee Recommendation

PAC recommends that the Accounts Heads should ensure that confirmation of receipt of goods and services is provided before approving payments.

Section 34: Ministry of Industry, Trade and Tourism

Roles and Responsibilities

Creating an internationally competitive economy and stimulating economic growth is one of the Government's top priorities. To do this, it needs to encourage investment, boost trade and support private enterprise.

The Ministry of Industry, Trade and Tourism is responsible for positioning Fiji as an Internationally competitive economy. It does this by diversifying and expanding markets, Expanding exports, marketing Fiji as the ideal tourist destination, working to improve the manufacturing and commercial sector, improving investors' and businesses' confidence and the ease of doing business in Fiji, improving market access for Fijian-made products and services, ensuring compliance with national and international standards, and improving livelihoods of grassroots communities through cooperatives, micro and small enterprises development.

In 2015, the Ministry will launch the new Trade Policy Framework, the Fiji Tourism Development Plan, Fijian Made-Buy Fijian Campaign Audit Procedures, a review of the Department of National Trade Measurement and Standards, and the Small Micro Enterprises Start-up Grant Facility.

PART A: FINANCIAL STATEMENT

34.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Industry, Trade and Tourism resulted in the issue of an unqualified audit opinion.

34.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$716,959 and incurred a total expenditure of \$47,110,788 in 2015.

34.3 Appropriation Statement

The Ministry incurred a total expenditure of \$47,110,788 against a budget of \$49,484,689 resulting in a saving of \$2,373,901

PART B: AUDIT FINDINGS

34.4 Failure to Submit Accounts

Audit issue - The audit noted that National Centre for Small and Micro-Enterprise Development (NCSMED) and Real Estate Agents Licensing Board (REALB) had failed to submit audited accounts to the Ministry since 2013 and 2014, respectively as required under the grant agreement section 7.2 (v) for both entities. The Ministry continued to release yearly grants.

The Ministry informed that in accordance to clause 5.4 of the Service Agreement, it only releases quarterly grant after proper analysis of financial acquittals such as Statement of Income and Expenditure and Bank Reconciliation.

The Ministry further noted the Audit comments and emphasis has been made to the Statutory Authorities to provide Audit Reports.

- NCSMED audit for 2010 to 2015 is in progress by Aliz Pacific.
- REALB is completing 2014 and 2015 Financial Reports in accordance to IFRS and will submit to OAG for auditing.

Committee Recommendation

PAC recommends that the Ministry should ensure that funds released to NCSMED and REALB are audited immediately as required under both recipients' grant agreement section 7.2.

Section 35: Ministry of Sugar

Roles and Responsibilities

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.

PART A: FINANCIAL STATEMENT

35.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Sugar resulted in the issue of a qualified audit opinion.

The qualification related to annual Board of Survey not being carried out by the Ministry in 2015. As such the completeness and accuracy of the statement of losses could not be ascertained.

35.2 Statement of Receipts and Expenditures

- In 2015, the Ministry's budget was decreased by \$9,150,000 was due to the transfer of South Pacific Fertiliser Grant from the Ministry's budget to the Ministry of Economy under Head 50.
- The committee was informed that from the Ministry - Head 35 was shifted Head 50 (Ministry of Economy) and the responsibility is still remained with the Ministry of Sugar.
- The reason for the increase in grant to the South Pacific Fertiliser compared to the 2014 Audit Accounts was due to the affected production of sugar and during the time of audit, the allocation was converted into a loan and not a grant.

35.3 Appropriation Statement

The Ministry incurred expenditures totally \$10.6m against the revised budget of \$11.8m resulting in savings of \$1.23m.

35.4 Statement of Losses

There was no loss of money or assets recorded for the year ended 31 December 2015.

PART B: AUDIT FINDINGS

35.5 Underline Accounts Reconciliation not being prepared

- **Audit issue:** The Ministry had seven (7) Operating Trust Accounts. The audit noted that the Ministry did not prepare monthly reconciliations for three of the seven Operating Trust Accounts for the year 2015. For the remaining four accounts, the Ministry prepared reconciliations for months of July to December 2015 only. The audit also noted that the Ministry did not prepare any reconciliation during 2015 for Revolving Fund Account and IDC account

- The Ministry informed that the Operating Trust Account relates to the Payroll deductions, FNPF for instance, which are deposited into Trust and is paid out to the relevant institutions or officers.
- The committee was informed that the Revolving Fund Account is an account that does not have a budgetary provision akin to a suspense account. This includes impress account or petty cash account.
- Monthly reconciliation would enable the department or Ministry to determine any errors or fraud activities.
- It was noted that the Ministry's operating trust account is updated until April, 2017 however; the Ministry is yet to submit their FRA and Drawings Account to date.
- Once reconciliations have been submitted by respective Ministries and Departments to MoE, it is then checked and verified by MoE to ensure that the correct reporting format is used and the balances are posted correctly, SLG accounts are zero by the end of the financial year.
- The Ministry has also taken note of OAGs recommendation with the new recruitment of the 2 Accounts officers and former accounts officer who were looking after the accounts for the Ministry with a non-renewal of contract.

Committee Recommendations

PAC recommends that the Ministry must:

- ensure that monthly reconciliations are prepared for all underline accounts; and
- investigate the matter and take appropriate action.

35.6 Board of Survey

- Due to the shortage of staff, the Ministry informed that it was not able to carry out the 2015 Board of Survey however, in 2016 BOS was carried out.

Committee Recommendation

- PAC recommends that the Ministry should carry out its Board of Survey every year.

35.7 Variance in Drawings Account

- **Audit Issue** - The audit noted a variance of \$10,391 between the FMIS general ledger and the Drawings Account reconciliation balance as at 31/12/15.
- The Ministry informed that with the recent recruitment of staff in 2015 in its Accounts Section, it has now ensured that there is adequate supervisory checks are carried out.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that necessary supervisory checks are carried out in the accounting section; and

- ensure that the Drawings Account reconciliations are prepared and any variances noted is investigated and adjusted accordingly.

35.8 Unexplained Account Balances

- **Audit issue** - The audit noted that the Ministry had unexplained balances totalling \$3,975,515 in the FMIS general ledger under the APP Surplus and Deficit account
- The Ministry informed that the APP Surplus and Deficit Account is an equity account (SEG 91) that is part of the Balance Sheet.
- The allocation in the equity account is that at the end of the financial year, MoE closes its financial book in terms of its deficit for the Ministry and the deficit balance carried forward from previous years.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that transactions posted to the FMIS general ledger are supported with documentary evidences which made available to audit scrutiny when requested; and
- seek clarifications from the Ministry of Economy on the matter.

35.9 Anomalies in Payments Processes

- **Audit issue** - The audit noted instances of double payment, delay in payment, payments made from incorrect allocation and procurements made with less than three competitive quotes.
- The Ministry informed that it has liaised with the supply and the amount paid as double payment was forfeited by the supplier.
- The committee was informed that the Ministry had shortage of staff hence with the improved supervisory and check measures, the Ministry was provided additional budget to recruit assistant accounts officers in the accounts section.
- The committee was informed that verification and checks of correct payments, the payment is supposed to be paid on the bill and not the statement. In anomalies tabled in 35.6, this issue has been rectified.
- The cane access road of \$1900.00 was paid from SEG 4 when it was supposed to be made from SEG 8. The only issue was that it was overlooked by the Ministry to raise a Journal Voucher which OAG had picked this out at the time of audit.

Committee Recommendations

PAC recommends that the Accounts Officer should ensure that:

- necessary due diligence checks are made to avoid double payments. Double payment is recovered from the supplier or officer authorizing the payment;
- payments are promptly made upon receiving the invoice from the supplier or service provider;

- Permanent Secretary's approval is obtained prior to making payment for expenditures from a different allocation;
- supervisory checks in the procurement of goods and services is strengthened; and
- at least three quotations are obtained for all purchases below \$50,000.

35.1 Audited Acquittals of Grant to Sugar Research Institution of Fiji not provided

- **Audit issue** - Audited financials were not provided as required under section 7.2 of the agreement.
- The committee was informed that Earnest and Young is currently carrying out the Sugar Research Institution of Fiji auditing of its accounts.
- It was also noted that this is still intact despite Bill No. 19 which has the Board and Acting CEO.
- The committee noted that now the Ministry will only release the funds once the audit report has been submitted to the Ministry.
- The reason for the accounts not being audited (Grant allocated was \$3.6m over the last 4 years) could not be ascertained by the Committee however, it was found out that former CEO had been sent on leave pending investigation.

Committee Recommendations

PAC recommends that the Ministry should ensure that provision of section 7.2 of the agreement for audited financial statements to be provided by SRIF is adhered with.

Section 36: Ministry of Public Enterprise

Roles and Responsibilities

The Ministry of Public Enterprises implement Government's public enterprises reform programs, provide policy recommendations and monitor public enterprises portfolio to maximize returns and increase efficiency and quality of service. Apart from corporatisation, public enterprises reforms also include the sale of certain Government assets and the partial divestment of earmarked State-owned enterprises.

The Government Printing and Stationery Department also reports to the Permanent Secretary for Public Enterprises. The Department's core functions include printing of legislations and publications, optimum use of resources through sound commercial discipline.

PART A: FINANCIAL STATEMENT

36.1 Audit Opinion

The audit of the 2015 consolidated accounts which included Ministry of Public Enterprises and Government Printing and Stationery Department was completed with issue of an unqualified audit opinion.

36.2 Statement of Receipts and Expenditure

The consolidated revenue for the Ministry totalled \$45,334 with a consolidated expenditure of \$9,234,953 in 2015.

The net increase in Ministry expenditure by \$5.6million from 2014 is mainly due to the inclusion of Biosecurity Authority of Fiji (BAF) operating (\$4.2m expenditure) and capital grants (\$2m expenditure) in the Ministry Budget.

36.3 Appropriation Statement

The Ministry incurred expenditure totalling \$9,234,953 in Head 36 in 2015 against a revised budget of \$10,518,816, resulting in a saving of \$1,283,863 or 12.2%.

Substantial savings of \$847,477 in SEG 1 is due to a large number of vacancies in Ministry and also at Government Printing and Stationery Department.

The Ministry is now recruiting for vacant positions.

36.4 Manufacturing Account – Trading and Manufacturing Activity

The Manufacturing Account is for Government Printing and Stationery Department. The total production costs in 2015 amounted to \$1.2 million during the year, \$0.12 million for direct labour cost.

36.5 Trading Account – Trading and Manufacturing Activity

The Trading Account is for Government Printing and Stationery Department. The cost of goods sold amounted to \$1.3 million whilst sales income amounted to \$1.9 million, resulting in a gross profit of \$0.60 million.

36.6 Profit and Loss Statement – Trading and Manufacturing Activity

- The profit and loss statement showed a net profit of \$0.52 million in 2015 compared to \$0.91 million in 2014.
- Total expense for 2015 was \$76,676 with the major components of expenses being incurred on maintenance and operations.

