



REPUBLIC OF FIJI MILITARY FORCES

RESPONSE TO

PUBLIC ACCOUNTS COMMITTEE -

CLARIFICATION OF ISSUES ON OAG REPORT 2015

RFMF RESPONSE TO - REPORT OF THE AUDITOR GENERAL VOLUME 2: AUDIT REPORT ON THE GENERAL ADMINISTRATION SECTOR (PARLIAMENTARY PAPER NO 59 of 2017) AUDIT FOR 2015 ACCOUNTS

HEAD 19 – RFMF

PART A: FINANCIAL STATEMENT

| SRL | ISSUE | RFMF MANAGEMENT COMMENTS | PAC MANAGEMENT COMMENTS |
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| 19.1 | <p>Audit Opinion</p> <p>The audit of 2015 accounts of the RFMF resulted in the issue of a 'qualified audit report' 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.</p> | <p>RFMF acknowledges the 'qualified' opinion given by the Auditor General.</p> <p>Please Refer to Part B Audit findings for detail submission</p> <p><i>① Create a charter Guidelines</i></p> <p><i>②</i></p> <p><i>2016 - last period of audit MoE had lack of resources to conduct the DA.</i></p> | <p>RFMF acknowledges the 'qualified' opinion given by the Auditor General.</p> <p>Please Refer to Part B Audit findings for detail submission</p> <p><i>not recorded in the FMS. MAG advised not recorded, the balance could be understated.</i></p> |
| 19.2 | <p>Statement of Receipt and Expenditure</p> <p>The Force collected revenue totaling \$434,901 and incurred expenditures</p> | <p>i. The 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%;</p> | <p>Please Refer to Part B Audit findings for detail submission</p> <p><i>not recorded in the FMS. MAG advised not recorded, the balance could be understated.</i></p> |

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| | <p>totaling \$85,091,759 in 2015.</p> | <p>ii. Capital Construction costs increased by \$2,130,821 or 276% in 2015 compared to 2014 due to ongoing projects and new projects undertaken for the year 2015, which includes Black Rock, upgrading of Sukanaivalu Barracks, renovation/upgrade of infrastructure, upgrade of Logistic Support Unit Complex, upgrade of 3 FIR and RFMF infrastructure and amenities ; and</p> <p>iii. 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 LSU.</p> | <p>33 GWE's</p> <p>→ RTMF will get back to the Committee on the No. of established offices</p> <p>→ 30% - issue of OTS, immediate maintenance of the infrastructure</p> <p>Lebanon, Sudan and Western</p> <p>Western</p> <p>→ needs, clearly communications needs 3D Payroll.</p> |
| <p>19.3</p> | <p>Appropriation Statement</p> <p>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%.</p> | <p>special expenditure -</p> <p>① winter clothing deployed in winter operations</p> <p>② conduct of basic deployment in the office - commitment to the UN.</p> | <p>Please Refer to Part B Audit findings for detail submission</p> <p>Peace keeping budget.</p> <p>→ Police and RMTF Shared. Program 2 - RMTF 2 - Police</p> |
| <p>19.4</p> | <p>Consolidated Trading & Manufacturing account</p> <p>The Plant Pool is operated on semi-commercial basis</p> | <p>2 TMA's account</p> <p>- plant & ergonomics</p> <p>- by biographic plant pool</p> | <p>Please Refer to Part B Audit findings for detail submission</p> |

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| | <p>focusing on social and development obligations of the country.</p> <p>Hydrographic TMA operates under the Fiji Navy based at Togalevu to provide accurate oceanographic information efficiently in order to meet national defence and civil requirements.</p> | | <p>Recording of receipts in FMIS and GL, @ that time, this account was not under FMIS. Part of Govt. fund where it was recorded.</p> |
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PART B: AUDIT FINDINGS

