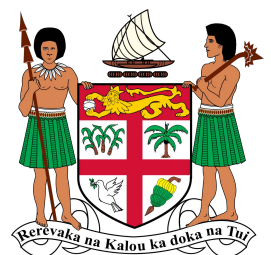




OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

2017 Audit Report on Infrastructure Sector





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File: 102

5 February 2019

The Honorable Speaker of the Parliament of the Republic of Fiji
Government Buildings
Constitution Avenue
SUVA

Dear Sir/Madam

2017 AUDIT REPORT ON INFRASTRUCTURE SECTOR

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the Infrastructure Sector for 2017.

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

Yours sincerely

Ajay Nand
AUDITOR-GENERAL



Encl.

The Office of the Auditor-General – Republic of Fiji

The Office of the Auditor-General is established as an Independent Office by the Constitution of the Republic of Fiji. Its roles and responsibilities include audit of the accounts of the Consolidated Fund and whole of Government financial statements and annual appropriation statement required to be included in the whole of Government annual report for a financial year under the Financial Management Act 2004. The audit extends to the accounts of all money received or held by a State entity, whether or not for purposes of Government. These audits are carried out by the Auditor-General on behalf of Parliament.

At least once every year, the Auditor General must report to Parliament on the audits conducted and on other significant matters the Auditor-General wishes to bring to the attention of Parliament. This report satisfies these requirements.

As a result of its mandate, the Office of the Auditor-General has a distinctive view of the entire public sector of matters affecting financial and non-financial performance. We use this perspective to achieve our vision of excellence in public sector auditing by providing comprehensive analysis and value-adding recommendations.

The Office of the Auditor-General notes the impact of its reports to Parliament on the ordinary citizens and strives for accuracy and high quality reporting including recommendations which are not only value-adding to the entity subject to audit but its customers, the general public as well.

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1.0 Summary – Infrastructure and Transport Sector

All ministries and departments prepare annual agency financial statements. Permanent Secretaries and management of these agencies are responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards-Cash Basis and requirements of *Finance Management Act 2004* and other applicable laws and regulations. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The Infrastructure and Transport Sector includes:

Section 40 Department of Transport, Department of Energy, Government Shipping Services, Department of Water and Sewerage, Department of Meteorology and Hydrology and Department of Buildings and Government Architects.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2017.

Results of our audits

We issued a modified audit opinion on the financial statements of the Ministry of Infrastructure and Transport in the Infrastructure and Transport Sector for the 2016-2017 financial year.

Quality and timelines of financial statements

The financial statements of the Ministry was received after 16 October 2017. The agency financial statements was generally of good quality as the audit adjustments made were less than 1% of the total expenditure.

In accordance with International Standards on Auditing, we express an *unmodified opinion* (unqualified) when the financial statements are prepared in accordance with the Financial Management Act, Finance Instruction 2010 and Finance (Amendment) Instructions 2016 and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, were not noted in our audit, which would affect the financial statements of an entity.

We issue a *modified opinion* (qualified) when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

The Ministry submitted the draft financial statements for 2017 after the deadline of 16 October 2017 set by Ministry of Economy.

The draft financial statements for 2016-2017 was also adjusted during our audit.

2.0 Types of audit opinions issued

In accordance with International Standard on Auditing, we express an *unmodified opinion* (unqualified) when the financial statements are prepared in accordance with the Financial Management Act, Finance Instruction 2010 and Finance (Amendment) Instructions 2016 and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, were not noted in our audit, which would affect the financial statements of an agency.

We issue a *modified opinion* (qualified) when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

An *adverse opinion* is expressed when we, having obtained sufficient appropriate audit evidence, conclude that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

We issue a *Disclaimer of Opinion* when we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, and we conclude that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

We include an *Emphasis of Matter* paragraph in the audit report to highlight an issue that will help the user better understand the financial statements. We also include an *Other Matter* paragraph to highlight a matter that is relevant to users' understanding of the audit report.

Introduction

Each year, we audit the financial statements of agencies to provide assurance of their reliability.

Ministry of Economy advised all State-agencies to provide the draft 2017 agency financial statements to the Auditor-General by 16 October 2017. If agencies comply with the monthly and quarterly reporting requirements set by *Finance Instructions 2010* throughout the year, the agencies should be able to set a high quality financial statements in a timely manner.

We assessed the quality and timeliness of financial statements prepared by the Ministry of Infrastructure and Transport for financial year ended 31 July 2017 by considering:

- year-end closing process – whether accounts were closed-off on agreed date
- timeliness – whether complete draft 2017 financial statements were submitted for our audit by an agreed date
- quality – the extent of accounting adjustments made during our audit

Our assessment criteria and the result of our assessment for the Ministry is included in Appendix A.

Conclusion

The Ministry was generally effective in adhering to the instruction issued by Ministry of Economy in terms of closing of accounts. However, timeliness was not adhered to in respect of submitting the draft financial statements for audit, submission of the signed financial statements for issue of audit opinion and submission of responses for draft management letter. The Ministry took significant amount of time in signing and returning the audited financial statements. This delayed the issue of my audit report on the financial statements of the Ministry which was issued on 13 November 2018.

The Head of the Accounting of the Ministry should ensure that adequate attention is given in relation to the above matters for the 2017 – 2018 Financial Statements.



Ajay Nand

AUDITOR-GENERAL

Date: 05/02/2019

3.0 Audit Opinion result

We issued a modified audit report on the 2016-2017 financial statements for the Ministry.

The reasons for the modified audit opinions were as follows:

- An unreconciled variance of \$1,405,134 exists between the Consolidated TMA balance sheet cash at bank balance of \$3,154,993 and consolidated bank reconciliation balance of \$1,749,859 as at 31 July 2017. Consequently, I could not confirm the accuracy and completeness of the Cash at bank balance of \$3,154,993 stated in the Consolidated TMA balance sheet as at 31 July 2017.
- The Ministry adjusted its VAT receivable balance by \$322,428 to reconcile it with the Fiji Revenue Customs Services records by posting journal entries to the TMA Accumulated Surplus Account. I was not provided with appropriate reconciliations to support these journal entries. As such, I was unable to satisfy myself on the accuracy of these journal entries posted to the general ledger and its impact on the accounts affected.