36.7 Balance Sheet – Trading and Manufacturing Activity

The total net assets of the Government Printing and Stationery Department during the year 2015 totalled \$3.5 million compared to \$3.8 million during 2014. This was attributed to reduction in Accounts Receivable by \$102,516 or 11%, Work in progress by \$141,450 or 40% and finished goods for sale by \$51,193 or 7%.

The cash at bank balance decreased by \$34,646 or 2.8% in 2015 compared 2014 due to inability of the Government Printing and Stationery Department to identify direct bank deposits made by customers which were subsequently not included in the general ledger.

PART B: AUDIT FINDINGS

GOVERNMENT PRINTING AND STATIONERY DEPARTMENT

36.8 Anomalies - Trading and Manufacturing Account for 2015

The Ministry informed that the 2013 to 2015 amount in question of \$99,551 has now been cleared. The delays in clearing of deposit are mainly due to the following reasons:

- Majority of payment from the Ministry's customers are now made via Electronic Fund Transfer (EFT) between the customer's bank and our bankers (ANZ). In such cases, it is mandatory that customers submit their Remittance Advice which would enable us to credit their account accordingly.
- However, in 2013 to 2016 most customers failed to submit their Remittance Advice. Consequently, the Ministry was not able to credit their respective accounts and this eventually led to a high number of un-posted EFT showing in the Ministry's records.
- GPSD Accounts officer has now been given access to internet banking, allowing the officer to extract bank statement daily and reconcile the EFTs.
- In addition, some Accounting Heads are now sending their Remittance Advices to the Department which has allowed for quicker clearance of EFTs.

- To further decrease the outstanding EFTs, the Debtors Clerk will now be assisted by the cashier who will continuously follow up with the Accounting Heads on a weekly basis.
- Furthermore, the bank reconciliations are properly checked and are now up to date.

Committee Recommendations

PAC recommends that the Department should ensure that:

- Accounts Officers take necessary action to ensure that direct bank deposits are promptly identified and FMIS general ledger is updated in a timely manner to capture the amounts received; and
- Bank reconciliations are properly checked and any variances are properly investigated and rectified.

Section 37: Ministry of Local Government, Housing and Environment

Roles and Responsibilities

The Ministry of Local Government, Urban Development and Environment is responsible for formulating and implementing local government and urban planning policies, developing Government policy for the protection of the environment and its sustainable use and policing the use of the environment to ensure compliance with Government policy.

The Ministry also partners with other authorities such as National Fire Services, Municipal Councils nationwide, as well as with international donor agencies that conduct environment and climate change programs. The Ministry has three main Departments under its portfolio: the Department of Town and Country Planning, the Department of Local Government and the Department of Environment.

PART A: FINANCIAL STATEMENT

37.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Local Government, Urban Development and Environment, resulted in the issue of a qualified audit opinion.

37.2 Statement of Receipts and Expenditure

The Ministry collected revenue amounting to \$504,231 and incurred expenditure totaling \$24,585,109 in 2015. Total expenditure increased by \$5,566,469 or 29% in 2015 compared to 2014 which was mainly attributed to increase in capital grants and transfers resulting from new projects undertaken including New Town Development, Nasinu Market (Laqere) and Albert Park Development.

37.3 Appropriation Statement

The Ministry incurred expenditure totaling \$24,585,109 in 2015 against a revised budget of \$32,682,569 resulting in saving of \$8,097,460 or 24.7%.

37.4 Statement of Losses

There was no loss reported for the Ministry in 2015.

37.5 Trust Fund Account Statement of Receipts and Payments

The Environment Main Trust Fund Account had credit balance of \$2,894,606 as at 31/12/15 compared to a credit balance of \$2,871,092 in 2014.

The Environment Main Trust Fund Account showed a surplus of \$23,514 in 2015 compared to \$1,137,819 as at end of 2014. The significant decrease was due to decrease in receipts from Ozone Depletion Substance (ODS) fines by \$690,900 or 60% and Environment Trust by \$846,532 or 75%.

Trust expenditures also decreased by \$172,430 or 5% during 2015 compared 2014.

PART B: AUDIT FINDINGS

37.6 Unreconciled Balances for the Main Trust Fund Account

Audit issue: The Department of Environment's main trust fund accounts cash at bank had a balance of \$2,949,352.28 in FMIS general ledger while the bank statement had a balance of \$3,279,438.16 as at 31/12/15 resulting in a variance of \$330,085.88. The Department did not prepare the Main Trust Fund Account reconciliation for 2015. Hence, the trust fund account balance as at 31/12/15 was not reconciled.

In addition, a variance of \$54,746.23 was noted between Trust Fund Account balance (SLG 89) and the Cash at bank balance (SAG 52) in the FMIS general ledger as at 31 December 2015.

The Ministry informed that these were inherited issues that occurred in the previous years since the transfer of the Department of Environment from Ministry of Lands and the Ministry is working with FMIS on the possibility of writing off this variances.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- trust fund account bank balance is reconciled with the trust fund FMIS ledger balance on a monthly basis;
- receipts and payments from the Environment Trust Fund account are posted to the general ledger on a timely basis; and
- appropriate action is taken against officers responsible for not performing their duties diligently.

37.7 Reconciliations not prepared

Audit issue: The audit noted that the Ministry failed to prepare and submit its monthly reconciliations for various underline accounts for the period January to December 2015.

The Ministry informed that it is currently working with its Accounts on the internal control measures to rectify this issue.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- monthly reconciliations for the underline accounts are prepared, signed and submitted to the Permanent Secretary for review and endorsement in a timely manner;
- all signed reconciliations are submitted to the Ministry of Finance FMIS unit for necessary action; and
- appropriate action is taken against officers responsible for not performing their duties diligently.

37.8 Unreported Losses

Audit Issue: The audit noted that the Ministry did not complete its Board of Survey for the year ended 31/12/15.

The Ministry informed that the Board of Survey was conducted and completed where a report was submitted in March 2016. It was returned from Ministry of Economy based on the Finance Circular 3/2016 to factor new required amendments on the Board Survey Forms and was re-submitted on 19/09/16.

Committee Recommendation

- PAC recommends that the Ministry should ensure that annual board of survey is properly planned and conducted before preparation of agency financial statement audit to ensure losses are properly disclosed in the financial statements.

37.9 No Back - Up Records for Salaries and Wages Reconciliations

Audit issue: Audit noted that the Ministry failed to provide salaries and wages reconciliations for the period 1/1/15 – 31/12/15 for audit verification. Discussion with the Accounts Officer revealed that the reconciliations were maintained in soft copies which were lost when the hard disk of the computer in which it was kept crashed. The Ministry did not maintain backups of the reconciliations.

The Ministry informed that its Salaries and Wages reconciliations were being updated with copies submitted to FMIS/Finance and copies retained on files for record purpose. Soft copies were submitted to FMIS which is a more convenient way of delivery.

Delays in compilation and submission have been due to staffing constraints in the Accounts Section for the last 2 years or so.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- salaries and wages reconciliations are regularly prepared and hard copies of all reconciliations are maintained for audit purposes.
- regular backups are done for all critical data held in the Ministry's computers.

37.10 Anomalies in Extension of Current Naboro Landfill Stage 2

Audit issue - Audit review of the project records and contract documents revealed the following anomalies:

- The disagreement over the payment of withholding tax by the contractor and the Ministry agreeing to pay the 15% withholding tax on behalf of the Contractor A to FRCA totalling \$44,118.09 as at 31/12/15. Hence, the Ministry paid total of \$280,527 to Contractor "A" inclusive of provisional tax of \$44,118.09 not being deducted.
- The nine months delay to finalise the agreement resulted in having variations in designs to be provided by the contractor to breakdown the Stage 1 design into 3 phases instead of the initial agreement to have one design. As a result, the Ministry had to pay \$25,502.50 as cost of variations from the contingency sum.

The Ministry clarified that it was only aware of the 15% WHT and the 15% VAT Reverse charge requirements following GTB approval and during the vetting of the draft Contract by the office of the Solicitor General in 2014.

The Committee was informed that it would not have become an issue had the Fiji Procurement Office included the 15% WHT for non-residents in the Bidder's checklist. The Ministry had raised its concerns to the FPO in 2015 and requested that such condition be considered.

The Consultancy for the designs for Naboro Landfill Stage 2 was then for five months beginning from 8th May, 2015 until 8th October, 2015.

Due to the delays in obtaining the designs consultancy, the Ministry had therefore requested for the consultant, Contractor A to provide an immediate designs (Stage 2- Cell 1) to cater for the much needed landfill space which has resulted in the variations to the contract.

The Ministry has therefore had no option but to request for waiver of tender for the construction of the first cell of Stage 2 due to the limited airspace at the landfill and the timelines for adhering to the tender process which normally takes another 3- 6 months. The Ministry received Minister of Economy's approval on the waiver of tender on 25th of November, 2015 and the contract was then finalized and signed on 29th January, 2016.

The Ministry is now fully aware of the 15% WHT requirements for future tender works.

Committee Recommendation

PAC recommends that the Ministry should:

- ensure that capital projects are properly planned and managed in order to avoid delays and incurring additional costs in the completion of projects.

37.11 Significant Outstanding Debtors for Naboro Landfill

The Ministry informed that the contractor as per the conditions of Contract has to pass all revenue from the operations of the Naboro landfill to the principal and assumes responsibility for recovering all debts that are incurred for customers allowed on credit basis. The specifications state that the contractor must ensure that there are sufficient funds in the nominated trust fund to ensure payment to the contractor for the previous month's; this in itself acts as a control for requiring the contractor to recover a minimum of \$230k-\$250k from its creditors.

The Committee noted that majority of the debtors are municipal councils and the Ministry also being responsible for the affairs of Local Governments appreciates the variable and volatile cash flows experienced by the councils mentioned.

The subsidy is relied on regardless of the state of the creditors as the revenue in any given month is certain not to exceed the contractual costs; this is due to the fact that the gate fees are set at a level whereby revenue does not break even with the costs. To address the above disparity, cabinet had approved on 23rd June, 2015 an increase in gate fee thus the Landfill is in a position to break even with the contractual costs for the first time in its history.

The increase in gate fees came into effect on 23rd June, 2016.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that the Contractor complies with all aspects of the contract agreement and effectively manages the Naboro Landfill Debtors; and
- consider assisting the Contractor in collecting the debts from municipal councils as majority of the debts are owed by the councils.

37.12 Anomalies in Operations of Naboro Landfill

37.12.1 Anomalies in Award of Tender for Naboro Landfill Operations

Audit issue: Audit noted that there was lack of consultation with the Ministry and proper cost analysis was not carried out to determine the most economical contractor for Naboro Landfill operations.

The Ministry informed that it has taken on board the findings of the audit report in particular the cost savings analysis for the purpose of engaging a most economical contractor for Naboro Landfill Operations.

Committee Recommendation

- PAC recommends that the Ministry in consultation with Fiji Procurement Office should obtain justification on the decision of the GTB.

37.12.2 Savings Foregone due to Delay in tender approval and signing of agreement

Audit issue: Audit noted that savings of \$72,192.77 as at 31/12/15 were foregone by the Ministry for not having agreements signed prior to the expiry of the operations contract agreement on 30/6/15.