| SRL | ISSUE | RFMF MANAGEMENT COMMENTS | PAC MANAGEMENT COMMENTS |
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| 19.5 | <p>Anomalies in the Operation of Engineers Project Trust Fund Account.</p> <p>A bank account for public money, other money or trust money must only be established with the approval of the Chief Accountant, who must inform the bank of the agency's officers authorized to operate on it. The bank reconciliations shall list the outstanding cheques and</p> | <p>RFMF has met with officials from the Ministry of Economy regarding the operation for the Force Engineer's Project Trust Fund Account and have agreed on the following:</p> <ol style="list-style-type: none"> i. RFMF is to reconcile the bank balance to projects currently on-going. Once completed, funds to be transferred to the CFA with the project listing and balances; ii. All new projects funds to be received and operated under SLG 84; iii. Accruals are to be submitted to the client and MoE progressively and when projects are completed; and iv. Timeline to complete the transfer as at | <p>The primary role of the bank account was to accommodate the administrative, contingency and ration cost of PM's Office funded projects.</p> <p>Administrative costs covered troops welfare, mobilization to the site and procurement of tools;</p> <p>Contingencies Costs are precautionary measures for any increase to estimates that may arise and is strictly for the procurement of materials; and</p> <p>Ration Costs would cover meal expenses</p> <p>Purchase Orders for materials are issued directly from the PM's Office to the hardware suppliers.</p> |

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| | <p>other reconciling items and be signed and dated by the responsible officers. This account had been in operation in 2011.</p> <p>The audit review shows:</p> <ul style="list-style-type: none"> The project fund account which included total receipts of \$1,985,410 and total payments of \$2,921,204 for the year 2015 were not recorded in the FMIS general ledger; The Trust Fund Statement of Receipts and Payments for year ending 31/12/15 were not submitted for auditing; The Force opened the account with BSP and had a balance of \$568,666 as at 31/12/15. However, the account is operating without the approval | <p>(i) above is 31st July 2017.</p> <p><i>Section 131 - develop rural areas, infrastructure (schools), mechanical facilities, Community Halls.</i></p> <p><i>* get back to the Committee on Point 2, and 4 p. 5.</i></p> <p><i>BoS not carried independently? Internal audit was conducted by them however in future, BoS will be invited in future.</i></p> <p><i>Composition of BoS member independent from the office TPA stock take at the end of the year.</i></p> <p><i>Tally Cards should tally with the FMIS.</i></p> | <p>Over time other Departments and Non-Government Organizations also utilizes the services of the RFMF Engineers for community based projects.</p> <p>In cases where the clients are unable to issue PO's to hardware suppliers, funding is received into this bank account. Purchase Orders are issued for the procurement of materials and payments processed upon receipt of invoices. Once a project is completed any balance of money is returned to the sponsor with acquittals.</p> <p>The RFMF Engineer's project engagements is part of the Force's social commitment to Nation Building with no profit derived.</p> <p>The Force has undertaken the following actions in its endeavor to complete the regularization process:</p> <ol style="list-style-type: none"> conduct reconciliation exercise for the account which was completed in February 2017 by RFMF; Project Fund Bank reconciliation are done and reconciliation statement is send to MoE on monthly basis (<i>Annexure 1</i>) Funds for new projects are now received and operated in SLG 84 pending the opening of the Trust Fund Account in FMIS. Reconciliation statements for projects operating in SLG 84 are submitted to MoE on a monthly basis. (<i>Annexure 2</i>) |
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Review of the Finance Manual is done everywhere, timing of the setting of the stock take

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| | <p>from the Ministry of Finance;</p> <ul style="list-style-type: none"> The bank reconciliation for Jan – Dec 15 were not signed and checked and approved by the CSO Finance and respective Officers. | | <p>Approval to operate a Trust Fund Account (TFA) was granted in principle by the Ministry of Economy (MoE) on 19/05/2017. (<i>Annexure 3</i>)</p> <p>RFMF is working on the following:</p> <ol style="list-style-type: none"> Financial guidelines (Charter) Trustees <p>By 31 July 2017 the financials of the RFMF Engineers Project Fund will be reported in FMIS as a Trust Fund account.</p> |
| 19.6 | <p>Anomalies Noted in the Trading and Manufacturing Account</p> <p>Annual Stocktake was carried out by the Officers directly involved in maintaining and accounting for the stock without consultation for the involvements of External Auditor, Auditor General's Office as observers.</p> <p>Therefore the Stocktake was not carried out independently.</p> | <p>OAG findings and recommendations are noted</p> | <p><i>overight and regularized their Accounting processes.</i></p> <p>The Force will ensure that Board of Survey are conducted by staffs who are independent from the custody of the TMA stock; and</p> <p>External Auditors will be invited to undertake annual stock.</p> |