However, it was noted that the Ministry was working on resolving the above issues.

Quality of draft agency financial statements

The extent of audit adjustments made to draft financial statements indicates the effectiveness of the agency's internal review processes to identify and correct errors before these are provided for audit.

Adjustments passed on draft financial statements for the Ministry were less than 1% of the total expenditure.

Timeliness of financial reporting

To be useful to users, financial statements should be completed and made available as soon as possible after close of financial year. Information in financial statements becomes less relevant to users as the time passes from close of financial year. The deadline set by Ministry of Economy for submission of draft financial statements was 16 October 2017. The Ministry could not meet this timeline.

Year-end closing process

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were included in Appendix A

When ministries and departments achieve the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

The Ministry achieved five of the 10 key focus areas.

Appendix A: Assessment of financial governance

This section evaluates the effectiveness of the internal controls maintained by the Ministry.

Internal controls are processes designed and implemented by Permanent Secretaries, Heads of Departments and other personnel of ministries and departments to provide reasonable assurance about the achievement of a ministry or department's objectives with regard to reliability of financial reporting effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "control" refers to any aspects of one of more components of internal control.

Permanent Secretary, Heads of Departments and other personnel of the Ministry and Departments are responsible for the preparation of the financial statements in accordance with the Financial Management Act 2004, Financial Management (Amendment) Act 2016 and Finance Instructions 2010, and for such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Internal control issues noted during our audit are reported to the Permanent Secretary of the Ministry.

Summary of our internal control assessments for the Ministry of Infrastructure and Transport against each element of internal controls is shown in the Results Table.

Internal control framework

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A deficiency occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A significant deficiency is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls

Internal controls are categorized against the following five components of internal control.

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain

competent individuals, and holding them accountable for their internal control responsibilities.

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analyzing risks to achieve the entity’s objectives, forming a basis for determining how risks should be managed.
- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.
- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.
- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

The following table outlines the rating we have used to assess internal controls:

Rating	Internal control assessment
● Effective	No deficiencies identified in internal controls
● Generally effective	Deficiencies identified in internal controls
● Ineffective	Significant deficiencies identified in internal controls

Preparation of draft 2016-2017 agency financial statements

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of unrepresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017
- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017
- Completion of reconciliations by 29 September 2017
- Submission of arrears of revenue returns by 31 August 2017

When ministries and departments achieve the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Rating	Year-end close process assessment
🟢 Effective	All 10 key processes completed by due date
🟡 Generally effective	Five of 10 key processes completed within two weeks of due date
🔴 Ineffective	Less than five of 10 key processes completed within two weeks of due date

Quality of draft financial statements by entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the total expenditures, operating results or net assets of the entity subject to our audit.

Rating	Quality of draft financial statements assessment
🟢 Effective	No adjustments were required
🟡 Generally effective	Adjustments on total expenditure, operating results/net assets were less than one percent
🔴 Ineffective	Adjustments on total expenditure, operating results/net assets were more than one percent

Timeliness of draft financial statements for entities


To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received.


Rating	Timeliness of draft financial statements assessment
🟢 Effective	Acceptable draft financial statements received before or on 1 October 2017
🟡 Generally effective	Acceptable draft financial statements received on or before 16 October 2017
🔴 Ineffective	Acceptable draft financial statements received after 16 October 2017

Timeliness of Provision of Management Comments and Signing of Financial Statements

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received.











Accordingly, we have assessed timeliness for *Infrastructure and Transport Sector* as:

Rating	Timeliness of Management Comments Received
 Ineffective	After 21 days from issue of the Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
 Ineffective	After 15 days from issue of Financial Statements for signing

Result summary

The following table summarizes our assessment of controls, the 2016-2017 financial statement preparing processes and responses to the Office of the Auditor-General for the Ministry of Infrastructure and Transport.

Ministry or Department	Internal controls					Financial Statement Preparation			Responses to OAG	
<i>Infrastructure and Transport Sector</i>	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS
1. Ministry of Infrastructure and Transport										

CE=Control Environment

RA=Risk Assessment

Q=Quality of draft financial statements

IC=Information and Communication Control

CA=Control Activities

YE= Year-end close processes

T=Timeliness of draft financial statements

MA=Monitoring Activities

MC+ Management Comments provided

SFS Signed Audited financial statements returned

Section 40

Ministry of Infrastructure and Transport

Roles and Responsibilities

The Ministry is responsible for seven departments, including Departments of Transport, Government Shipping Services, Energy, Water and Sewerage, Meteorological and Hydrology Services, Buildings and Government Architects and Public Works. The Ministry is also responsible for the policy and legislative formulation and the administrative and regulatory functions of Fiji Roads Authority, Land Transport Authority, Water Authority of Fiji, Fiji Electricity Authority and the Maritime Safety Authority of Fiji.

The Department of Transport provides the policy and regulatory framework for the implementation of an efficient and affordable land and maritime transport system. The transport sector is one of the principal drivers of economic growth as it provides the mobility and infrastructure that link people with jobs and goods with markets.

Government Shipping Services provides Government with a specialised fleet of seven vessels that allow it to transport Government officials as well as machinery, building supplies, rural-development materials, livestock and any other cargo needed for development projects.

The Department of Energy focuses on policy and regulatory framework which includes the provision of electricity services to remote and 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.

The Department of Water and Sewerage is responsible for providing professional advice on policies and strategies for water and sanitation to develop policy framework for technical and economic regulations of water supply, sanitation and water services. The Department also ensures the provision of safe, clean drinking water and efficient sanitation services to all communities.