The Ministry fully acknowledged the recommendations of the OAG and has taken on board the findings for its necessary action.

Committee Recommendation

- PAC recommends that the Ministry should ensure that valid agreements are in place prior to the expiry of the current agreements.

37.12.3 Incorrect Estimation used for Total Tonnes of Rubbish for the 5 Year Period

The Ministry fully acknowledged the recommendations of the OAG and has taken on board the findings for its necessary improvements in future tender works.

Committee Recommendations

- PAC recommends that the Ministry should ensure that value for money is obtained from expenditures incurred.
- PAC recommends that proper cost and benefit analysis should be carried out based on the realistic data in future.

37.13 Delay in Finalising Draft Financial Statements for Audit

Audit issue: The audit noted that various Municipal Councils and National Fire Authority failed to provide detailed outline of expenditure incurred to carry out capital projects or audited financial statements.

The Ministry informed that is aware of the status of the financial accounts of the Municipal Councils and has also instructed all Councils to have their accounts audited. A few of the Councils are awaiting the response from the OAG on the draft accounts submitted for auditing, this includes Levuka, Nausori and Nadi.

Councils have engaged professional accounting firms to carry out the preparation of their draft accounts.

On the above note, the Ministry notes this progress and the need for the basic infrastructures to be developed have given funds to Council on the conditional that Councils submit acquittals on quarterly basis and the continuous monitoring of the grants.

Committee Recommendation

- PAC recommends that the Ministry should liaise with grant recipients and ensure that audited financial statements are received prior to release of further grant payments.

Section 40: Ministry of Infrastructure and Transport

Roles and Responsibilities

The Ministry of Infrastructure and Transport plans, regulates and carries out activities that help drive economic growth, protect and raise the country's standard of living, and ensure public health and safety. It is the key to many activities carried out by other Ministries and the private sector. Overall, the Ministry is the lead agency for the condition and performance of the nation's infrastructure and the efficient operation of the transport sector. The Ministry has authority for the Departments of Transport, Meteorological Services, Public Works, Energy, Water and Sewerage, and Government Shipping Services. It also oversees the Land Transport Authority, the Maritime Safety Authority of Fiji, the Water Authority of Fiji, and the Fiji Roads Authority. The Ministry's budget for 2015 totals \$113 million, with \$57.3 million allocated for operations and \$50.2 million allocated for capital expenditures.

The Ministry, through the Department of Transport, provides the regulatory framework that allows for the most efficient and affordable land and maritime transport systems possible. The transport sector is one of the principal drivers of economic growth because it provides the mobility and infrastructure that link people with jobs and goods with markets.

Government Shipping Services provides Government with a specialized fleet of ten vessels that allow it to transport Government officials as well as machinery, building supplies, rural development materials, livestock and other cargo needed for development projects.

The Department of Meteorology is critical to a nation that is dispersed among more than 100 islands in the middle of an area that is prone to violent storms. It is committed to providing timely and reliable weather, hydrology and climate information to the public on both normal and extreme weather conditions. The public needs to be warned well in advance in order to prepare for extreme events like cyclones, storm surges and flooding, and as quickly as possible in the event of a tsunami. Special emphasis is being placed on disaster preparedness and on mitigating the effects of rising sea levels as a result of climate change.

The Department of Works is the only engineering arm of Government, and is responsible for planning, designing, building, operating, maintaining and upgrading Government buildings, quarters, and electrical services, and for providing electricity in five rural Government stations.

The Department of Energy will focus on policy directions stipulated in the revised Energy Policy and also the recently established Green Growth Framework for Fiji. Initiatives include transfer of the regulatory role from the Fiji Energy Authority to the Department of Energy, provision of electricity services to remote rural areas, research and development of renewable energy sources such as geothermal, wind, hydro, biofuel and biomass, research into alternative fuels for the transport and industrial sectors and for land transport, introduction of flexi fuels (electric/hybrid), and also more vehicles running on biofuels.

The Department of Water and Sewerage is responsible for the development of water supply and sanitation sector policies to ensure the provision of safe, clean drinking water and efficient sanitation services to all communities

PART A: FINANCIAL STATEMENT

40.1 Audit Opinion

The audit of the 2015 accounts of the Ministry of Infrastructure and Transport resulted in the issue of a qualified audit opinion.

40.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$2,454,574 and incurred a total expenditure of \$104,634,654 in 2015.

- The committee was informed that established staff for the Ministry was from all SEGs including Capital Projects. Given the technicality of some of the positions within the Ministry, the cycle of recruitment is mostly internally first whereby junior staffs apply and if successful, promoted to senior vacant positions and is determined seniority wise and experience.
- The Ministry has the capacity to carry out the duties and responsibilities to its full capacity despite there being some vacant positions.

40.3 Appropriation Statement

The Ministry of Infrastructure and Transport incurred expenditure totalling \$104.63 million in 2015 against a revised budget of \$113.02 million resulting in a savings of \$8.38 million or 8%.

40.4 Trade and Manufacturing Account (TMA)

- The committee was informed that previously, the Ministry had always been operating using the 4 Bank Accounts from the initial set up.
- OAG also informed the committee that in relation to the qualification of the account, if the Ministry could operate a separate ledger accounts for those other TMA accounts that do not have bank accounts.
- It was noted that the Ministry have separate ledger accounts for each TMA entity but only the consolidation of bank account and balance sheet is prepared, the Ministry only has one bank account.

40.5 Department of Energy Trust Fund Account

- The variance in Trust Fund Account has been reconciled from the inception of the trust account in 2015 and the unsubstantiated variance which resulted from misallocation of journal postings has been written off by MoE in 2015.

PART B: AUDIT FINDINGS

DEPARTMENT OF WORKS

Trading and Manufacturing Account (Fund 4)

40.6.1 TMA with no Cash at Bank Account

- **Audit Finding** - The Ministry maintained only five bank accounts for the 17 TMA's that are in operation. However, audit noted that out of the 17 TMA's only five TMA's have Cash at Bank account in the Balance Sheet. The remaining 12 TMA's did not have Cash at Bank account in the Balance Sheet.
- The Ministry informed that there is no bank account maintained separately as the Ministry only has 4 bank accounts. The committee was informed that the transactions recorded have its own separate ledger account but do not have separate bank accounts but it is easily traceable on which component falls from each entity using the Ledger account under TMA.
- OAG informed the committee that if the Ministry had separate cash ledgers, then it would be easy to demarcate and determine which particular TMA cash balance at that point in time and can be easily consolidated into the consolidated fund account.
- MoE informed the committee that the Ministry has a separate ledger account and that it is the responsibility of the Ministry to ensure that reconciliations are carried accordingly. It was noted that the Ministry will discuss further with FMIS Team on this issue.
- The committee learnt the Ministry is submitting their monthly reconciliations to the Ministry of Economy on a timely basis.

Committee Recommendations

PAC recommends that the Ministry should:

- maintain proper records of cash received and paid for every TMA;
- ensure that cash at Bank account is also updated and included in the TMA Balance Sheet for all TMA's; and
- take appropriate action to ensure that a correct set of accounts are presented for audit in future.

40.6.2 Variance between Consolidated TMA Bank Account balance and FMIS General Ledger balance

Audit Issue: The Ministry stated cash at bank balance of \$5,285,919 in its consolidated TMA Balance Sheet as at 31/12/15. However, the consolidated cash at bank reconciliation had a balance of \$4,041,812 resulting in a variance of \$1,244,107 between the two records. The variance was due to revenue receipts totalling \$1,160,221.39 and payments totalling \$2,404,238.76 were not posted into FMIS general ledger.

The audit further noted that the receipts totalling \$309,419.54 and payments totalling \$174,861.95 were carried forward from prior years in the bank reconciliation without any corrective action taken by the Ministry.

The committee noted that this has been disclosed in the 2015 Annual Financial Statement and the variance still remains since the case is before the court.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- all reconciliations prepared are thoroughly checked by the Senior Accounts Officer;
- variances are investigated and rectified.

40.6.3 Variance between Accounts Receivable Schedule and FMIS General Ledger Balances

- **Audit Findings** - Findings indicate that finances were not properly managed and work of subordinates in the Accounts Section was not properly supervised. As a result, the audit could not ascertain the correctness of the Accounts Receivable balance of \$2,114,181 stated in consolidated TMA balance sheet as at 31/12/15.
- The committee was informed that some of the figures highlighted by OAG are currently with FICAC and investigations are still on-going however, there has been some outstanding payments have been cleared. It was also noted that this anomaly is in relation to the court cases mentioned earlier.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that accounts receivables schedules are updated and reconciled with the FMIS general ledger on a monthly basis;
- investigate the variance and take appropriate action to resolve it; and
- take appropriate action against officers responsible for poor record keeping

40.6.4 Transfer of Operating Funds (Fund 1) to the Trading and Manufacturing Account (Fund 4)

- **Audit Issue** - The audit noted that the Ministry transferred a sum of \$448,680 from the Department of Water and Sewage Operating Fund Account (OFA) to the Division Engineering Central Eastern (DECE) Plumber Shop TMA (Fund 4) on 31/12/15 without approval from the Minister.
- The committee noted that the Ministry's TMA and Operating Fund Account (OFA) operate separately. Payment from OFA is made to TMA for procurement of goods, works and services as is done for other suppliers/vendors.

Committee Recommendation

- PAC recommends that the Ministry of Economy should investigate the unauthorized retention of funds and take appropriate disciplinary action against those responsible.

40.6.5 Annual Stock Take Not Observed By the Auditors

- **Audit Issue** - The audit noted that the total sale amount was under stated by \$1,868,126 by the Ministry in its VAT Return for the year 2015.
- The Ministry informed that this had been the first instance whereby OAG had requested to be present during the annual stock take.
- However it was emphasized that by the time this request came in, Division Engineer Western/Central (DEWCE) had already concluded the TMA stock take.
- The department had agreed to repeat the stock take process in the presence of Auditor staff from OAG.
- The same process was requested by SAO (DEWCE) to be conducted for the other two Divisions [West and North] where stock take were yet to be undertaken.
- The Ministry considers this qualification a non-issue as OAG had cancelled the visitation when the transportation was already arranged but OAG auditors did not attend.

Committee Recommendation

- PAC recommends that the Ministry should ensure independent annual stock take is undertaken in future.

40.6.6 TMA Sales Revenue Understated in VAT Returns

- **Audit Finding** - The audit noted that the total sale amount was under stated by \$1,868,126 by the Ministry in its VAT return for the year 2015.
- The committee was informed that the wages is VAT exempt hence VAT Payable on total sales will always vary.

Committee Recommendation

PAC recommends that the Ministry should:

- state correct sales revenue in its VAT returns to FRCS; and
- investigate this matter and take appropriate action to ensure correct VAT is paid to FRCS.

40.6.7 Sales Recorded at VIP Amounts

- **Audit Issue** - The committee noted that the monthly VAT has been prepared from the FMIS GL and lodged to FRCA. The annual revenue Module in FMIS is used for receipting online where VAT is calculated automatically for those TMA entities which attract VAT. However, it was noted that this excludes Workshop Wages which VAT exempted entity.

