

PART A: Financial Statement

15A.1: Audit Opinion

The 2015 audit opinion was awarded an unqualified opinion. The opinion was awarded after removing the issue of the Bank Statement and FMIS Variance for TMA as shown below in the extract of the 2015 Audit Report.

Audit Opinion

In my opinion:

- (a) the financial statements present fairly, in accordance with the accounting policies stated in Note 2, the financial performance of the Fiji Corrections Service for the year ended 31 December 2015.
- (b) the financial statements give the information required by the Financial Management Act 2004 and Finance Instructions 2010 in the manner so required.

15A.2: Statement of Receipt and Expenditure.

The increase in state revenue by \$37,757 was largely attributed by the increase in burial plots availability from the newly developed land at the Suva extension and Nasinu Cemetery's.

	Notes	2015 \$	2014 \$
RECEIPTS			
State Revenue			
Burial Fees	3(a)	96,414	51,354
Miscellaneous Fee	3(b)	3,430	10,733
Total State Revenue		99,844	62,087
Agency Revenue			
Commission	3(c)	596	488
Total Agency Revenue		596	488
TOTAL RECEIPTS		100,440	62,575

Major increases in expenditure were contributed by SEG 1 (Personal Emoluments) and SEG 8 (Capital Construction). Personal Emoluments increased by \$2,737,124 as this comprises of the last portion which was 105 of the 315 approved new officers which had a rollover of 3 years from 2013 – 2015. The increase was inclusive of the officers' wages and FNPF Employer's contribution. The capital construction had an increase of \$2,306,473 which the majority of the increase were for the two main projects, the Lautoka Remand Centre and the Lautoka Women Centre.

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EXPENDITURE

Operating Expenditure

Established Staff	3(d)	19,093,500	16,356,376
Government Wage Earners	3(e)	32,510	31,018
Travel & Communication	3(f)	446,788	510,278
Maintenance & Operations	3(g)	2,005,808	1,908,060
Purchase of Goods & Services	3(h)	3,493,123	3,768,455
Operating Grants and Transfers	3(i)	16,113	11,160
Special Expenditure	3(j)	594,548	418,504
Total Operating Expenditure		25,682,390	23,003,851

Capital Expenditure

Construction	3(k)	6,264,343	3,957,870
Purchases	3(l)	909,922	2,683,883
Total Capital Expenditure		7,174,265	6,641,753

15A.3: Appropriation Statement

\$3,233,296 was not utilised for the 2015 financial year, the major unutilised funds were capital project and personal emoluments.

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Carry Over (\$)	Lapsed Appropriation (\$)
1	Established staff	21,599,258	(1,129,483)	20,469,775	19,093,500	---	1,376,275
2	Government Wage Earners	34,656	---	34,656	32,510	---	2,146
3	Travel and communications	440,670	53,496	494,166	446,788	---	47,378
4	Maintenance & operations	1,663,500	474,201	2,137,701	2,005,808	---	131,893
5	Purchase of goods and services	3,188,928	506,163	3,695,091	3,493,123	---	201,968
6	Operating grants and transfers	46,260	(27,450)	18,810	16,113	---	2,697
7	Special expenditures	500,000	123,073	623,073	594,548	---	28,525
	Total Operating Expenditure	27,473,272	---	27,473,272	25,682,390	---	1,790,882
	Capital Expenditure						
8	Construction	7,619,150	(135,747)	7,483,403	6,264,343	---	1,219,060
9	Purchases	820,000	135,747	955,747	909,922	---	45,825
10	Grants and Transfers	-	-	-	-	---	-
	Total Capital Expenditure	8,439,150	---	8,439,150	7,174,265	---	1,264,885
13	Value Added Tax	2,134,878	---	2,134,878	1,957,349	---	177,529

15A.4: Trust Account State of Receipt and Payment.