The Department of Meteorology and Hydrology is critical for a nation that is dispersed among more than 100 islands in the middle of an area that is prone to violent storms. The Department is committed to providing timely and reliable weather, hydrology and climate information to the public, industry and civil aviation 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. 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 Buildings and Government Architects is the government's main advisor on matters relating to capital infrastructure works and is responsible for planning, designing, estimating and overseeing projects. It also oversees the maintenance of some government buildings.

The Department of Works is comprised of three Divisional Engineering Units. This is the only engineering arm of Government, and is responsible for building, operating, maintaining and upgrading Government buildings, quarters, and electrical services.

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PART A: FINANCIAL STATEMENTS

40.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Infrastructure and Transport resulted in a qualified audit opinion. The qualification issues were as follows:

- An unreconciled variance of \$1,405,134 exists between the Consolidated TMA balance sheet cash at bank balance of \$3,154,993 and consolidated bank reconciliation balance of \$1,749,859 as at 31 July 2017. Consequently, I could not confirm the accuracy and completeness of the Cash at bank balance of \$3,154,993 stated in the Consolidated TMA balance sheet as at 31 July 2017.
- The Ministry adjusted its VAT receivable balance by \$322,428 to reconcile it with the Fiji Revenue Customs Services records by posting journal entries to the TMA Accumulated Surplus Account. I was not provided with appropriate reconciliations to support these journal entries. As such, I was unable to satisfy myself on the accuracy of these journal entries posted to the general ledger and its impact on the accounts affected.

Furthermore, I draw attention to the following:

- Internal controls over Plumber shop inventory and TMA sales for Plumbing and Joinery were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the near future.
- The Ministry has disclosed its seventeen Trading and Manufacturing Accounts in Note 7 to the financial statements by consolidating them according to divisions. The change in the presentation format has resulted in the disclosure of limited information in terms of financial performance and cash flows for each type of TMA.
- The Energy Trust Account had a balance of \$2,232,312 as at 31 July 2017. The closing balance comprises of refunds for FEA Grid and House wiring, bond payment for projects and revenue bills collected from Solar Home Systems. The Ministry has not maintained appropriate details of this Trust Fund account.

40.2 Head 40, 41 and 43 - Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$1,826,630 and incurred a total expenditure of \$92,445,187 for the year ended 31 July 2017. Details are provided in Table 40.1.

Table 40.1: Head 40 - Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
Agency revenue	1,826,630	635,011
Total Revenue	1,826,630	635,011
Established staff	11,067,138	6,421,197
Government wage earners	7,960,735	5,074,436
Travel and communications	1,214,607	808,876

Description	31 July 2017 (\$)	31 July 2016 (\$)
Maintenance and operations	8,465,469	4,757,990
Purchase of goods and services	1,841,989	945,856
Operating grants and transfers	25,689,201	11,473,112
Special expenditures	1,778,797	156,220
Total Operating Expenditure	58,017,936	29,637,687
Capital construction	9,518,437	15,793,736
Capital purchase	3,357,495	97,024
Capital grants & transfers	19,318,931	10,829,721
Total Capital Expenditure	32,194,863	26,720,481
Value added tax	2,232,388	2,273,635
Total Expenditure	92,445,187	58,631,803

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

Miscellaneous revenue collected amounted to \$674,469 as at 31 July 2017 for rural government stations bills collected by Post Fiji Ltd and remitted to the Ministry.

Revenue from carriage of freight totalled \$595,090 as at 31 July 2017 for services rendered by government to government departments, private companies and individuals for hire of vessel, sea freight/cartage of goods to inter – islands and boat fares from public servants and non-public servants.

Commission revenue amounted to \$14,486 as at 31 July 2017 collecting dues from public servants and payment to financial and public institutions on behalf of its employees.

Revenue from reimbursement of Meteorological Services totalled \$540,886 as at 31 July 2017 for provision of weather updates and forecasts to Airports Fiji Limited.

Established staff costs amounts to \$11,067,138 as at 31 July 2017. Vacant posts are being filled and pay rise is granted to public officers at the discretion of the Permanent Secretary' as per the constitution.

Government wage earners costs amounted to \$7,960,735 as at 31 July 2017. Vacant posts were filled in 2016/2017.

Travel and communications costs totalling \$1,214,607 as at 31 July 2017 were incurred by the Project Staffs to inspect capital projects in the Main Inland and Maritime zones and mobile and telephone cost for daily operations.

Maintenance and operations costs totalled \$8,465,469 as at 31 July 2017. The costs comprised maintenance of Department's fleets, vessels, metrological equipment, energy development

projects, desalination plants and procurement of building accessories, stationery and printing, fuel and oil, fire and sewerage services and payment for utilities.

Purchase of goods and services costs totalled \$1,841,989 as at 31 July 2017. The costs comprised of training expenses for public officers, procurement of food rations and uniforms for crew members travelling on government vessels, operational cost for upper air logistics, procurement of books, periodicals and stationaries, payment for plant hire charges, procurement of occupational and safety equipment's, advertisement cost for public outreach programme on energy efficiency and conservation awareness and quality control enforcement expenses for effective operations.

Operating grants and transfers amounting to \$25,689,201 as at 31st July 2017 comprised of operating grants paid to Land Transport Authority, Maritime Safety Authority of Fiji, payment for shipping franchise scheme, payment of annual subscription for meteorology and the International Renewable Energy Agency (IRENA).

Special expenditure amounting to \$1,778,797 as at 31 July 2017 was incurred on the implementation of projects in 2017 for Establishment of Media Centre for Met Services, Bio Fuel Project Staff, Sustainable Energy Financing Project, Fiji Renewable Energy Power Project and Carbon Abatement for Solar Homes in rural areas.

Capital construction expenditure amounted to \$9,518,437 as at 31 July 2017. The expenditure includes payments for upgrade of vessels belonging to Government Shipping Services, of government wharf, Government Shipping Services building , outer island stations , cyclone rehabilitation- Vanuabalavu Met Station, construction of new Labasa Weather Office, payment for repair and upgrade of public buildings, routine & special upgrade of public buildings, upgrade of water supply and sewerage line, electrification of rural government stations, REU Projects , ECI , ECA, bio diesel implementation , bio gas development in rural areas, grid extension projects and cyclone rehabilitation – telemetry stations.