- The committee noted that this issue been resolved with MoE and sales are now recorded at VIP Amounts.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- VAT is properly recorded in the FMIS general ledger under the VAT allocations; and
- monthly VAT reconciliation is carried out and checked by supervising officers for accuracy.

40.6.8 Receipts and Payments not posted into FMIS General Ledger (Building and Mechanical TMA Bank accounts

Audit issue: The bank reconciliation for Buildings bank account (Joinery & Plumber Shop TMA) with FMIS general ledger included receipts totalling \$1,133,752.39 which were not posted (Receipts Not Posted) into FMIS general ledger. However, receipts totalling \$309,419.54 included in the Receipts Not Posted listing were actually posted into the FMIS general ledger.

The bank reconciliation for Mechanical bank account (Workshop Wages, Fuel and Oil, Plant Hire and Lube Bay) with FMIS general ledger included payments totalling \$499,509.66 as Payment Not Posted into FMIS general ledger

- The committee noted that regular trainings are provided to the TMA officers on FMIS on a quarterly basis and by AMU as and when required.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- necessary action is taken to rectify the anomalies;
- appropriate disciplinary action is taken against the Assistant and Senior Accounts Officer for failing to carry out their duties diligently; and
- adequate training is provided to accounting officers in TMA.

40.6.9 Understated Cash Account balance

- **Audit Finding** - The audit noted that a number of TMAs had Unearned Income in their respective balance sheet as at 31/12/15 for which there was nil balance in the cash at bank account in respective TMA's.
- The committee noted that this in relation to the cash mentioned above and the matter is before the courts.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that a correct set of accounts is presented for audit;
- take appropriate action to rectify the anomalies highlighted above; and
- ensure that adequate training is provided in TMA accounting to accounting staff.

40.7 Trust Fund Accounts

The committee was informed that the Ministry had submitted the request to transfer the liability of \$1,161,883.81 under Ministry of Economy which is pending approval and still appears in MoIT accounts.

Committee Recommendations

PAC recommends that the Department should:

- liaise with Ministry of Economy to open up a Main Trust Fund account for receipt and payment of security deposits from contractors; and
- prepare a Trust Fund Account Statement of Receipts and Payments

40.7.2 Variances in Main Trust Fund Cash at Bank and Liability Accounts (Department of Energy)

- **Audit Finding** - An unreconciled variance of \$889,161 existed between the Main Trust Fund account Statement of Receipts and Payments and the FMIS general ledger.
- The audit also noted variances of \$276,122.22 between the total receipts as per the Main Trust Fund Liability FMIS general ledger in SLG 89 and the trust receipts database. Similarly, a variance of \$1,070,108.24 was noted between the total payments as per the Main Trust Fund liability general ledger in SLG 89 and the Trust payments cash book.
- The Committee noted that the unsubstantiated variances have been reconciled from the inception of the trust account. Thus, this has been approved and written off by MoE in 2016.
- The committee was informed that the Ministry has refunded the re-deposits of about 1500 cheques and had to reconcile the amount under its rural ratification scheme.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- proper monthly reconciliations between cash book, general ledger, and trust fund liability account are carried out; and

- variances are investigated and resolved accordingly.

40.7.3 Main Trust Reconciliations (Department of Energy)

- **Audit Finding** - The audit noted that the Main Trust Liability and Trust Bank account reconciliations were not prepared by the Department of Energy on a monthly basis for whole of 2015. However, an annual reconciliation was prepared by the Ministry of Finance.

In addition the posting of main trust receipts for 2015 were done in batches in the FMIS general ledger.

- The Committee was informed that in 2015, the Trust Fund Monthly Reconciliation for Receipts & Payments and Bank Reconciliations were prepared and submitted to MoE.
- Posting of main trust receipts are now done at transaction level.
- The Rotation of staff has ensured timely preparation of monthly reconciliations and posting of receipts.
- The committee was informed that the main trust account is to be transferred to the Department of Water and Sewage. Discussions are on-going with regards the OAG recommendations.
- It was noted that the Main Trust Reconciliation are now being carried out and is being happening on a regular basis.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- trust fund reconciliations are prepared monthly by the Department;
- the posting of main trust receipts are done at transaction level and not in bulk amounts;
- appropriate disciplinary action is taken against staffs responsible for monthly preparation of reconciliations and timely positing of receipts.

40.8 Underline Accounts

40.8.1 Underline Account Anomalies

- The committee was informed that this anomaly is a 'legacy' issue.
- However, the Ministry has now ensured that the Reconciliation is prepared on a monthly basis and that the variances are cleared in the following month.
- The rotation of staff and verification by Supervisors now ensures timely and accurate preparation of monthly reconciliation with identification and adjustment of variances on timely basis.
- The Revolving Fund Account Closing Balance of \$52,521.75 was written off by Ministry of Economy via approval from Minister for Economy.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- the respective Department reconciliation balances reconcile with the FMIS general ledger balance;
- all reconciliations are properly prepared and maintained up-to-date;
- the closing reconciliation balance is carried forward as opening balance for the next month;
- all write offs above \$50,000 is approved by the Minister for Economy.
- The Ministry for Economy should investigate the write off of Revolving Fund account balance for the Department of Water and take appropriate disciplinary action.

40.9 Headquarters

40.9.1 Delay in Award of Tender

- **Audit Finding** - The audit noted a significant delay in the Rebuilding of the Plumbing Workshop and the Construction of the Office for the DEW at Lautoka Depot.
- The Ministry informed that the Class A Estimate was prepared and submitted for the DEW's Office and New Plumber Shop. The estimates were provided to the Department of Works with the understanding that the Ministry had the capacity in-house to carry out these works and construct its own buildings. The Ministry therefore had opted to request a waiver of tender procedures to carry out these works. Upon the advice of the Ministry of Economy (formerly Finance), the Ministry advertised for tenders which further delayed the commencement of this project.
- The Ministry now consults Construction Implementation Unit (CIU) for all Capital Projects.

Committee Recommendations

- PAC recommends that the Ministry must ensure capital works programme is strictly followed to ensure that projects are completed within the financial year

40.9.2 Anomalies in Contract Agreement

- **Audit Finding** - The audit review of the contract documents for both the Rebuilding of the Plumbing Workshop and the Construction of the Office for the Divisional Engineer Western highlighted the following anomalies:
 - There was no evidence that the contract agreement was vetted by the Solicitor General's office.
 - The start and completion dates were not specified in the contract.
 - There was no Schedule of Works summary specified in the contract upon which the progress payments were to be made.

The audit also noted that the Ministry did not obtain approval from the Department of Town and Country Planning and the Lautoka City Council on the building plans for both the projects.

- The committee was informed that the all contract agreements are now vetted by the Solicitor General's office. The start and completion date would be taken from the date it was signed in the contract and often the completion date is worked out from the duration agreed by the Government Tender Board.
- The only exemption would be if the mobilization to site was done later. The progress payment would be based on the progressive reports thus the reason why there were no schedule of works summary included.
- The Committee noted that there were cases where the advanced payments were made to the contractor and this was based on the conditions laid out from the contractor.
- The Ministry highlighted that they at times had a Bank Guarantee signed in order to insure themselves against any delays. However the undertaking of a bank guarantee differed from case to case and depended on the type of contract that had been engaged in, nature of the project and requirement of the contractor.

Committee Recommendation

- PAC recommends that the Ministry must ensure that due diligence processes are properly followed at all times.

40.9.3 Diversion of Funds to Other Projects

Audit issue: The audit noted that total of \$1,033,478 or 34% of the total funds allocated for repairs and upgrade of public buildings and water and sewer lines were diverted to projects in other groups/areas which were not in the Ministry's PSIP submission for 2015. These projects were not approved by the Permanent Secretary for Infrastructure and Transport and the Ministry of Economy.

- The committee was informed that although there are programmed project works for the Divisions, however there are certain instances when the programmed projects are required to be dropped to accommodate other urgent projects which were not part of the programme e.g. PM's projects, natural disasters, urgent maintenance works after cyclone Winston.
- As for the work from the Public Sector Investment Project (PSIP), once there are changes to the Ministry's work-plan, approval would need to be sought from the Permanent Secretary.

Committee Recommendations

- PAC recommends that the Ministry of Infrastructure and Transport must ensure that funds provided are utilised for the purpose it is provided for in the budget; and
- PAC recommends that the Ministry of Economy should investigate the diversion of funds and take appropriate action against Officers responsible for diversion of funds.

40.9.4 Construction of Light Houses

- **Audit issue:** Audit noted that two of the lighthouses constructed by the Ministry between 2013 and 2014 collapsed while another two were leaning to one side and were about to collapse. For the two collapsed light houses, the Ministry diverted funds from Repairs and Upgrading of Public Buildings (SEG 8) allocations to reconstruct the lighthouse.
- The committee was informed that initially, there was no proper investigation and structure of the lighthouse designs.
- Due to adverse weather conditions and time frame given to utilise at least 60% of the funds resulted in some technical difficulties and delay in the completion of the lighthouse project.
- Cakaumomo is regarded as the most unfavourable site out of the three lighthouses constructed due to extreme weather conditions and strong sea currents. Twice during construction, the workers had to retrieve the barge back to the original position, as the rope snapped and allowed the barge to drift. The vessel itself needed to move out from the reef before night falls thus restricting the team to maximize the opportunity of any good weather conditions.
- Due to reasons mentioned above particularly in the difficulty faced in constructing a tripod, a single pile structure was recommended. The Department received the allocation of \$57,164. In addition \$50,266.66 was transferred to TC Evans Rehabilitation works.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that all factors are considered to minimize risks during the construction phase;
- ensure that all future designs and plans are formally approved by the Permanent Secretary of Infrastructure and Transport; and
- appoint an independent committee to investigate all the light house that collapsed or are leaning and about to collapse and submit a report to the Ministry of Economy for appropriate disciplinary action for poor performance and loss of funds through reconstructions.

40.10 Divisional Engineer Western

40.10.1 Weaknesses in Control of Stores

- **Audit issue:** The Storeman did not maintain tally cards at the Transit Stores in the Divisional Engineer Western Depot for hardware stores purchased for various projects.
- The Purchase Order Register maintained at the Transit Stores was not updated with the delivery numbers for the materials delivered to various projects sites.

- The Ministry informed that present transit stores were temporarily built to accommodate the operational needs of the Department after the fire. The construction of a new building is in progress which will accommodate Plumber shop and Transit stores thus it will eliminate the current problems faced by the store man.
- Currently one established store man is looking after both Building Transit Stores and TMA Plumber shop (EPS and Sewer Riling) for the Division.
- This issue has now been resolved where 2 store men are looking after the transit store.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that all hardware items are appropriately recorded upon receipt of items from the supplier, delivery of items to the project site and the return of leftover items to the transit stores when the project is completed; and
- take appropriate disciplinary action against the Storeman and the Construction Engineer at the depot for not performing their duties diligently.