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adopted
since 1975
skill being
vetted.

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| 19.7 | <p>Operating Trust Fund Account</p> <p>Audit review of the operating trust fund accounts reveals a variance of \$2,194,631.32 between the Force reconciliation statement and the FMIS general ledger balance as at 31 December 2015.</p> | <p><i>1st reconciliation was done on the Tally with the Gth.</i></p> <p>The initial reconciliation statement for December was compiled from the first General Ledger report. As at current date, the final report is yet to be provided by MoE. Once this is generated a final reconciliation statement will be submitted. <i>for any mispostings</i></p> <p><i>\$2.1m was able to be explained thru reconciliations are ok.</i></p> | <p><i>report was submitted later that had the different balance closing of accounts postings.</i></p> <p>The final Operating trust account reconciliations for December 2015 with full details of balances were submitted to the Ministry of Economy on 11 February 2016.</p> <p>Figures corresponded with final GL report. <i>(Annexure 4)</i></p> |
| 19.8 | <p>Items Not Taken on Charge</p> <p>Audit noted that items worth \$854,241 procured in 2015 by the respective stores such as Supplies, LSU, Engineers, Medical and Plant Pool stores were not taken on charge in the tally card by the respective quarter masters.</p> | <p>The Force will ensure that all procurements of Class A stores are taken on charge with all necessary information to be entered on the tally cards.</p> <ul style="list-style-type: none"> <i>Military stores is another sub planning and</i> <i>overseas peacekeeping</i> <i>Missions</i> <i>Peacekeeping deployment.</i> <i>831 personnel overseas.</i> | <p>This is an on-going issue for RFMF and it is attributed to:-</p> <ol style="list-style-type: none"> High turnover of staff due to Peacekeeping deployment and training. Rapid turnover of stock especially with ration, uniform, personal kit etc. <p>Civilian Accounts Officer has been posted to the LSU/Navy/Engineer to oversee the procurement/stores process</p> <p>Further to management comments the Force has:-</p> <ol style="list-style-type: none"> Recently revised its Standing Orders Vol 2 which covers Stores Management that was last reviewed in 1998. |

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| | | | <p>(b) In time, the Inventory Management Cell of RFMF will verify/monitor tally card balances on a regular basis.</p> <p>(c) Furthermore RFMF has strengthened its Internal Audit to cover more audit areas by employing two more qualified civilian auditors this year.</p> |
| 19.9 | <p>Purchase Orders not Issued Prior to Service Delivery.</p> <p>It is noted that the Force paid expenses totaling \$43,586.71 in 2015 for procurements made in 2013. In addition, the Force did not issue purchase orders for the procurement made totaling \$43,586.71 in 2014 and 2013. The purchase orders were raised in 2015 to facilitate payments.</p> | <p>The Force makes every effort to clear invoices in the accounting period that the liability occurred. As part of the financial year end exercises, all open purchase orders in the FMIS system are cancelled. Though the PO's is cancelled, if the item has been received, RFMF is obligated to pay the company. Therefore when statements received from companies show outstanding invoices from previous years, it is reconciled and verified by the Units. Once the claims are substantiated, payment is done subject to the availability of funds. Furthermore to address this issue the RFMF Finance Logistics and Acquisition Directorate has formed a Finance Monitoring Team (FMT). This team is responsible for monitoring the clearance of Purchase Orders in the current accounting period and advising managements on progress.</p> | <p>In addition to management comments, it should be noted that some of the transactions were made during the closing of accounts period whereby the issuing of purchase orders were closed. However due to the urgent needs, items were received.</p> <p>Currently the Force issues monthly reminders to all Cost Centres for the regularly clearance of Purchase Orders before the end of financial year exercises whereby all open Purchase Orders are required to be cancelled in the FMIS System.</p> |

Understanding with the supplier to procure the items in future

There is ample stock in warehouse there might be surge in the numbers.