Capital purchase expenditure amounted to \$3,357,495 as at 31 July 2017. The expenditure related to Fiji National Transport database and Transport Planning Software, standby generators, purchase of multi-purpose vessels, upgrade of Nadi Radar Antenna, installation of water level and rainfall telemetry instruments, replacement of Automatic Weather Observation System at Nadi Airport and purchase of two specialised vehicles.

Capital Grants and Transfers expenditure totalled \$19,318,931 as at 31 July 2017. Capital grants were paid to Land Transport Authority, Maritime Safety Authority of Fiji and payment for rural electrification projects.

VAT expenditure amounted to \$2,232,388 as at 31 July 2017 compared to \$2,273,635 as at 31 July 2016.

The Water Authority of Fiji recorded expenditure totaling \$280,908,094 for the year ended 31 July 2017. Details are provided in Table 40.2.

Table 40.2: Head 41 - Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
Expenditure		
Operating grants and transfers	85,479,517	37,095,110
Total Operating Expenditure	85,479,517	37,095,110
Capital grants & transfers	195,428,577	64,028,060
Total Capital Expenditure	195,428,577	64,028,060
Total Expenditure	280,908,094	101,123,170

The Fiji Roads Authority recorded expenditure totaling \$273,327,634 for the year ended 31 July 2017. Details are provided in Table 40.3.

Table 40.3: Head 43 - Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
Expenditure		
Operating grants and transfers	16,577,856	10,751,013
Total Operating Expenditure	16,577,856	10,751,013
Capital grants & transfers	256,749,778	175,264,962
Total Capital Expenditure	256,749,778	175,264,962
Total Expenditure	273,327,634	186,015,975

40.3 Head 40, 41 and 43 - Appropriation Statement

The Ministry incurred expenditure totalling \$92.22 million in 2016-2017 against a revised budget of \$120.46 million resulting in a saving of \$28.24 million or 23%.

Details of expenditure against the revised budget are provided in Table 40.4.

Table 40.4: Head 40 - Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	15,817,356	(868,962)	14,948,394	11,067,138	3,881,256
2	Government wage earners	9,373,884	(461,441)	8,912,443	7,960,735	951,708
3	Travel & communication	1,275,120	53,000	1,328,120	1,214,607	113,513
4	Maintenance & operations	9,491,719	(279,244)	9,212,475	8,465,469	747,006
5	Purchase of goods & services	2,136,832	31,000	2,167,832	1,841,989	325,843
6	Operating grant & transfers	24,772,731	1,111,554	25,884,285	25,689,201	195,084
7	Special expenditure	1,320,322	1,447,647	2,767,969	1,778,797	989,172
	Total Operating Expenditure	64,187,964	1,033,554	65,221,518	58,017,936	7,203,582

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
8	Capital construction	14,986,473	405,072	15,391,545	9,518,437	5,873,107
9	Capital purchase	8,636,140	51,121	8,687,261	3,357,495	5,329,766
10	Capital grants & transfers	29,282,577	(1,530,804)	27,751,773	19,318,931	8,653,295
	Total Capital Expenditure	52,905,190	(1,074,611)	51,830,579	32,194,863	19,856,168
13	Value added tax	3,370,600	41,057	3,411,657	2,232,388	1,179,269
	Total Expenditure	120,463,754	-	120,463,754	92,445,187	28,239,019

The Water Authority of Fiji incurred expenditure totaling \$280,908,094 in 2017 against a revised budget of \$308,632,635 resulting in savings of \$27,724,541 or 9%.

Details of expenditure against the revised budget are provided in Table 40.5.

Table 40.5: Head 41 - Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	79,279,517	6,200,000	85,479,517	85,479,517	-
	Total Operating Expenditure	79,279,517	6,200,000	85,479,517	85,479,517	-
10	Capital grants & transfers	229,353,118	(6,200,000)	223,153,118	195,428,577	27,724,541
	Total Capital Expenditure	229,353,118	(6,200,000)	223,153,118	195,428,577	27,724,541
	Total Expenditure	308,632,635	-	308,632,635	280,908,094	27,724,541

The Fiji Roads Authority incurred expenditure totaling \$273,327,634 in 2017 against a revised budget of \$461,111,923 resulting in savings of \$187,784,289 or 41%.

Details of expenditure against the revised budget are provided in Table 40.6.

Table 40.6: Head 43 - Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	16,577,856	-	16,577,856	16,577,856	-
	Total Operating Expenditure	16,577,856	-	16,577,856	16,577,856	-
10	Capital grants & transfers	510,573,921	(66,039,854)	444,534,067	256,749,778	187,784,289
	Total Capital Expenditure	510,573,921	(66,039,854)	444,534,067	256,749,778	187,784,289
	Total Expenditure	527,151,777	(66,039,854)	461,111,923	273,327,634	187,784,289

The major savings was due to delay in ADB and World Bank projects which included SARUP 1 & II, ADB Reseals, Unsealed Road Rehabilitation Program, Street Lights Renewals, Ovalau Bridge, Taveuni Bridges, Matewale Replacement Crossing, Solovi 1 and 2 Irish Crossing, Rabaraba

Crossing, Nakalawaca Road, Wainivesi-Wainivilimi Rd, Nakorosule-Nawaisomo Rd. Stage 1, Sevaci-Korotasere Rd. Stage 3 and crossing, Kilaka Road Stage 3 and crossing, Street lights (Rural & Urban), Traffic Signals and SCATS Improvement.

40.4 Trading and Manufacturing Account (TMA)

Trading and Manufacturing Account (TMA) is established under the Revolving Fund Account for the purpose of trading or production of goods and services for sale to other departments, statutory bodies or individuals. Trading involves the buying and selling of goods. Manufacturing involves the conversion of one type of good or material to another through the application of labour and facilities.