40.10.2 Anomalies in Project Records

- **Audit issue:** Audit review of the project records maintained by the Divisional Engineer Western Office revealed that project records were not properly maintained. The following anomalies were noted:
 - Out of 14 projects reviewed by the audit, 7 projects had variance in project cost compared with the project job record sheet and the project cost in the Western Division.
 - For some projects such as Fencing of Mechanical Yard, Fencing of Building Yard, Group 5M (DEW Yard) Phase I and Group 4A Varadoli, the commitment ledgers were not up to date. Hence the total amount committed for the projects was not known.
 - Two job record sheets had same job number indicating two job sheets were maintained for one job.
- The Ministry informed that the total cost for Group 4A Varadoli projects were more than the budgeted cost. Hence the DEW incurred over expenditure for this project.
- The committee was further informed that all project records are properly maintained and submitted to CIU unit of MOE for project inspections with the assistance of 2 storemen to carry out the necessary duties and responsibilities.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that project records are properly maintained; and

- investigate and take appropriate disciplinary action against officers for poor record keeping.

40.11 Divisional Engineer Northern

40.11.1 Surplus Materials upon Completion of Project

- **Audit Finding** - The audit noted that large quantities of materials purchased for these projects were not used.
- The Ministry informed that an investigation is currently under way in this regard.
- The committee was informed of a scenario whereby the tender was awarded to a certain contractor and then the contractor advised the Ministry that they do not have the materials in stock.
- The Ministry had to seek advice from the Fiji Procurement Office and was advised to get 3 quotes as the process for GTB.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that bill of quantities are properly prepared to avoid unnecessary purchase of materials;
- investigate purchase of excessive materials and take appropriate disciplinary action against officers responsible; and
- Investigate the missing items and take appropriate disciplinary action against the stores Officer.

40.11.2 Store cards not properly maintained

- **Audit Finding** - The audit noted that the site stock cards were maintained by the Leading Hand on the site and not the site Storeman. The audit also noted that the items received and issued from the site stores were not always recorded in the stock cards by the Leading Hand. Hence the Leading Hand did not properly maintain the store cards.
- The Ministry informed that this practice has now stopped and Departments have been advised to plan their procurements. The Ministry has centralized all its calling of quotations, procurements and implemented restrictions on PO approvals for the 3 Divisions.
- It was noted that stock takes are now carried out periodically by all stores and reports are submitted quarterly to PSIT for control and monitoring purposes. The Ministry had trained its stores and accounts personnel in the maintenance of store record, inventory register management and asset register management with the assistance of Fiji Procurement Office.

Committee Recommendations

PAC recommends that the Ministry should ensure that:

- stocks are properly recorded when received or issued;
- stock cards are maintained up to date at all times; and
- appropriate disciplinary action is taken against the supervisor for poor supervision and the Leading Hand for not updating the stock cards.

40.11.3 Items Not Taken On Charge at the Project Site

- The Ministry informed that stock takes are carried out periodically by all stores and reports are submitted quarterly to PSIT for control and monitoring purposes. The Ministry had trained its stores and accounts personnel in the maintenance of store record, inventory register management and asset register management with the assistance of Fiji Procurement Office.
- Fixed Asset Register and Inventory Register are updated regularly and Quarterly Reports are also submitted to PSIT.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that a site Clerk/Storeman is appointed at all major project sites;
- ensure that copies of delivery books are signed at the project site when materials are delivered;
- ensure that tally cards are maintained and updated regularly; and
- take appropriate disciplinary action against the Storeman for not updating the stock cards.

40.11.4 Delay in Supply of Hardware Items By Approved Contracted Suppliers

- Audit noted that hardware Company C was not able to provide building materials to DEN on several occasions within the agreed time frame of 2 – 3 days and 4 – 5 days. Significant delays were noted for supply of building materials to the DEN by hardware Company C. The delay was recurring throughout the year and in most cases, it took the contractor more than 10 days to supply the materials ordered.

The audit also noted that the DEN did not advise Fiji Procurement Office about the delays in supply of materials by hardware Company C.

- The Ministry informed that it has centralized all its calling of quotations, procurements and implemented restrictions on PO approvals for the 3 Divisions.
- Any issues relating to the Standing order contract is referred to FPO.

Committee Recommendations

PAC recommends that the Ministry should:

- discuss the matter with Fiji Procurement Office to ensure materials are supplied on time; and
- seek approval from FPO to purchase materials from second choice supplier, where the first choice supplier is unable to provide them.

40.11.5 Highly Overstated Project Cost Estimates

- **Audit Finding** - The audit noted that the DEN did not implement two of these projects, namely Group 7C Mua Coconut Research and Mua Coconut Centre in 2015 with budget estimates of \$55,946 and \$18,190, respectively. These projects were not implemented because they were located far from Taveuni and due to time constraints were placed last to be carried out in 2015.
- The audit also noted significant savings in actual cost of implementing four out of the eight projects compared to the project cost estimates. The savings were as high as 48%. This shows that project costs estimates were not properly prepared and were highly overstated.
- The Ministry informed that all project costings are undertaken by DBGA in consultation with Divisional Engineers. DBGA ensures that all cost components are incorporated in the Project estimates.
- Middle Managers that are normally assigned to supervise these works are continuously being trained to oversee the physical progress of the Projects and institute corrective measures during the construction phase.
- DBGA has been reminded to consider weather conditions and stability of the environment (location, rough seas, high/Low tide) whilst providing estimations for Lighthouse constructions.
- Costs of such constructions are affected by such factors.

Committee Recommendations

PAC recommends that the Ministry should:

- ensure that project cost estimates are reasonable and not highly overstated;
- ensure that all project cost estimates and materials are reviewed and approved by the DEN; and
- investigate and take appropriate disciplinary action for poor cost estimates.

40.12 Divisional Engineer Central Eastern

40.12.1 Non Compliance to Project Implementation Schedule

Audit Finding - The audit noted that a project for Routine and Special Upgrading of Public Buildings was not implemented in 2015. It was also noted that the remaining six projects were completed but after significant delays compared to the completion timeline as per the PSIP schedule for the year 2015.

The Ministry informed that all contract agreement has the timeline for commencement and completion after it has been vetted from the Solicitors-General's Office as mentioned earlier.

Committee Recommendation

- PAC recommends that the Ministry should apply for release of funds from Ministry for Economy in advance to ensure that projects are implemented and completed in accordance with the PSIP schedule.

GOVERNMENT SHIPPING SERVICES

40.13 Non Payroll

40.13.1 Progress Reports Not Prepared

- **Audit Finding** - The audit noted instances where the works carried out by the Contractor was not reviewed or supervised by a representative of the Department either on a daily, weekly or fortnightly basis. Apart from the project reports for the payments, the Department did not prepare any periodic progress reports on the progress of works carried out by the Contractors.
- The Ministry acknowledged that there was a lack of monitoring within the Department however, this has been much improved.
- The Ministry has a project implementation and monitoring team which ensures that all projects are implemented in line with AWP and progress reports are maintained.

Committee Recommendations

PAC recommends that the Department should ensure that:

- all projects are supervised by the Department on a regular basis; and
- periodic progress reports are prepared by the Department for all the projects.

40.13.2 Non Compliance with GTB Approval

- The Ministry informed that the GTB approved that a Clerk of Works is to be assigned to monitor and endorse the satisfactory completion of construction stages prior to release of payments.
- The Department did not appoint a Clerk of Works to be based at the project sites to monitor the progress of the capital works undertaken by the Contractors. Instead, the Acting DBGA from the Ministry of Infrastructure and Transport who was not based at the site verified the work completed for release of payments.
- The GTB had recommended for the need of having a Clerk Of Works on site however it was not budgeted for thus there was no allowance made for it. The Department will ensure that this is provided for in future projects.
- The committee was informed that the Ministry has appointed certain officers from DGBAs team as recommended by OAG to continuously monitor the progress of the project.

Committee Recommendations

PAC recommends that the Department should:

- comply with GTB approval at all times; and
- ensure that Clerk of Works is appointed at the commencement of the project until the project is completed.

40.13.3 Anomalies in Purchase of Generators

- The Ministry was informed that the Generators were sourced from Malaysia and a person was sent to check and test that the generators were working and based on that the order was placed.
- The Contractor performed its duties like an indent agent hence it was not feasible to ascertain definite delivery dates of the ship engines.
- Generators are now installed on the Craft Vunilagi.
- The Craft was brought to Fiji in 2014/2015.

Committee Recommendations

PAC recommends that the Department should:

- comply with GTB approval at all times;
- ensure that the performance bond is obtained from the Suppliers in future;
- include the delivery timeframe in all supply contracts;
- comply with the contract clauses at all times; and
- take appropriate disciplinary actions against those responsible for not following proper procurement procedures.

40.13.4 Delay in Supply of Used Straight Steel Tramline Rails

- **Audit Findings** - Audit findings indicate disregard by the Department on the directives given by the GTB. As a result, the agreed timelines for delivery were not met. In addition, the Department did not plan the procurement of the tramlines as a result the tramlines were lying idle resulting value for money not being realised from public funds.
- The Ministry informed that the delay was in the process of payments as the contractor needed the Ministry to make an advance payment to confirm on the order. Later it was then approved and agreed after several correspondences via email, as per table below, that the Ministry will only make full payment upon delivery of goods.
- This was approved and formalized after a month upon signing of the contract between the Ministry and the contractor RC Manubhai Company Limited. Another added factor was the delay in shipment of the materials into the country.

Committee Recommendations

PAC recommends that the Department should ensure that:

- penalties for delay in supply are included in the contract and charge delay damages for any delay in supply of goods and services; and
- projects and procurements are properly planned so that materials purchased are used within a reasonable timeframe.

40.13.5 Advance Payment for Fuel and Lubricants

- **Audit Finding** - The audit noted that the Department made advance payments totalling \$367,913 to Supplier C for the supply of fuel and lubricants without obtaining approval from the Chief Accountant.
- The committee was informed that during the peak cyclone period and close of financial year, adequate quantities of fuel and lubrications are procured for mobilization of vessels in the event of emergencies. Proper monitoring and reconciliations are carried out to ensure that the quantities ordered have been received.
- The bulk purchase of fuel was made in December to cater for the vessels till end of the year as this is one of the busiest periods whereby vessels are in high demand. Fuel is also stored for emergency use during the cyclone season which is from November to April.
- Fuel had been supplied to GSS on piecemeal basis because the fuel tank at GSS could only accommodate 55,000 litres and fuel cannot be supplied directly from the fuel truck to the vessels. Total Fiji Limited's fuel truck had the capacity to deliver only 33,000 litres of fuel per delivery thus the reason for piecemeal supply.
- The Ministry will ensure that officers will reconcile the invoices against the purchase orders to avoid the risk of any overpayments.

Committee Recommendations

The Department should ensure that:

- advance payments are made only with the approvals of the Chief Accountant;
- the department comply with the contract clauses;
- responsible officers should monitor and reconcile the invoices to avoid overpayment;
- investigate the overpayment and take appropriate action.