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. Even though there was sugarcane cutting harvest in 2014, there was a major increase in the demand by the cane farmers from Lautoka, Ba and Labasa as the expense in engaging the inmates was less than the normal sugarcane harvesting gang from nearby communities. The inmates were engaged throughout the whole harvesting period compared to the

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previous year's which were only for certain periods.	Notes	2015 (\$)	2014 (\$)
RECEIPTS			
Receipts	3(n)	319,570	265,388
Total Receipts		319,570	265,388
PAYMENTS			
Payments	3(o)	145,762	188,010
Total Payments		145,762	188,010
Net Surplus		173,808	77,378
Balance as at 1 January		283,581	206,203
Closing Balance as at 31 December 2015		457,389	283,581

15A.5: Trade and Manufacturing Account.

TMA increased its net profit margin by \$289,630 from the 2014 financial year as shown below. The construction of the second piggery shed completed at and used in 2015 had a major contribution to the TMA revenue. Also some of the revenue contributing Small Business Units (SBU) in the TMA was the ginger harvested, the cockerel sales, the old layer birds' sales and the increase in the egg sales.

	Notes	2015 (\$)	2014 (\$)
INCOME			
Gross Profit transferred from Trading Account		910,532	338,747
Total Income		910,532	338,747
EXPENDITURE			
Travel and Communication		3,363	823
Maintenance and Operations		367,082	87,467
Total Payments	3(u)	370,445	88,290
Net Profit	3(v)	540,087	250,457

3rd JV

JOURNAL VOUCHER

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The Chief Accounting Officer,

Number: _____ month _____ year _____

Reasons for adjustment:

Reversal of overposting of revenue to unqualify 2015 audit report

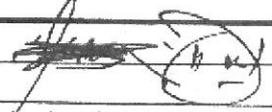
Source Reference:

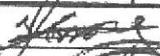
Debit:

4-15256-91151-240/99	317	00
/ 158 / /	297	15
/	/	/
/	/	/
Total:	614	15

Credit:

4-15256-91151-560/03	317	00
/ - 158 / /	297	15
/	/	/
/	/	/
Total:	614	15

Signature 

Date 

Verified and endorsed.

Distribution:

Adjustment Approval Designation

Date



15A.7: Non Proper Inventory Recording System.

FCS has updated all its inventories and properly maintained in the inventory books shown below:

15A.8: Liabilities Recognised Contrary to the Nature of the Account.

Audit Report

A liability is a present obligation of the entity arising from past events, the settlement of which is expected to result in an outflow from the entity of resources embodying economic benefits.¹

Liabilities, revenues and sales, gains, and owner equity and stockholders' equity accounts normally have credit balances. These accounts will see their balances increase when the account is credited.

Contrary to the nature of liability account, the audit noted that the Department recognised liability with debit balance of \$4,982 in its financial statements as at 31/12/15. Refer below for details.

TABLE 1.6: LIABILITY ACCOUNT SHOWING DEBIT BALANCE

Account	Description	Amount (\$)
4-15200-00000-860000	Liability - Deposits and Retention Money	4,982.06

FCS Response

The debit balance of \$4,982.06 is reflected in the general ledger. This figure has accumulated from VAT allocation which is for Bakery, Joinery and Tailor.

A credit balance reflects that there were high VAT paid on purchase compared to less VAT on sales, whereas debit balance reflects on the GL, that there was less VAT paid on purchases compared to high vat on sales.

Individual SBU vat allocation for Bakery, Joinery and Tailor as at 31 December 2015

I.	Bakery	4-15252-91151-863201	(6,528.36)
II.	Joinery	4-15255-91151-863201	285.15
III.	Tailor	4-15258-91151-863201	11,225.27

The table below show's VAT on Sales and Purchases for TMA Vatable Business Unit as reflected within FMIS General Ledger and as reflected in Agency Financial Statement 2015;