Since government is a non-profit organization, the immediate objective is to serve the requirements of ministries and departments and statutory bodies and at least at recouping costs. Profitability is secondary objective to the extent that it will justify or increasing or broadening government services to meet the demands of users.

The activities of the TMA are as follows:

Joinery

TMA Joinery receives bulk of its work from the Building Section in the form of Capital Works Projects, maintenance of public buildings, interior fit-outs and furnishing of these quarters. These buildings are standard designed structures for residential quarters, office accommodation and other institutional buildings. The Joinery Section also fabricates wall framings, roof trusses, fixtures, manufacturing of all types of furniture and dressed timber of required sizes as per details in the standard design.

Plumber shop

TMA Plumbing receives bulk of its work from the Building Section in the form of Capital Works Projects, Maintenance of public buildings. These buildings are standard designed structures for residential quarters, office accommodation and other institutional buildings.

The Plumber shop also fabricates water tanks, ridge caps, Barge flashings, roof trusses, fixtures, manufacturing of all types of flashings to buildings and required sizes as per details in the standard design.

Fuel and Oil

Fuel and Oil is one of the basic core values of operation within the Ministry of Infrastructure and Transport especially the Department of Works in the Central/Eastern. It serves as a backbone, set to a higher standard for effective improvement of daily operations. It also enhances a better service delivery required as a business entity to display its potential and quality service to its customers. The products which consist of diesel, petrol, brake fluid, premix, SAE 30, TELUS 46 and many more is brought from the supplier at retail prices. The major customer is Plant Pool with other ministries and departments contributing to the overall sales.

Lube Bay

The core role of the Lube Bay is to provide lubrication services to the customers to ensure it fulfils customer satisfaction concurrently ensure a healthy income for the business sustainability. It consists of a wide range of product which are bought at a lesser price and in return sold out to customers at a market price. Lube Bay is open to all government vehicles and at present the major customer is plant pool and some other ministries and departments.

Plant Hire

The main role of this business unit is to provide a reliable and cost-effective means of transportation to customers ensuring that it meets customer expectations in terms of service delivery and in concurrence with the workers fulfilment of attaining a healthy income and proper Fleet Management System. Periodically, the Business's principal earning source is derived from hiring of all of its resources ranging from light vehicles, heavy vehicles, heavy machineries and plants. In such way, the Business is able to satisfy its workers through the provision of a persistent wage and meeting certain expenditures ensuring the overall financial status is well retained.

Workshop Wages

Workshop wages TMA consists of Machine/ Fitting Shop, Light & Heavy Garage, Tractor Shop, Welding and Fabrication (Boiler shop) and Refrigeration & Air-conditioning services. The Workshop provides mechanical services to Plant Pool, Water & Sewerage, Buildings, Hospitals and other client ministries in delivering of capital and on – going projects. The Workshop can provide widest range of engineering services available in the country. The major customer is plant pool and other ministries and departments.

Blocks Shed

The Block shed TMA was setup to support the needs of the Building and Roads Section in terms of facilitating the supply of concrete products such as blocks, V – drains, road kerbs, marker posts, slabs and other non-structural concrete products needed for building and road construction. That was during the time when the Roads Section was still part of Department of Works. These buildings are either residential Quarters accommodation for government officials, government office buildings and institutional buildings. The traditional role has remained since its inception until this day. The volume of work that the Block shed TMA undertakes each year varies depending on the needs of other government ministries and department.

The details of the Consolidated TMA Balances are as follows:

Table 40.7: Manufacturing account

Description	31 July 2017 (\$)	31 July 2016 (\$)
Opening Raw materials	294,851	253,933
Add: Purchases	1,741,014	1,231,423
	2,035,865	1,485,365
Less: Closing Raw Materials	235,128	294,851
Raw Materials Used	1,800,737	1,190,505

Description	31 July 2017 (\$)	31 July 2016 (\$)
Direct Labour	4,392,384	2,324,661
Opening Work in Progress	37,027	44,203
	6,230,148	3,559,369
Less: Closing Work in Progress	22,336	37,027
Cost of Goods Manufactured transferred to Trading Account	6,207,812	3,522,342

Table 40.8: Trading account

Description	31 July 2017 (\$)	31 July 2016 (\$)
Sales	9,127,580	5,337,334
Finished Goods (01/01/17)	206,316	244,586
Add: Cost of Manufactured Goods	6,207,812	3,522,342
Cost of goods available for sale	6,414,128	3,766,928
Less: Finished Goods (31/7/17)	180,363	206,316
Cost of Goods Sold	6,233,765	3,560,612
Gross Profit transferred to profit & loss statement	2,893,815	1,776,722

Table 40.9: Profit & Loss Statement

Description	31 July 2017 (\$)	31 July 2016 (\$)
Income		
Gross Profit transferred from Trading A/C	2,893,815	1,776,722
Other income	1,364	277
Total Income	2,895,179	1,776,999
Expenses		
Travel and communications	175,510	187,957
Maintenance and operation	2,660,609	1,376,062
Purchase of Goods and Services	36,707	19,699
Special Expenses	9,021	3,704
Total Expenses	2,881,847	1,587,422
Net Profit	13,332	189,577

Table 40.10: TMA Balance Sheet

Description	31 July 2017 (\$)	31 July 2016 (\$)
Liabilities		
Accounts Payable	471,303	27,143
Unearned Revenue	226,313	196,704
Total Liabilities	697,616	223,847
Equity		
TMA Accumulated (Loss)/Surplus	(784,897)	(503,108)
TMA Surplus	4,324,515	4,702,397
Total Equity	3,539,618	4,199,289
Total Equity and Liabilities	4,237,234	4,423,136
Assets		
Cash at Bank	3,154,993	3,766,112
Accounts Receivable	644,415	---

Description	31 July 2017 (\$)	31 July 2016 (\$)
Deposits, Deductions & Retention money	---	118,832
Inventory	437,826	538,192
Total Assets	4,237,234	4,423,136

40.5 Trust Fund Account

The Ministry's Department of Energy Trust Fund Account is guided by the Rural Electrification Policy (REP) 2016 approved by the Minister for Infrastructure and Transport.