40.13.6 Significant Loss in Drum Deposit

- **Audit Finding** - Audit noted that no drum deposit was refunded to the Department as drums provided by the Department for refund were rejected by Supplier C since they were not in a good condition.
- The committee noted that the vessels sail in adverse weather conditions whereby fuel and oil [flammable] are stored on deck and exposed to sea water and corrosion.
- It was also not safe to store these drums in closed rooms hence the recommendation from OAG for disciplinary action for officers could not be determined as it was beyond the Ministry's and/or the Captain's and the crew's control.

Committee Recommendations

PAC recommends that the Department should ensure that:

- the empty drums are handled with care and kept in good condition; and
- Officers responsible for improper handling of drums are surcharged the amount of refund.

40.13.7 Anomalies in Maintenance of Tally Cards

Audit Finding - The Department did not maintain tally cards for Office Supplies and Repair and Maintenance materials during 2015. The Department started maintaining the tally cards for these stores from 2016. However, it was noted that the tally cards for Office Supplies, Fuel and Lubricants, Repair and Maintenance materials stores were not updated by the storeman as of the date of audit on 31/3/16.

The Ministry clarified that this is in relation to the transit stores for the appointment of one more Storeman for the Ministry to undertake this role – maintenance of tally cards. The Department will ensure that a Storeman is appointed to fill the vacant Storeman post to ensure regular update for movement of stores.

Committee Recommendations

PAC recommends that the Department should ensure that:

- tally cards are updated regularly to record movement of stores; and
- appropriate disciplinary action is taken against those responsible for not performing their duties diligently.

40.13.8 Anomalies in Payment

- **Audit Finding** - The audit noted several instances of local purchase orders issued by the Department after invoices were received. Purchase orders were

issued by the Department just to regularise the procurement process. In addition, several payments made by the Department were not supported with delivery dockets.

- The committee was informed that there are vendors which no longer issue delivery dockets. In these instances officers receiving goods sign on the invoices and POs as proof that goods have been received.
- Some suppliers cannot estimate the cost of the repairs and services beforehand therefore they carry out the services first then they issue the invoices based on the cost of the services rendered and once the department receives the invoice then the purchase order is generated to regularize the procurement process. For Government Shipping Services, the delivery dockets are obtained for all items and maintained by the Storeman and only submitted to accounts upon request.
- Nevertheless, the department has ensured the committee that delivery dockets will be obtained and submitted together with invoices to accounts.

Committee Recommendations

PAC recommends that the Department should ensure that:

- local purchase orders are issued for purchases of all goods and services;
- delivery dockets are obtained for all items purchased;
- supervisors carry out their duties vigilantly; and
- take appropriate disciplinary action against responsible officers for not issuing purchase orders and obtaining delivery dockets when acquiring goods and services.

FIJI METEOROLOGICAL SERVICES

40.14 Non Payroll

40.14.1 Anomalies in Construction of Archive Facility

- **Audit Finding** - The Department paid the contractor \$858,229.35 which included a contingency sum of \$78,020.34 as at 31st December 2015. No approval was sought from the GTB for the utilisation of the contingency sum.
- The department did not obtain the approval of the GTB for the extension of the contract period from 15 to 25 weeks and the department did not take any action against the contractor for the delay in completing the project for 25 weeks instead of 15 initially stated in the contract dated 21.10.15 between the Ministry and the Contractor.
- The Committee was informed that the payment of \$78,020.34 was later recovered and reimbursed into the consolidated fund account. OAG to verify this issue in the next audit of the Ministry and provide evidence to the Committee within 7days from the date of meeting.

- The Committee was informed that this issue was the result of the oversight of the Ministry's Accounts Unit who failed to check and verify the full payment that had been made to the contractor.
- Despite the explanation given by the Ministry, the Committee is still of the view that necessary disciplinary actions should be taken against the officers as anomalies identified indicates poor financial and project management by the department.

Committee Recommendations

PAC recommends that the Department should ensure that:

- the overpayment made to the Contractor is recovered;
- proper monitoring of the projects are done at all times to ensure its timely completion; and
- the contract clause such as delay damages are applied for the failure on the part of the Contractor.

40.14.2 Upgrading of Outer Island Works Not Properly Planned

- **Audit Finding** - The audit noted that sum of \$147,431 was utilised only for the Ono-i-Lau Meteorological Station instead of equally distributing the amount of \$20,000 each to fencing and footpath works for Yasawa, Viwa, Vanuabalavu, Matuku, Vunisea and Udu Point as per Department's Public Sector Investment Programme (PSIP).
- The Ministry informed that the tender process was waived and the works were done by the Ministry of Infrastructure and transport.
- The Committee was informed that the proper planning process of the upgrading works of outer island stations as per the PSIP list was not conducted. This reflects in the utilisation of 98% of the PSIP budget for the Ono-i-Lau Meteorology station only hence fencing and footpath works for other islands were not undertaken during the year which reflect poor planning and budgeting on the part of the Ministry.
- As a way forward the Ministry informed the Committee that now before any funds are requested from PSIP, the Ministry undertakes actual visitation to determine the extent of funds that will be required for upgrading works to be completed.

Committee Recommendation

PAC recommends that the Department should ensure that the project cost estimates are properly carried out and funds are properly managed to ensure projects are completed within the approved budget.

40.14.3 Building Works Carried Out Without Any Agreement

Committee Recommendation

- The Department should ensure that at a MOA is signed with the Contractor for all works valued less than \$50,000.

40.14.4 Journal Vouchers Not Adequately Supported

- **Audit Finding** - The Committee noted that the Department raised several journal vouchers to make accounting adjustments. The journal vouchers lacked adequate supporting documents.
- The Ministry advised the Committee that the reason that the Journal Vouchers were raised was to address the misposting or misallocations.
- MoE informed that the last Internal Audit conducted had been in the 2nd Quarter of 2016/2017 financial year for this Department. The Audit Report compiled by MoE was given to the Permanent Secretary in early 2016 and they have taken note of the recommendations.
- As a way forward the Ministry informed that the Principal Accounts Officer from the Headquarters is now regularly visiting all the Accounts Sections in the various Departments that fall under the Ministry for checking and verification purposes.

Committee Recommendation

- PAC recommends that the Department should ensure that journal vouchers have adequate supporting documents.

DEPARTMENT OF WATER AND SEWERAGE

40.15 Non Payroll

40.15.1 Refurbishment of Office (Water and Sewerage Department)

- **Audit Finding** - Audit noted that expenses totalling \$43,086.45 incurred to refurbish the Office space at Gaunavou House was a waste of public funds as the Department occupied the Office for only 10 months before moving to Nasilivata House.
- The Committee was informed that Water and Sewage Department was relocated from Richards Road, Domain to Gaunavou House at Ratu Mara Road to Nasilivata House in Samabula.
- The Department occupied the office space at Gaunavou House for 10 months before moving to Nasilivata House. Therefore expenses totalling \$43,086.45 was incurred by the Ministry to refurbish the office space at Gaunavou House was a waste of public funds.
- The Committee was informed that the first relocation had been directed by the then Office Accommodation Division under the Public service Commission and the Ministry had to comply with the directive given.

- The Committee noted that the other substantive relocations was directed by the CIU of the Ministry of Economy and the cost incurred will be borne by the Ministry and sourced from the Ministry's budget.

Committee Recommendations

- PAC recommends that the Department should properly plan the relocation of office to avoid wastage of public funds in future; and
- PAC recommends that the Ministry of Economy should investigate the waste of public fund and consider surcharge action against those responsible.

40.15.2 Construction of Portable Lab

- **Audit Finding** - The audit noted that following anomalies:
 - DECE initially constructed the base for the portable water laboratory behind DECE office at Walu Bay at a cost of \$2,717. However, the location of the lab was later changed to another place within the DECE'S compound. Hence \$2,717 used for constructing the lab base was wasted due to relocating the lab site.
 - The construction of the laboratory was supposed to be completed in seven weeks on 5/10/15. However the project was completed after a delay of 85 days on 29/12/15.
 - Some of the equipment purchased for the laboratory costing \$19,829.95 were not installed and were still packed in cartons stored at the DECEs. Hence the lab was not fully used and the Department did not obtain value for money from public monies spent.
 - The findings indicate that the construction of the portable lab was not properly planned and proper procurement procedures were not followed resulting in waste of public funds.
- The Ministry informed that whilst the Base was being casted it was established that due to movement of heavy vehicles, vibrations were experienced which would have distorted the test results.
- It was noted that the construction of the portable lab base costing \$2,717 was wasted due to the relocation of the lab site.
- The Committee also enquired on the disciplinary action taken but was informed that no disciplinary action had been taken regarding that issue.

Committee Recommendation

PAC recommends that the Department should:

- call for tenders to select the most economical and efficient contractor for any project to be completed on time and within the approved contract sum;
- ensure that lab is used to obtain value for money; and

- take appropriate disciplinary action against responsible officers for additional costs incurred.

40.15.3 Items not received for Payments made in Advance

- **Audit Issue** - The Committee noted that the Department made a payment of \$19,829.95 on 29.12.15 for the purchase of laboratory items and due to be supplied by mid to late February 2016. As at the date of audit 8.03.16 no laboratory items were supplied.
- The Department informed that the laboratory items are classified under dangerous good and require clearance from the Belgium customs to approve freight, hence the delay.
- The Committee further noted that the department also made an advance payment of \$9,900 to the supplier without the approval of the Ministry of Economy to purchase 9x1000 portable septic tanks. During the time of audit the Committee was informed that only 4 portable septic tanks were supplied to the Department.
- The Committee was informed by the Department that the balance of the septic tanks was received at a later date.

Committee Recommendations

PAC recommends that the Department should:

- follow up with the suppliers for not supplying the items ordered;
- take disciplinary action against Officers responsible for advance payment without following proper procedures;
- consider surcharge action against officers responsible for advance payment for items not delivered.

40.15.4 Installation of Ecological Purification System (EPS) in Rural Areas

Audit Finding - The Department implemented 28 EPS projects in 10 Provinces. The audit noted that actual cost for all the EPS projects exceeded the estimated cost prepared by the Divisional Engineers. Although the total estimated cost for 28 projects was \$981,030, the actual cost of implementation was \$1,228,031.27. The Department incurred over expenditure of \$247,001.27 compared to the total estimated cost.

Committee Recommendation

- PAC recommends that the Department should investigate the cost overruns and take appropriate action to complete the projects within the estimated cost.

40.15.5 Additional Cost Incurred on Changes to the Design of the EPS Project

- **Audit Finding** - The audit noted that for the Northern Division changes were made to the design of the project by the EPS expert (JICA). The change in project design led to additional expenses incurred by the Department totalling \$48,581.88.
- The committee was informed that the purpose of EPS is to maintain the quality of drinking water.
- In order to make the EPS projects operate more efficiently and provide better quality and safe drinking water for rural populations, design of the systems had to be reviewed by JICA counterparts taking into consideration the quality of water source, environment and the community need.
- The JICA counterpart also joined the Department whilst the EPS projects were underway and thus the original designs had to be amended based on his expertise. In view of these, it was noted that the designs were amended for successful operations of the EPS projects, hence additional costs were incurred.
- The Ministry monitors periodically and the EPS do not use any chemicals just algae for water to be drinkable. A Water Committee is formed in communities to ensure that EPS are working fine and act a focal point in informing the Ministry accordingly.