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| 19.10 | <p>Unauthorized Procurement of Uniform Accessories.</p> <p>The Force purchased uniform accessories worth \$139,182 from a supplier in 2014. Audit noted that the Force did not obtain competitive quotes for uniform accessories purchased amounting to \$87,182.50.</p> <p>In addition, purchase of uniform accessories worth \$51,778 was made without purchase orders during 2014 for which payments were made in year 2015</p> | <p>It should also be noted that a copy of cancelled PO is attached to all paid Vouchers.</p> <p>It should be noted that payments made to the company were based on the fact that the RFMF had ordered, received and distributed the military accessories procured from the company. However in accordance with directives the RFMF will convene a Board of Inquiry (BOI) into the non-adherence to Procurement Regulations and take necessary actions on findings and recommendations of the Board.</p> <p><i>- Get together a committee for - area was volatile currency - requirement to equip them with additional gear.</i></p> | <p>Government approved the deployment of 500 troops to Syria in 2013. The first Chalk of 130 troops was deployed in June 2013. The rest of the troops followed in batches. Due to the urgent and rapid deployment of troops, stocks available for personnel issues were unable to cater for the total requirements.</p> <p>Three competitive quotes were obtained.</p> <p>The purchases of uniform accessories were made from the supplier because the items were required immediately. Items met all the specification required and were in stock. The other two suppliers did not have stock available.</p> <p>Local Purchase Orders were 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.</p> |
| 19.11 | <p>Planned Capital Projects not Undertaken.</p> <p>Audit noted the following anomalies:</p> <ul style="list-style-type: none"> The Force was allocated \$2.3m during 2015 to conduct extensive repair on the Kiro Patrol Boat | | <p>LIFE EXTENSION PROGRAMME (LEP)</p> <p>The progress of the LEP project was however greatly hampered by:</p> <ol style="list-style-type: none"> the departure from the project of Mr. Charlie Cole, the Australian Project Consultant who had vast experience in PPBLEP; and the sanctions by the Australian Government on |

to increase its life expectancy and sea worthiness for another 25 years.

The Force has been requesting for funds to carry out the repair works since 2013 for which \$2.3m was provided in 2013, 2014 and 2015 budgets. However, the Force only used \$1.8m in 2013. The funds provided in 2014 and 2015 budget were not used at all for repair works on the Kiro Patrol Boat and were returned to Ministry of Economy.

because of the intervening circumstances beyond the offices control.

(Australian Sanctions)

Kula, Kkau and Kiro

See workings of Kiro and with the funds was made available in 2013,

- rebits of the life expectancy programs / ops and

** upgrade of engine, oil system and navigational system.*

all assistance render to the LEP Project by all Australian commercial company that the Fiji Navy was engaging given that the vessel was built in Australia and had all the spare and maintenance parts of the projects.

The Navy hence was finding difficulties identifying suppliers. The Fiji Navy was left with no choice but to seek other alternative service providers locally to carry out the project. Given the magnitude of the project and the cost involved proper due diligence had to be done, apart from the extensive search, for reputable naval architectural, engineering and associated technical expertise to be engaged for the project. This process took the Navy approximately some months to establish. It took another extensive period of time to carry out the administrative work such as preparing of Scope of Work, drawing up of MOU and vetting by the Solicitor General's Office.

The time span it took to complete all these activities exceeded the government financial year and it was unfortunate that funds cannot be rolled over to the next financial year. These are main circumstances and reasons the Fiji Navy did not fully utilized the budgeted funds for the LEP Project.

