

**REPORT OF THE PUBLIC ACCOUNTS COMMITTEE ON THE  
AUDITOR-GENERAL's REPORT OF THE REPUBLIC OF THE FIJI ISLANDS  
VOLUME 4- AUDIT REPORT ON GOVERNMENT MINISTRIES AND DEPARTMENTS 2015**

| <b>40</b>  | <b>MINISTRY OF INFRASTRUCTURE AND TRANSPORT</b> |  |                                |  |   |
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| <b>No.</b> | <b>Heading</b>                                  | <b>Issue</b>   | <b>OAG<br/>Recommendations</b> | <b>Ministries/Dept.'s Comments</b>   | <b>Departments Response<br/>on Current Status</b>   |
| 40.1       | Audit Opinion                                   | <p>1. Several Trading and Manufacturing Accounts (TMA) did not have cash at bank account in the TMA Balance Sheet as at 31 December 2015. However, significant amount of receipts and payments were recorded in the TMA Profit and Loss Statements for which separate cash account general ledgers were not maintained.</p> <p>In addition, Consolidated TMA Balance Sheet had cash at bank balance of \$5,285,919 while consolidated cash at bank reconciliation balance was \$4,041,812 as at 31/12/15 resulting in a variance of \$1,244,107.</p> <p>2. The subsidiary debtor records showed debt of \$414,692 while the FMIS accounts receivable showed nil balance as at 31 December 2015. The Ministry did not reconcile</p> |                                | <p>1. Maintaining separate bank accounts for individual TMA entities is not feasible.</p> <p>Ministry of Finance (FMIS) has setup only one General Ledger Cash at Bank Account since the inception of the TMA entities which records all the receipts and payments.</p> <p>The Cash at Bank figures cannot be adjusted since the Ministry (MoIT) is awaiting the outcome of this case under FICAC investigation from 2009; this had been explained as a note in the AFS after discussions with Audit Managers from OAG. It was advised by them that disclosing it under the notes will eliminate the issue from qualification.</p> <p>2. Debtors show a nil balance due to the nature of recording sales. All sales in the TMA are recorded on cash basis. Once the entities receive money, it's receipted and recognized as sales or revenue.</p> | <p>The monthly bank reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted for to avoid carrying over from one financial period to the other.</p> <p>Further to this, Ministry in consultation with AMU of MOF had submitted a Write Off proposal on the previous year's variance in TMA account which has been verified, approved and written off by MOE.</p> <p>The unreconciled balances had resulted from misappropriation of funds where Accounting records were missing for the period 2008 to 2010, reviews for and the case is with Fiji Independent Commission Against Corruption (FICAC) awaiting Court ruling. Write-off exercise can only be possible once the Verdict is ruled.</p> |

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|      |                                       | <p>the two records.</p> <p>3. The Ministry did not invite the auditors to observe the annual stock take carried out at the end of year 2015 for any of its three divisions.</p> |  | <p>Under the cash basis of accounting, transactions are only recorded when there is a related change in cash. This means that there is no accounts receivable to record on the balance sheet, since they are not realized until such time as they are paid by customers.</p> <p>3. The stock take was carried out in a transparent manner as per the Ministry's Finance Manual.</p> <p>The Ministry maintains credibility of the independent BOS report carried out as per requirements by FPO.</p> |   |
| 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.   |  | <p>The collection of revenue in 2015 increased for Fiji Meteorological Services as the arrears for 2014 has been collected.</p> <p>Due to increase in Budget between 2014 &amp; 2015, the expenditure also increased accordingly.</p>   | <p>Currently Fiji Meteorological services and Airports Fiji Ltd (AFL) are in process of negotiations for appropriate fee to be charged for services provided.</p> <p>Ministry monitors its vacancies and ensures that post are filled at the earliest.</p> <p>Ministry, closely monitors its capital projects and utilization of funds for both Ministry and CSAs (LTA, MSAF)</p> |
| 40.3 | Appropriation Statement               | The Ministry of Infrastructure and Transport incurred expenditure totalling \$104.63 million in 2015  |  | <p>The Ministry did not fully utilize the budget provision in 2014 due to the following: 1. Staff Turnover – not all vacant positions are filled in 2015 resulting in savings of \$</p>   | <p>Ministry monitors its vacancies and ensures that post are filled at the earliest.</p> <p>Ministry, closely monitors its</p>  |