Committee Recommendation

- PAC recommends that the Department should ensure that interested stakeholders are consulted during project planning phase to avoid additional costs.

DEPARTMENT OF ENERGY

40.16 Rural Electrification Unit

40.16.1 Anomalies in Community Contribution

- **Audit Finding** - The Naiyala to Nayavu grid extension project was completed by a major electricity provider in February 2015 at a total cost of \$1,381,713. The Department's contribution was 95% or \$1,312,627.35 while the community contribution was 5% or \$69,085.65 and an additional \$7,493.60 was for deposit required by the electricity provider.

However, the audit noted that the community only contributed \$66,865.86 or 88% of the total required contribution. The Department paid the community contribution of \$69,085.65 which was to be recovered later. The project was completed in February 2015. However, as of the date of audit, the community still owe a sum of \$9,713 to the Department \$9,713 for its contribution.

- The Committee was informed that the community contribution has now been fully paid.

- It was also noted that due to TC Winston, this had affected FEA's work plan in ensuring that most villages and communities have access to Electricity which the Ministry can only come in once this phase has been completed by FEA who is a sole supplier.
- The Ministry has advised that it is currently focusing on those villages that have no solar power or power lines.

Committee Recommendations

PAC recommends that the Department should ensure that:

- community contributions are received in full before projects are implemented;
- concerted efforts are made to recover the outstanding contributions from the community to avoid write offs; and
- investigate and recover the outstanding community contribution from the Officers responsible for allowing this project to commence without collecting the full community contribution.

40.16.2 Additional Expenses Incurred Due to Delay in Formulating Contract

Audit Issue - As a result of delay in finalising the contract with the major electricity provider, the Department incurred additional cost of \$559,194.90 compared to the initial quote of \$399,651. This included additional community contribution of \$21,176.29 which was also paid by the Department.

Committee Recommendations

PAC recommends that the Department should ensure that when community contributions are fully received:

- contract is finalised and appropriate approvals are obtained without delay;
- payments are made without delay to avoid extra costs; and
- appropriate disciplinary action is taken against responsible officers for delays which resulted in additional cost for the government.

40.16.3 Anomalies in Contractual Agreement

Audit Issue - The following anomalies were noted in the audit of contract documents of different projects:

- Contract agreements should clearly state the Date of Commencement and the Date of Completion of the project.
- Contract agreements signed between Department and the contractors for the Rural Electrification Projects did not state the project commencement dates. Refer to Table 40.44 for examples.
- Contract agreements for procurement of equipment should state the delivery timelines.
- The contract agreement signed between the Department and supplier for the supply and installation of 23KW Hydro Turbine for the Kadavu and Koro Hydro Project costing

\$337,593.35 did not state the delivery timeline. In addition the contract for supply and installation of 23KW Hydro Turbine expired on 29/02/16 however as at audit date⁶³ the Turbine was not received by the Department. The Department had already paid a sum of \$236,315.34 to the supplier.

- The Committee was informed that this project has been successfully completed and commissioned for the Kadavu Koro Hydro Overhead Grid Construction, Mauna Hydro Overhead Grid Line Construction and Nukuloa Micro Hydro Project.
- An Electricity Committee is formed in communities for monitoring of these hydro projects and acts as focal points to the Ministry.

Committee Recommendations

PAC recommends that the Department should ensure that:

- contract agreements clearly state the project commencement and completion dates with delivery timelines; and
- projects are properly planned and monitored to avoid delays.

40.16.4 Delay in Project Completion Due To Non Supply of Materials by the Approved Supplier

- **Audit Finding** - The audit noted that as at the date of audit on 19/02/16, the major electricity provider did not supply the overhead transmission line and transformer materials to the contractor. The project was only 50% complete and the Contractor was awaiting the materials from the supplier in order to complete the project.
- The audit further noted that the Department did not have a written contract agreement with the supplier for the purchase of overhead transmission line and transformer materials for the Muana Hydro Project.
 - The Committee was informed the Ministry prefers the supplier to manage their supplies and materials.
 - The Committee was informed that this project has been completed and installed.

Committee Recommendation

- PAC recommends that the Department should ensure that an agreement is entered into with the suppliers of materials in future.

40.16.5 No Delay Damages Charged for Delay in Project Completion

- **Audit Finding** - The Department was not able to provide the actual completion date of the project and the completion certificate. However, the DOE paid 90% of the project cost and the 10% retention sum to the contractor for Muana Grid Extension. In addition, the DOE also paid 90% of the project cost to the contractor

for Kadavu and Koro hydro Overhead grid project. The Department did not claim damages for the delay by both contractors.

- The committee noted that \$25m was the approved capital budget for the Ministry which will require quality control of the funds utilised.
- It was noted that 20% paid to the contractor at the first stage and progress payments are arranged.
- The Ministry has formed a Project Monitoring Group that monitors the progress of the Contractors in carrying out the projects undertaken and has the authority to verify and sign off project that has been successfully completed and commissioned.

Committee Recommendation

PAC recommends that the Department should ensure that:

- capital projects are properly planned and reviewed to avoid delays;
- delay damages are claimed from the contractors for works not completed as per the contract; and
- terms and conditions of the contract are complied with at all times.

40.17 Solar Home System Scheme

40.17.2 Items Not Taken on Charge

- **Audit Finding** - The audit noted that the supply of \$3,200 solar home systems equipment valued at \$10,803,113.88 was awarded to 3 companies. The audit revealed that the items delivered by OECL (one of the companies) were still stored at the company's warehouse in Nakasi which was not fenced, therefore not properly secured.
- The Ministry informed that Stock takes are carried out periodically by all stores and reports are submitted quarterly to PSIT for control and monitoring purposes.
- The Ministry had trained its stores and accounts personnel in the maintenance of store record, inventory register management and asset register management with the assistance of Fiji Procurement Office.
- The committee noted that has been incorporated in the Ministry's Finance Manual 2015.

Committee Recommendations

PAC recommends that the Department must ensure that:

- all equipment purchased are updated in the inventory ledger and or tally cards to avoid losses;
- there is proper and adequate storage space for inventory items;
- items purchased are received and securely stored at the Department's own storage facilities; and
- That all items ordered are received.

40.17.3 Significant Delays in Renewal of Solar Home System Maintenance Contracts

- **Audit Finding** - Audit noted that there were significant delays in the approval for the renewal of contracts from the date of submission of the performance review to GTB after the contracts were vetted by the Solicitor General's Office.
- The Ministry informed that as the way forward, all renewal of contract agreement is submitted to Government Tender Board approval before contract agreement is submitted to SGs office for extension.
- The Department is also improving on the working relations and timelines with the Office of the Solicitor General which is anticipated to improve the turnaround time for vetting of contracts.

Committee Recommendations

PAC recommends that the Department should ensure that:

- performance review of contractors are properly planned to avoid delays in service delivery; and
- contracts are submitted on a timely basis for vetting by the Solicitor General's Office after GTB approval is obtained.

40.17.4 Revenue Arrears for Solar Home System Scheme

- **Audit Finding** - The Department's arrears of revenue for the Solar Home System Scheme as at 30/6/15 was \$548124.
- The Ministry advised the committee that most of the forecasted arrears were based on 100% operational of the SHS projects although some of the systems were not fully operating due to faulty lights, batteries, panels, controllers or inverters hence these were the main reasons customers were not willing to pay their monthly bills.
- The maritime and remote settlements in the Northern and Eastern Divisions sustained damages to the SHS equipment during TC Winston hence the equipment were either in operational, houses not being built or consumers have relocated.

Committee Recommendations

PAC recommends that the Department should:

- update its arrears records on a monthly basis to fairly represent arrears of revenue;
- ensure that concerted effort is made to recover the arrears to avoid write offs.

40.18 FEA Grid Extension projects

40.18.1 Missed out Schemes/Tee offs (Seqaqa/Dreketi Grid Extension Projects)

- The Ministry advised that the Department completed the electrical wiring for 634 households and only 549 household were connected to the power grid. The remaining 91 households were not connected to the grid because they were located far from the major electricity provider's grid.

- The project officer migrated to New Zealand halfway through the project without proper hand over of scope of work and responsibilities which affected the control of the electricity projects particularly when this was contracted to the major electricity provider.
- The usual procedures for application of rural electrification schemes were applied in the Seaqaqa/Dreketi project. This is also one of the projects which the Department was verbally instructed to get it commissioned as soon as possible.
- The project implementation was closely monitored unfortunately the electricity supplier had exhausted all funding for this work with pending poles to be constructed.
- The scoping and quotations is done by FEA and FEA being the regulatory body and sole provider of service.

Committee Recommendations

PAC recommends that the Department should ensure that:

- all grid extension work is carried out in consultation with the electricity supplier;
- the grid extension drawings and cost estimates are agreed by both parties before the contract agreement is signed; and
- actual construction works by electricity supplier are closely monitored to ensure that the grids are constructed according to the approved drawings.

40.18.2 Flaws in Grid Extension Payments

- The Ministry informed that he designing, scoping and quotations is done by FEA being the regulatory body and sole provider of service.
- The committee noted that FEA has been advised and it currently undertaking these projects as per its construction schedule.

Committee Recommendations

PAC recommends that the Department should ensure that:

- approved drawings and cost estimate details are jointly approved by both parties before contracts are signed;
- mandatory requirements for due diligence are satisfied to ensure that the interests of government is protected at all times; and
- inspection of construction work is carried out regularly by the Department.

40.19 Renewable Energy Development Projects

40.19.1 Bidder Engaging Officers of the Ministry in Preparing the Tender Document

- **Audit Finding** - Audit review of the bid documents submitted by both companies revealed that one of the external companies indicated in the bid document that it will engage three of the Ministry's staff who works in the Technical Section, if awarded the tender.

- The audit also noted that the three officers will be assisting in the dam and powerhouse drawings, material schedule and work program and project supervision, electro mechanical, and other associated works. The audit also noted that these officers did not inform the Ministry about their involvement with one of the bidding companies
- The committee was informed that this case will be forwarded to the Ministry's Disciplinary Unit for investigation in which is currently being looked into internally first.

Committee Recommendation

- PAC recommends that the Department should investigate the matter and take appropriate action.

40.19.2 Losses Incurred on Installation of Wind Monitoring Systems (WMS)

- **Audit Finding** - Audit noted poor project planning and implementation by the Department. As a result, the Department had to incur additional costs and it took over 5 years (2011 – 2015) to complete the project.
- The committee was informed that the contract for installation of WMS was signed between the Department with Energy and Clay Engineering Ltd which is a new initiative undertaken by the Ministry.
- The reason why the Department installed a 50m tower rather than a 34m tower as approved by the GTB was because it needed to comply with the WMO International Benchmark adopted in Geneva and Fiji is a signatory. Hence, the Ministry had comply with this new requirement.
- The decision to procure the 34m towers was awarded before the WMO announcement was made.