¹ GAAP Conceptual Framework for Financial Reporting

MONTH	SBU'S					
	BAKERY		JOINERY		TAILOR	
	VAT ON PURCHASES	VAT ON SALES	VAT ON PURCHASES	VAT ON SALES	VAT ON PURCHASES	VAT ON SALES
JANUARY	0.00	1,946.87	9.78	693.52	285.23	558.26
FEBRUARY	2,838.39	3,808.98	30.85	2,334.00	5,785.08	1,139.35
MARCH	11,236.85	2,053.60	2,668.04	709.08	2,838.63	4,449.53
APRIL	1,598.35	500.83	794.51	1,296.31	1,779.97	3,267.21
MAY	4,465.34	3,925.61	3,037.49	462.65	6,147.42	2,846.74
JUNE	2,869.98	5,804.36	151.97	761.71	3,230.29	9,606.59
JULY	2,241.20	2,922.14	3,945.74	2,793.66	1,711.88	7,862.29
AUGUST	4,407.24	1,458.36	1,872.49	2,197.53	4,829.14	9,731.40
SEPTEMBER	5,151.23	35.40	4,503.89	121.44	9,291.52	0.56
OCTOBER	6,525.38	6,608.75	4,573.75	8,043.31	14,679.82	12,539.76
NOVEMBER	3,998.75	13,400.55	3,365.10	1,385.27	8,376.89	9,165.44
DECEMBER	7,682.82	7,904.74	3,398.26	5,779.24	13,782.68	2,295.88

15A.9: Write Offs.

Audit Report

It is the responsibility of the Electronic Funds Transfer (EFT) agency to conduct monthly reconciliation in order to review the monthly account statement against all original receipts and payments.²

Ministries/Departments are required to plan their expenditure well in order to avoid the accumulation of un-presented cheques at year end.³

The Department's un-presented cheques totalled \$36,122.89 as at 31/12/15 compared to \$200,592 in 2014, a reduction of 82% or \$164,469.11.

The audit noted the following anomalies:

- A total of \$21,937.49 was included as un-presented EFT in the un-presented cheque listings as at 31/12/15 while it is understood that EFT payments are cleared by next day. Refer *Appendix 1* for details.
- Moreover, the audit verification noted unexplained variance between the opening balances as per the departments reconciliation compared to general ledger opening balance.

² MOF Electronic Fund Transfer Policy 2011 - Section 7.5

³ Ministry of Finance Circular No. 13/2012 dated 19/10/12, paragraph 5.1.3

TABLE 1.4: VARIANCE BETWEEN THE DRAWINGS RECONCILIATION AND THE GENERAL LEDGER

	Department Balance	General Ledger Balance	Variance
Opening Balance – 01/01/15	444,354.30	200,591.58	243,763

The above anomalies indicate the poor administration of recording and reconciling of EFTs raised. Failure to implement correct accounting practices will escalate unverifiable balances and drastic possibilities for subsequent write offs.

FCS Response

The department has noted the audit findings on the anomalies regarding the EFT payments being included in the Un-presented (UP) cheques listing, however upon checking on the reports sent by the Bank it has stated that the EFT file has been processed and most of the suppliers have their accounts being credited except for the ones appearing in the UP listing. The list of Un-presented EFT payments noted by the audit was mainly part of a large batch of payments which comprises of more than 10 vendors amounting to over \$50K - \$60K, which remains un-presented as at 31 December.

The department had further liaised with the banks to ensure are files are credited to the vendors account and had cleared this amount from the UP Listing in January, 2016.

The department has also noted the audit findings on the variance between the Department Reconciliation and the General Ledger balances however there were some adjustments made to our drawings GL allocations resulting in the allocations being over stated resulting to it having a debit balance.

The drawings account also had a write-off of \$315,171.05 during the adjustments period after the financial year end closing on 31st December, 2014. Extract from Drawings Recon on the \$315,171.05 Write off

Extract from Drawings Recon on the \$315,171.05 Write off

ADJUSTMENTS FOR DECEMBER 2013			
31/12/2013	Slow Sweep		\$ 292,339.35
31/12/2013	Slow Sweep		\$ 30,570.48
31/12/2013	JV MISPOSTING		\$ (7,340.92)
31/12/2013	Credit Adjmt-		\$ (190.00)
31/12/2013	EFT FEES		\$ (207.86)
			\$ 315,171.05

However, the department ensures timely consultation with Ministry of Finance Drawing Reconciliation officer to avoid variance within the EFTs raised and its reflection on the Drawing Account.