In 2008, this Policy was amended whereby the community contribution for all rural electricity schemes was reduced from 10 per cent to five per cent. The policy was silent with respect to changing supply between diesel and solar schemes or incorporating either system to one another to improve overall reliability of supply for example in the cases of hybrid systems.

The revised REP of 2016 constitutes a number of important changes that harmonizes with the Green Growth development model pursued by the nation in line with the vision of the UN framework of "Energy for All"; that electricity is now a basic necessity for life and sustainable development. These vital changes include:

- Waiver of community contribution to reciprocate community contribution in kind;
- Removal of finite assistance for diesel schemes recipients making them eligible for electrification via renewable based technologies like solar home systems;
- Increase in the Fiji Electricity Authority's annual Rural Electrification Fund;
- Increase in validity of FEA Rural Electrification scheme quotations; and
- The handover of Solar Home Systems ownership and maintenance to community's and recipients.

The trust fund is used to deposit the receipts from the Rural Electrification customers from the following operational activities:

- Solar Home Systems (SHS)
- FEA House Wiring
- Performance Bond for House wiring, supply of materials for 3200 SHS
- Bio Gas

Table 40.11 Department of Energy Trust Fund Account

Description	31 July 2017 (\$)	31 July 2016 (\$)
Opening Balance at 1 January	2,351,316	3,637,247
RECEIPTS		
FEA Grid & House wiring	---	46,527
Solar Home Payments	75,959	94,962
Biogas	---	100
Biofuel	---	300
Bank Interest	2,316	2,059
Total Receipts	78,275	143,948
PAYMENTS		

Description	31 July 2017 (\$)	31 July 2016 (\$)
Contractual House wiring	---	10,568
Bond Payment	75,435	112,376
Connection Fee	---	4,603
Refunds	121,438	1,301,492
Bank Fees	406	839
Total Payments	197,279	1,429,878
Net Deficit	(119,004)	(1,285,930)
Closing Balance as at 31st July 2017	2,232,312	2,351,317

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

40.6 Internal Controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components of internal control.

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed.

Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.

Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to

authorization, performance reviews, information processing, physical controls, and segregation of duties.






- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

Examples of issues which would fall under this category are reported to the management of the entities on matters relating to internal controls


- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

Examples of issues which would fall under this category are self-assessment by Ministry to determine whether internal controls are present and function. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.

A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
				

In view of the above, we have assessed the internal controls of the Ministry of Infrastructure and Transport Office as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

Most deficiencies were noted in the operation of Trading and Manufacturing Account.

40.7 Submission of FY 2016-2017 Draft Agency Financial Statements

On 1 June 2017, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 accounts and times were detailed. The final day for closing the 2017 accounts was 4 August 2017.

The key focus areas in the circular were:

- Closing date for journal adjustments by 11 August 2017
- Clearance of Inter-departmental clearance accounts by 4 August 2017
- Monitoring of unpresented cheques by 31 July 2017
- Clearance of stale cheques by 4 August 2017
- Annual Board of Survey on Drawings Account cheques by 29 September 2017

- Retirement of imprests by 21 July 2017
- Cancellation of unprocessed purchase orders by 14 July 2017
- Processing of payments and virements by 21 July 2017
- Completion of reconciliations by 29 September 2017
- Submission of arrears of revenue returns by 31 August 2017

When ministries and departments achieve the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Based on information received, we have assessed the year-end close process as:

Rating	Year-end close process assessment
☀ Generally effective	Five of 10 key processes completed within two weeks of due date

40.8 Quality of draft financial statements by entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry of Infrastructure and Transport was:

Rating	Quality of draft financial statements assessment
☀ Generally effective	Adjustments on operating results/net assets were less than one percent

40.9 Timeliness of Draft Financial Statements

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☹ Ineffective	Acceptable draft financial statements received after 16 October 2017

40.10 Timeliness of Provision for Management Comments and Financial Statements for Signing

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received.

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
✱ Ineffective	Management response received after 21 days

Rating	Timeliness of Signed Financial Statements Received
✱ Ineffective	Signed accounts was received after 15 days

PART C: SIGNIFICANT AUDIT FINDINGS

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

Other significant matters highlighted in this report, include control weaknesses which *could cause or is causing* severe disruption to the process or on the ability of an auditee to achieve process objectives and comply with relevant legislation.

It is likely that these issues may have an impact on the operations of the Ministry in future, if necessary action is not taken to address them.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2017.

Trading and Manufacturing Account (TMA)

40.11 Variance between TMA Building Cash Book with its Bank Reconciliation

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items, be signed and dated by the responsible officer.¹

TMA Building account bank reconciliations re-performed during audit revealed a variance of \$27,221 between the TMA Building cash book reconciliation and bank reconciliation. Refer to Table 40.12 for details.

Table 40.12: Details of Variance between Cash Book and Bank Reconciliation

Account	Balance as per Cash Book Reconciliation (\$)	Balance as per Bank Reconciliation (\$)	Variance (\$)
TMA Building	293,978	266,757	27,221

Furthermore, TMA Building account monthly bank reconciliations for the months of August and November 2016, and January and February 2017 were not provided for our review.

The above findings may indicate absence of adequate review of bank reconciliation.

Due to the variance noted above, the accuracy of bank reconciliation could not be established.