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|      |                                       | against a revised budget of \$113.02 million resulting in a savings of \$8.38 million or 8%. |  | <p>2,490,980.</p> <p>2. Strict control on expenditure to minimize wastage and achieve value for money.</p> <p>3. The grant funds for both operating and capital were not fully utilized due to adequate availability of funds from previous quarter.</p>  | capital projects and utilization of funds for both Ministry and CSAs (LTA, MSAF)   |
| 40.4 | Trade and Manufacturing Account (TMA) |  |  | <p>There has been a decrease in Direct Labour cost since Ministry has taken stringent measures in engagement of TMA workers. Workers are only engaged upon availability of funding and on need to basis. Workers are made redundant upon completion of specific projects.</p> <p>2b Consolidated Work in Progress in 2015 incurred a total of \$44,203 compared to \$85,605 in 2014. This is due to jobs received towards the end of the 2015 and would be completed in 2016. These are jobs incurred from the Joinery and Plumber shop in DEWCE, DEWN, DEWW.</p> <p>2c The reduction in Cost of Manufactured Goods is due to the decrease in purchases of raw materials and direct labour cost by 18% and 11% respectively.</p> <p>2d There is an increase in Sales by 1% between 2014 and 2015. This is due to increase in the number of jobs received.</p> | <p>The Ministry strictly monitors all engagements of TMA workers on projects given availability of funding.</p> <p>The monthly bank reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted for to avoid carrying over from one financial period to the other.</p> |

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|  |  |  |  | <p>2e The reduction in Cost of Finished Goods Sold by 10% in 2015 as compared to 2014 is largely due to the reduction in Cost of Manufactured Goods.</p> <p>2f The decrease in Cost of Finished Goods Sold by 10% has led to the increase in Gross profit by 23% between 2014 and 2015. An increase in Sales by 1% is also a contributing factor towards increase in Gross Profit.</p> <p>2g There was a vast decrease in Total expenses by \$198,956 in 2015 compared to 2013. This is mainly due to reduction in maintenance and operations of major repair works that is usually incurred from plants.</p> <p>2h The Consolidated TMA incurred an overall Net Profit of \$2,017.303 for 2015. This was largely due to reduced Cost of Finished Goods Sold which led to an increase in Gross Profit resulting in the Net Profit. The Ministry has taken stringent measures in engagement of TMA workers, reduction of overhead cost and improved collection of outstanding income as well as manufacturing stock management</p> <p>2i The Consolidated TMA incurred an overall \$1,157,096 on</p> |  |
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|      |   |  |  | <p>Accrued Expenses in 2015. This was due to revenue received in advance i.e. works received by respective client ministries to be completed in 2016. As such, transaction of this nature is treated as a liability hence recorded under Accrued Expenses.</p> <p>2j There has been a increase in TMA Accumulated Surplus to \$130,862 in 2015 as compared to in 2014.</p> <p>2k TMA Surplus to Consolidated Fund remained constant in 2015 compare to 2014. This Equity account comprises of the differences between Assets and Liabilities that have been transferred to Fund 1; Consolidated Fund Account.</p> |   |
| 40.5 | Department of Energy Trust Fund Account |  |  | <p>The Trust Fund account for Department of Energy reconciles with the Reconciliation and FMIS. There is no variance between the trust allocations. Thus, this was not raised as the qualification issue under 2015 AFS.</p>  | <p>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.</p> |