With the resumption of the military relations, the ADF has continued where they laid off on LEP and have thus sealifted the RFNS Kikau to Australia this year for LEP refit works. *(Annexure 5)*

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| | <ul style="list-style-type: none"> In 2015 Budget Estimate, the Force was allocated \$287,500 for Phase 1 – Construction of a seawall and river wall at the Naval Training Base. In 2014, the Force was allocated \$115,000 for the project. <p>Audit noted that no capital works had been carried out as at 31/12/15.</p> <ul style="list-style-type: none"> A sum of \$7.5m was allocated in 2015 for the Black Rock Integrated Peacekeeping Centre (BRIPC) project to create a military training camp for peacekeeping operations training and relocate 4FIR in order to provide a military capability near Nadi | <ul style="list-style-type: none"> • office was not satisfied of the plans done by M.O.I.T. • \$7.4m was for the road works, electricity, fence Black Rock is a new compound altogether located in Votua-Lower. M.E.S.O.L.? - relief effort for all front operations. INDONESIA <p>The RFMF had commenced on processing the invitation for Tender for the Black Rock Integrated Peacekeeping Centre (BRIPC) in early 2015 and there are other obstacles which hinder the processes such as:</p> <ol style="list-style-type: none"> In late February, 2015 Government policy changed by separating the Tender processes for the Design of the Project and the actual construction or building phase. This would mean an average of 3 months duration for | <p>CONSTRUCTION OF THE SEAWALL AT NAVAL TRAINING BASE</p> <p>A pre-requisite requirement to the upgrade of sea wall project is the geo- tech assessment work, environment assessment (EIA) and other similar assessment works by relevant Ministries that need to be carried out on the site.</p> <p>This was not finalized in 2015 hence the non-commencement of the project by the firm that should undertake the upgrade work.</p> <p>The time span it took to complete all these activities exceeded the government financial year and it was unfortunate that funds cannot be rolled over to the next financial year.</p> <p>BLACK ROCK INTERGATED PEACEKEEPING CENTRE (BRIPC)</p> <p>Please refer to the RFMF Management Comments (<i>Annexure 6</i>)</p> |
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| 19.12 | <p>Overpending in Projects Undertaken by the Force Engineer</p> <p>Audit review of capital construction projects undertaken by the Force for other ministries and departments revealed costs overrun on a number of projects. For instance, although budget of \$965,077 allocated for Rotuma Hospital Phase 1 Project, the actual expenditure incurred by the Force was \$1,103,367 resulting in cost overrun by \$138,289 or 14%.</p> | <p>The Rotuma Hospital Upgrade and extension is a \$2m project funded by the Ministry of Health. The MoH had been advised of the overspending and the Ministry is in the process of acquiring the remaining funds to complete the project. The over expenditure will be regularized once the Force receives the fund from the Ministry of Health.</p> <p><i>Engaging of civilian staff, 2 are overseeing projects done by RFAAF, articulated and summary (specialist) recruiting civilians for audit purposes.</i></p> | <p>MoH has reimbursed the overspent amount on 02/06/2017.</p> <p>To address the budget spending, RFMF is in the process of appointing a civilian staff to oversee and manage project budgets.</p> <p><i>Transport materials to Rotuma. The money has been reimbursed \$138,289.</i></p> |
| 19.13 | <p>Local Purchase Order Raised Only to Regularize Payments</p> <p>The audit noted several instances of Purchase Order issued after invoice date or after goods and services were acquired from various vendors. The Purchase Orders were issued only to regularize the procurement process and facilitate payments to the vendors.</p> | <p>The Force will ensure that proper procurement procedures will be adhered to at all times and the respective purchasing clerks have been informed accordingly.</p> <p><i># issue of private sector accepting LPO. * 1h need of getting the work done.</i></p> | <p>RFMF acknowledges observations of the Auditor General and will no longer raise Purchase Order's to regularize payments.</p> <p>Any future requests for payments without Purchase Orders will require the following:</p> <ul style="list-style-type: none"> (a) Explanation for non-issue of PO (b) Certification that no PO was issued (c) Approved by COS RFMF |