Recommendations

The Ministry should ensure that:

- review functions around bank reconciliation are strengthened;
- cash book is properly reconciled to bank reconciliation statements and to general ledger;

¹ Finance Instructions 2010, Section 32 (6)

- **signed copies of the monthly bank reconciliations are filed and securely kept at the Divisions as well at the Headquarters; and**
- **variance of \$27,221 to be rectified.**

Ministry's Comments

1. *The review functions around bank reconciliations have been strengthened as the job responsibility has changed and the Senior Accounts Officer is also engaged in checking and verifying the bank reconciliations.*
2. *Cash book is being properly reconciled to bank statements and to the General Ledger; this was shown to the auditor during the audit.*
3. *Signed copies of the bank reconciliations are being properly maintained at the Division and copies submitted to Head Quarters and Ministry of Economy.*

It should be noted that the current staff have inherited the anomalies in the Bank Reconciliations due to previous fraud case. The accounts have been reconciled after the last financial year and determined the unsubstantiated figures which are clearly identified in the reconciliations under variance.

The Ministry had made a formal submission to the Office of the Solicitor General on 13th September 2017 to seek approval for writing off of these unsubstantiated variances as these losses are deemed irrecoverable.

On 22nd February 2018, the Office of Solicitors General advised the Ministry that the unsubstantiated variances amount in the Trading and Manufacturing account is more than \$50,000, the request for write-off must be referred to the Minister for Economy under section 57(c) (3) of Finance Instruction 2010 and the Ministry has written to Ministry of Economy dated 19th March 2018 for Write off of the Unsubstantiated variances based on Solicitor General's Opinion.

The Ministry of Economy (Asset Management Unit) email dated 4th July 2018 requested the Ministry to request FICAC on the Status of the Case. The Ministry had a meeting and written to FICAC on 23rd of July 2018 on the status of the case.

40.12 Anomalies in Joinery and Plumber Shop Sales (DEWCE)

The Clerical Officer (Ledgers) must ensure that the Journal Vouchers are numbered in sequential order with all supporting documents attached to the voucher.²

The Foreman and Supervisor must record all manufacturing jobs on a job record sheet. The Clerical Officer (TMA) must maintain up-to-date and accurate ledgers which record:

- (i) administrative and overhead expenditures incurred in operating the TMA;
- (ii) inventory items bought, processed and sold;
- (iii) sales and debtors;
- (iv) creditors and commitments;
- (v) cash payments and receipts;
- (vi) property, plant & equipment values and depreciation costs.³

Audit review of the TMA sales for Joinery and Plumber Sections revealed the following discrepancies:

² Ministry of Infrastructure and Transport, 2016 Agency Finance Manual, Section 16.1.2

³ Ministry of Infrastructure and Transport, 2016 Agency Finance Manual, Section 6.2.3 – 6.2.5

- The Ministry does not have a proper accounting system for recording of TMA sales for Joinery and Plumbing which totalled \$976,930 and \$1,028,719, respectively as at 31 July 2017. Moreover, our audit could not ascertain whether all revenue earned were properly recorded in the general ledger as supporting documents relating to these revenue were not adequately maintained.

It was further noted that although the Ministry has Job Record Sheets (JRS) and invoicing system is in place, the total amount as per these records did not reconcile with the total revenue. A variance of \$185,909 between the JRS and the general ledger. Refer to Table 40.13 for details.

Table 40.13: Variance between Sales recorded at Plumber Shop and Sales recorded in General Ledger

Account	Sales as per Plumber Shop Records (\$)	Sales as per General Ledger (\$)	Variance (\$)
Plumber Shop Sales	842,810	1,028,719	(185,909)

- We also noted that journal adjustments were passed in the general ledger for Joinery sales were not properly supported. Refer Table 40.14 for examples.

Table 40.14: Examples of adjustments not properly supported

Journal Period	JV Number	Particulars	Amount (\$)	Details of Supporting Documents Attached
Aug-16	415185	Cash flow for the month of August 2016 transferred from Unearned Income (4-40251-91011-850201)	20,000	Email between Joinery Clerk and AAO for monthly cash flows.
Sep-16	415204	Cash flow for the month of September 2016 transferred from Deferred Income	20,000	Email between Joinery Clerk and AAO for monthly cash flows.
Jul-17	415503	Carryover projects from 2017 to 2018 financial year transferred to Unearned and Deferred	(126,798)	List of carry-over projects.

- In addition to the above, there was absence of reconciliation of sales recorded in the Plumber Shop with that in the general ledger

The above discrepancies increase the risk of misstatement of the amount recorded as Plumber and Joinery sales in the general ledger and subsequently in the Agency Financial Statements.

Recommendations

The Ministry should ensure that:

- proper and updated records are kept for all sales such as quotations, invoicing, receiving of funds, issuing of job record sheets and status of work;
- Job Record Sheets are issued for all work carried out, supported with a sales invoice and receipt for payment received;
- monthly sales reconciliations are carried out and any discrepancies noted is rectified; and
- journal adjustments are adequately supported.

Ministry's Comments

1. *The Division currently ensures that all sales records are properly maintained with all source documents.*
2. *JRS is issued for all funds received for works to be carried out which is supported by relevant source documents.*
3. *Sales are reconciled monthly with the GL and any discrepancies are identified and rectified.*
4. *The Division currently ensures that relevant supporting documents are attached to the JV's.*

40.13 Deficiency in Inventory Controls

The PAO/SAO/AO/AAO shall appoint two stock take officers, one of whom is independent of the inventory function, to undertake a stock take of all inventories on a monthly basis.⁴ The stock take officers shall count the stock and verify it to the inventory register. Details of the stock take must be recorded on inventory stock take sheets, which must be signed by the stock take officers after completing the stock take.⁵

Audit review of inventory controls for Plumber shop revealed that there was no evidence that year- end stocktake was reconciled to accounting records. In addition, tally cards were not updated hence there was no basis for the Ministry to reconcile inventory on hand with the records maintained.

In an absence of timely reconciliation the Ministry will not be in a position to determine if there are any leakages in the inventory for their prompt action. Thus there is a high risk of fraudulent activities or mismanagement of inventory to occur without being detected.