15A.10 Conflict of Interest.

The FCS, had in 2011 set up Naboro Mart Limited, which had resulted upon the failure of its Co-operative Shop operated from Naboro Corrections Centre. The Naboro Mart limited was incorporated by the Management to assist its officer's residing within the Naboro Corrections Centre with their day to day retail shop needs.

In order for Naboro Mart Limited to be registered under the Companies Act, it was required to submit names of its directors as office bearers. Thus, the directors being nominated including the Commissioner of Corrections had on direct vested interest or any forms of benefit remitted on their nominations as directors for Naboro Mart Limited.

Moreover, due to convenience to the staffs of Naboro Corrections Centre upon incorporation of Naboro Mart Limit the other shops was also opened within other divisions such as western (Lautoka), Central Eastern (Suva) and Northern (Vaturekuka) to assist and provide similar service to other officers'.

The department was facilitating direct deduction for Naboro Mart Limited as irrevocable deductions since 2011 for staffs purchasing goods on credit. These staffs had eventually agreed with the Naboro Mart Limit for such amounts to be deducted on fortnightly basis.

The Naboro Mart limited was remitting funds as dividend on monthly basis to Fiji Corrections Services Staffs Welfare and Sports, which initially funded the growth of Naboro Mart Limit. These funds were later provided through the Fiji Corrections Service Staffs Welfare to member of FCS as finances for education, property and other commitments as approved by the Commissioner of Corrections.

The FCS TMA had procured certain goods from Naboro Mart Limited to sustain its operations caused by urgency of situation and distance with National Headquarters. ***However, the department had stopped such purchasing from Naboro Mart Limited and ensures compliance to approved Government Contractors by implementing proper TMA structure and through implementation of adequate procurement procedures.***

The Fiji Corrections Service had assigned Prison Officer Class B (EDP # 70990) to Naboro Mart Limited for supervision of Inmates working with Mart Limited as part of Job Placement Initiative by the Fiji Corrections Service. Thus, the Officer has no interest with the Naboro Mart Limited and is solely held responsible for ensuring security for Inmates attached at Naboro Mart Limited.

The use of Vehicles for runs for church parade is being for official activity of the department considering its quarterly activity for Staff Welfare and discipline.

The other runs for Minimart, conveying credit Union officer and dropping rugby team is for departments re-creational and staffs' spiritual activities and approved in-line

within the vested powers of the Commissioner of Corrections Services similar to the powers vested to the Commissioner of Police and the Commander of RFMF.

Furthermore, the department has its own standing orders, Commissioners orders and Corrections Act 2006 as applicable legislations instead of PSC Code of Conducts which is not applicable to the Fiji Corrections Service.

The Department is now intending to wind-up the Mart Limited operating within government premises as a way-forward to address the issues being highlighted.

15A.11 Purchase Made Without Tender Board Approval.

The department acknowledges the audit findings. However, the following remarks contributed to the incurrence as noted by the Audit;

Date	Payee	Payment for	Comments	Department Comments
23/09/15	Fluid Power Services	100 mtrs* ¾ yellow pressure hose for piggery Unit	Competitive quotes not obtained	Fluid Power Service was the only vendor capable of supplying the Quality required as other vendors such as Vinod Patel, Carpenters and Neritek did not met the quality that was needed.
03/07/15	One World Flight Centre	Airfare for PIRCWC Conference		One World Flight Centre was the Only Agent Available in-time which had Seats for the confirmed delegates. The department had to secure the seats on the day of requisition (02/07/15) as the destinations as other Agents and Fiji Airways did not have available seats for the destination in Particular.
25/09/15	Enterprise Unit (TMA)	Purchase of Bread	No Purchase Order Raised.	No Purchase Orders were raised as the supplies were on demand basis, which was eventually determined by daily Inmates Numbers. The Order for Uniforms was needed urgently and only FCS TMA had the ability to supply in-time.
10/2/15	Enterprise Unit (TMA)	Ration (Poultry) for Naboro, Suva, Nasinu and Academy		
6/3/15	Enterprise Unit (TMA)	Purchase of Yellow Physical Training Uniform, Inmates Uniform, hats and Overall		
28/07/15	Enterprise	Purchase of		