Committee Recommendations

PAC recommends that the Department should:

- ensure that all project ground work is sorted prior to calling of tenders for capital projects; and
- ensure mandatory requirements for due diligence are satisfied to ensure that governments interest are protected.

40.20 Biofuel Implementation Programme

40.20.1 Failure of biofuel mills operations in outer islands

- **Audit finding** - Audit noted that 5 out of the 9 biofuel mill were not operational and the total funds spent on this bio fuel mills as at 31/12/15 was \$3,298,607.77 of total investment over the past 5 years.
- The committee was informed that the program started 10 years ago and has been subject to a feasibility study.

- The Ministry advised that there have been some issues on the collection of reports and data from the Biofuel Mill Managers despite constant reminders.
- The Ministry is very keen on losing their investments in these mills hence the Department is working with the Global Green Growth Institute.
- It was noted that Biofuel Mill operations have been reviewed and reports (recommendations) have been received on 1/5/2017. Management will review the recommendations in the report and implement as appropriate.

Committee Recommendations

PAC recommends that the Department must ensure that:

- the mill's financial reports are submitted by mill managers on a timely basis;
- a review of the biofuel mill operations is conducted immediately to evaluate its viability and take appropriate action.

40.20.2 Demolition and Reconstruction of the Moala and Matuku Biofuel Mills

- **Audit Finding** - The audit noted that the Department paid \$5,876.50 to the engineer for the project inspection and \$752,502 to DECE to demolish and reconstruct the biofuel sheds. Hence, the Department incurred \$758,378.50 additional expenses for the bio fuel projects at Moala and Matuku, Lau.
- The audit also noted that although both the bio fuel project was completed on 18/06/15, as at the date of audit, none of the mills were in operation.
- The Department informed that it ensures that biofuel projects are properly planned, approved and supervised which saw the successful completion of the reconstruction works on the two sites in 2015.
- The Department had also sought the assistance of the Divisional Engineer Works - Central/Eastern for the reconstruction works hence the successful completion of the works.
- The committee was informed that the Ministry had terminated two officers in 2013 regarding the biofuel project issue from Moala and Matuku and the same is currently being handled by the Office of the Solicitor General in recovering funds from the Contractor.
- The committee also noted that for future projects, thorough consultations will be held for design, scoping and project monitoring.

Committee Recommendations

PAC recommends that the Department should:

- Ensure that all capital works are properly planned, approved and supervised in future; and

- Seek assistance from relevant authorities when implementing such projects in future.
- Ministry of Finance should investigate the matter and take appropriate action against officers responsible for waste of public funds.

40.20.3 Delay in Installation of Dual Fuel Kits and Power Converters

- **Audit Finding** - The audit noted that the Department purchased 40 seats of Vegetable Oil Dual Kit (DFK's) costing \$232,000 as per the GTB approval will be installed.
- However, there were only 19 vegetable Oil Dual Fuel Kit were installed as pointed by OAG.
- The Ministry has advised and assured the committee that this will be installed by the end of next month.

Committee Recommendation

- PAC recommends that the Department should ensure that the above items are installed at the identified sites without any further delay.

40.21 Major/Minor Electrical House Wiring Works

40.21.1 Inconsistencies in Basis for Award of House Wiring Works through Expression of Interest

- **Audit Finding** - Audit review of quotations and the TEC meeting minutes for house wiring electrical works obtained through EOIs from the GTB approved panel of contractors noted inconsistencies in the basis for awarding house wiring works. These inconsistencies were mainly most expensive bidders were selected compared to other bidders, 2nd most expensive bidders were selected, bidders with outstanding works were not selected and the cheapest bidder selected.
- In addition, in most cases, invitations for obtaining quotations were sent only two to four days before the closing date of the quotations and in some instances, these quotations were evaluated by the TEC within two to four weeks after the closing date of the quotations.
- The audit further noted that all the members of the TEC for the House Wiring Works were officers from within the Department.
- The Department did not follow proper process of calling of Expression of Interest for capital works.
- The Ministry informed the committee that the Department of Energy is continuously working towards improving its processes and procedures for awarding house wiring works.
- The Department has implemented the process of engaging a technical representative from the Department of Works Electrical Section and one Senior Accounts Officer from the Accounts Section as independent TEC members.

- The Ministry has taken note of the audit recommendations for future projects, the Department will strictly adhere to procurement regulations at all times

Committee Recommendations

PAC recommends that the Department must ensure that:

- the basis for awarding house wiring works is consistent;
- reasonable time is given for companies to submit their quotation before the closing date;
- independent members of the TEC committee are appointed.

40.21.2 Inspections on House Wiring Works not carried out

- **Audit finding** - The audit noted instances where payments were made to house wiring electrical contractors for house wiring projects without inspection reports from Departments officials.
- The committee noted that a checklist is in place for all contractual payments which needs to be complied with before processing of any payments; hence this also includes verification of the inspection reports.
- There is a monitoring process in place adopted by the Ministry and payments released are compliance with the checklist.

Committee Recommendations

PAC recommends that the Department should:

- carry out inspections for house wiring projects to ensure that it has been carried out as per the contract;
- ensure that all payment for the projects are made on the basis of recommendations as per inspection reports; and
- inspection reports are produced for audit verification on request.

40.22 Bukuya Hydro Scheme

40.22.1 Anomalies in Awarding of Contract

- The committee was informed that this project has been completed however; an investigation is currently being looked into by the Ministry and the committee requests for an update after the investigation has concluded as it is related to the previous anomalies highlighted during the discussions with the Ministry and OAG.

Committee Recommendations

PAC recommends that the Department should ensure that:

- all tenders called are evaluated and awarded on a timely basis to avoid delays;

- Officers responsible for signing contracts are diligent in performing their duties;
- investigate and take appropriate disciplinary action against Officers for their negligence.
- the contract agreement clearly outlines the project commencement and completion date which is in line with the contractor's tender bid; and
- the contract is duly signed by both the parties on the same date or in few days' time.

40.23 Project Administration Issues

40.23.1 Roll Over of Projects

- **Audit Finding** - The audit noted that due to poor project planning by the Ministry on the part of the management of the Department in ensuing that projects are completed within the financial year, number of capital projects planned for 2015 were either not implemented or not completed.
- The committee was advised that in the aspects of implementation of capital resources apart from the funds given to the Department, the Ministry works closely with the project management contractors to ensure capital projects undertaken are met.

Committee Recommendations

PAC recommends that the Department should ensure that:

- all projects are properly planned for implementation within the financial year;
- current year budgetary allocations are not committed for prior year projects; and
- only valid or current years GTB approvals are used for payment purposes and funds allocated are utilized for the intended purpose.

40.23.2 Poor Project Record Keeping

- **Audit Finding** - The audit noted that a total of \$8,617,980.41 or 30% of the total Capital Expenditure budgetary allocations in 2015 was utilized to pay for projects rolled over from prior years. This resulted in burden on the 2015 capital expenditure budgetary allocations.
- In addition, the GTB approvals obtained from the prior years were used to make payments from the 2015 capital expenditure allocations. In this regard, the Department failed to comply with the requirements of the Finance Circular 21/2014.
- The Ministry has created a library that is looked after by their Librarian and has taken the initiative of scanning of all historical records.
- The challenge was that for some technical officers who fail to keep proper records as these officers are also required to Multi-task.
- However, the committee notes that the Ministry has set up a designated filing and archives area on the ground floor.

Committee Recommendations

PAC recommends that the Department should ensure that:

- All project records are properly filed, indexed and stored securely; and
- progress reports for each capital projects are centrally maintained and updated on a regular basis.

40.23.3 Composition of Tender Evaluation Committee (TEC)

- **Audit Finding** - The audit noted that capital project records were not properly maintained by the Department. In most cases, project files were only kept on the workstations of the responsible officers and were not securely filed in cabinets.
- In addition, records of capital projects that were in progress at the time of audit were not centrally maintained in the Department. Instead each unit maintained its own progress reports which in most instances were not up to date as at the date of audit⁸⁶
- The Committee noted that the Tender Evaluation Committee consists of a rep from the Accounts, Department of Energy and Department of Works for consideration and justification for tendering procurements.
- The committee was informed the TEC usually meets when there is a contract that the Ministry is about to engage in and conducts a formal evaluation similarly to the processes involved in FPO.
- In order for the TEC to meet, it will need a quorum hence, a rep from each Units/Department will need to meet as and when required/needed which excludes the Secretary.
- It was noted that the Ministry has Corporate Services, Policy & Transport, Planning, Department of Energy, Department of Water and Sewage, Government Shipping Services, Fiji Meteorological Office, Department of Building and Government Architect and Department of Works which includes 3 divisional engineers – Central, Western and Northern.

Committee Recommendations

- PAC recommends that the Department should comply with the requirements of the Finance Manual at all times.

Section 49: Peacekeeping Missions

Roles and Responsibilities

The Fiji Military Forces and Fiji Police Force provides international peacekeeping operations for the United Nation (UN) sanctioned missions (UNDOF, UNAMI, MFO) in Syria, Iraq and Sinai.

Under the UN Security Council mandate for the deployment of UN security personnel in those war zones provide:

- maintaining or restoring international peace and security;
- disengaging the conflict parties;
- creating conditions for peaceful settlement of a conflict;
- monitoring ceasefire peace agreements; and
- rendering humanitarian assistance to civilian population in the area of deployment.

PART A: FINANCIAL STATEMENT

49.1 Audit Opinion

The audit of the 2015 special purpose financial statement of the Peacekeeping Mission resulted in the issue of an unqualified audit opinion.

49.2 Statement of Receipts and Expenditure

The Peacekeeping Mission incurred a total expenditure of \$68,611,388 in 2015.

49.3 Appropriation Statement

The Peacekeeping Mission incurred expenditures totalling \$68,611,388 in 2015 against a revised budget of \$72,626,918 resulting in a savings of \$4,015,530 or 5.5%.

CHAPTER 6: Conclusion

As an observation, the PAC notes the limited resources within the Office of the Auditor-General and the Ministry of Economy's Internal Audit Division.


On a positive note, PAC also notes a general trend of improvement across most, if not all Ministries and Departments. However, there are eight general recommendations that most entities need to be aware of, and where necessary, address as a matter of priority.

We, the Members of the Standing Committee on Public Accounts agree with the contents of this report:




Hon. Ashneel Sudhakar

(Chairperson)



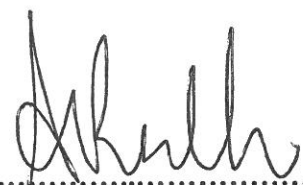
Hon. Mohammed Dean

(Deputy Chairperson)



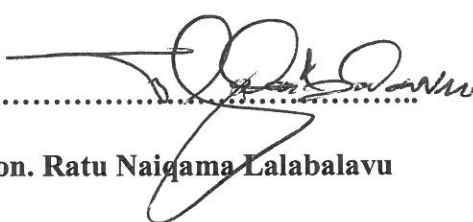
Hon. Alexander O'Connor

(Member)



Hon. Aseri Radrodro

(Member)



Hon. Ratu Naiqama Lalabalavu

(Member)