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	Unit (TMA)	Bread		
Procurement Anomalies from Fund 4 (TMAs).				
14/5/15	Naboro Mart Limited	Purchase of Food Rations for Inmates working at TMA and Materials	<ul style="list-style-type: none"> ➤ Not Approved Supplier. ➤ Double Dipping of Food Ration. ➤ Local Purchase Order. ➤ Competitive Quotes not obtained 	The department acknowledges the findings as this was approved by the Commissioner of Corrections for Inmates Working for Various TMA Business Units. However, this matter is with FICAC and before Court.
26/1/2014	Amrit Lals Small Works	Cartage of Poultry Manure	No Purchase Order Raised	The department acknowledges the findings as the vendor was engaged based on the availability of Manure and urgent need for Manure to be Cleared from the available Farm. Amrit Lal was just within the site of manure and was engaged due to in-time availability and cheaper price cartage.
23/06/15	Pacific Feeds Ltd	Supply of Poultry feeds	Feed Order Received before Purchase Order.	The department acknowledges the finding as Goods were collected before that PO was issued. Hence, the new Layer Bird Chicks were collected on 17/03/15 the day it was available to ensure timely management of brooding process and 3 bags of chicks starter feed was also collected on 17/3/2015 with the Birds.
16/07/15	Pacific feeds Ltd	Supply of Poultry finisher , layer mesh and egg tray	Feed Order Received before Purchase Order.	The department acknowledges the findings by Audit however the request for Boiler Finisher was made on the 05/05/15 and approved for requisition by COMCOR on 06/05/15 from Pacific Feeds. Since the Poultry had No stock available for required feeds arrangement was made by TMA Naboro Office for the Supplier to

				delivery 5 bags as per Inv # 5128 to sustain the demands while the PO was in process and issued on the 08/05/15.
22/05/15	Screen Printing Ink Supplies	Purchase of Screen Printing Materials	LPO Raised after Invoice date	The department acknowledges audit findings. The Invoice date is in Error. As the PO was generated and issued on 8 th of April, 2015.
03/02/15	Kingsaw International	Purchase of accessories for Machines and for sewing machines	Absence of LPO.	The department acknowledges audit findings. However, the Machines at Garment 1, were supplied by the same vendor. There the TMA Office had contacted the said vendor based in Lautoka to check and replace damaged parts. No LPO was raised for the works at the time as no documents was provided prior to servicing and replacement of the required parts, which was only done during inspection. Kingsaw had later forwarded the two (2) Invoices for Payment in 2015, which was verified by TMA Business Development Manager and approved by the Commissioner of Corrections for Payment of 2013 and 2014 Outstanding Invoices for servicing of Sewing Machines.

Further to the highlighted issue, the Account department will ensure compliance to the requirements of the Finance Manual at all times and ensure person(s) responsible for Logistic support are aware of the processes to avoid such incidents in future.

The department will also ensure procurement process and that Local Purchase Orders for items to be purchased and the goods are procured from approved tendered suppliers

15A.12 Discrepancies in the Tally Cards Procurement of Goods and Service.

The Fiji Corrections Service concurs with Audit findings that the inventory bookkeeper shall record items purchased in the inventory register. The Inventory Bookkeeper shall ensure that the register is kept up to date at all times.

The department had taken necessary disciplinary actions against persons' responsible (QM Stores Staff) for update of tally cards and inventory controls. The department had imposed recovery measures for all missing inventories and discrepancies within tally cards upon an internal Investigation.

The department had also developed procedures for ensuring monthly stock takes and to ensure that the tally cards are regularly updated and verified against the physical stocks.