Recommendation

The Ministry should ensure that reconciliations are carried out between the tally cards and the physical stock count and rectify any variances arising. In addition the tally cards should be updated promptly after movement in the inventory.

Ministry's Comments

The Division ensures that physical stock and tally cards are been reconciled and updated. The Compliance/Inspection officer and the SAO conduct regular inspection of the Stores and any discrepancies are identified and rectified.

In regards to the audit issue highlighted in the report, it is the usual practice that the Stores are to maintain sufficient stock of materials to carry out Urgent Maintenance works e.g. Government Buildings.

There are cases where there will be materials returned back to the Stores due to surplus, difference in fittings/sizes, etc. and these are stored at the Stores. Some stock maintained as standby for urgent jobs and maybe later returned which may not have been previously TOC (Taken on Charge) back to the tally cards. Due to changes in Storemen over the years, some of this returned stock could have been accidentally combined with the current stock.

⁴ Ministry of Infrastructure and Transport, Agency Finance Manual 2017-2017, Section 8.3.1

⁵ Ministry of Infrastructure and Transport, Agency Finance Manual 2017-2017, Section 8.3.2

However, currently all such materials returned from sites are now TOC back to the tally cards, as per evidence attached e.g. Galvanised Socket.

Currently the Store men maintains a list of all such stock and recommendation will be made for a Special Board of Survey to determine the usefulness of these stock and request for disposal if the stock is not required or is obsolete.

40.14 Adjustment for VAT not supported

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at Ministry/Department/Divisional level and/but most importantly at whole of government level. All consolidated reconciled accounts must be verified by Senior Accounts Officer, Accounts Officer and Assistant Accounts Officer and be submitted to Ministry of Economy through PSIT within two weeks after the closing of each monthly account.⁶

On 6 September 2017, the Permanent Secretary of the Ministry approved adjustment of VAT Receivable amounting to \$322,428. We were advised during our audit that the adjustment was made since there was no documentation to substantiate the balance. The adjustment made through journal voucher number 415603 affected TMA Accumulated Surplus Account.

In the absence of any supporting documentation to support the adjustments made to the various allocations as described above, we could not determine the correctness of the adjustments made during our audit.

The above finding indicates that the Ministry has not maintained an up-to-date reconciliation of the VAT account which resulted in the unsubstantiated balance.

Recommendations

- **The Ministry should provide supporting documents to support the adjustment of \$322,428 in the financial statements; and**
- **The Ministry should also ensure that monthly reconciliations of VAT are carried out and any variances noted are investigated and rectified**

Ministry's Comments

There are unsubstantiated accumulated figures which could not be reconciled due to non-availability of source documents. Most of the documents were deliberately destroyed by the staff who have been implicated in the DECE Fraud case.

The unsubstantiated figures had to be adjusted after seeking PSIT approval. Since the records could not be obtained and it was from the period which was under investigation by FICAC and before the Court, therefore, the way forward was decided to adjust the figures.

Since it was Liability nature thus adjusted by PSIT approval as advised by MOE (only Assets could be written-off).

Below is the chronology of events of meetings and discussion dates regarding VAT adjustment and TMA AFS presentation format.

⁶ Ministry of Infrastructure and Transport, Agency Finance Manual 2017/2018, Section 17.2.5

Date	Subject	Remarks	Current Status
10/07/17	AFS Creditors	Cannot write off Liabilities	AFS Creditors has been adjusted; posting done by Ministry of Economy (MOE)
		Only allowed to write off Assets	
		Obtain Executive decision (PSIT) to adjust Creditors	
		Adjustment to clear distorted accuracy, accounting adjustment for accounting anomaly to clear Liability	
	TMA VAT	Liaise with Chief Audit & Compliance Officer at FRCA	VAT Reconciliation done and match with FRCA Statement of VAT Account (SVA)
		FRCA to agree on what VAT amount to be refunded	
11/07/17	TMA VAT reconciliation and amended SVA	TMA VAT Reconciliations to be submitted	VAT reconciliations submitted
14/07/17	Retrieve previous years VAT GL	Retrieve previous years VAT GL	FMIS & AMU not able to provide any details
19/07/17	TMA VAT SVA	Follow up on FRCS to agree on what VAT amount to be refunded	Refund figures agreed; awaiting refunds from FRCS to be processed
21/07/17	TMA AFS format	Advised by Asset Monitoring Unit (AMU) not present individual TMA due to absence of cash at bank balances	TMA Draft AFS was forwarded to AMU for approval and it was given the OK
24/07/17			
26/07/17			Advised by AMU to seek OAG comments on presentation
31/07/17			OAG did not formally respond
07/08/17		AMU advised they will liaise with OAG Director to confirm TMA presentation format	AMU did not revert to us
09/08/17			
Sept & Oct			
11/08/17	TMA VAT	Follow up on waiver and amended SVA request	Amended SVA received from FRCS on 18/08/17 Noted the VAT reconciliation was submitted to FRCS on 11/07/17
30/08/17	TMA AFS	Meeting cancelled as AMU officers on leave	
	TMA VAT adjustment JV	VAT JV submitted for PAO for endorsement and PSIT approval	VAT JV posted by MOE to match FMIS balances with FRCS SVA

40.15 Anomalies in Reporting of Trading and Manufacturing Accounts (TMA's)

It is imperative that the Ministry makes adequate disclosures of its Trading and Manufacturing Account in the financial statements. This will enable sufficient and relevant information being made available to the users of its financial statements.

The Ministry operates seventeen Trading and Manufacturing Accounts. Refer to Table 40.15 for details

Table 40.15: Details of TMA's

Activity	DECE	DEW	DEN
Joinery	✓	✓	✓
Plumber Shop	✓	✓	✓
Block shed	No TMA		✓
Fuel/Oil	✓	✓	✓
Plant Hire	✓	✓	✓
Lube Bay	✓	No TMA	
Workshop Wages	✓	✓	✓

Our audit noted that the Ministry has consolidated the seventeen TMA's in the financial statements by division hence not reflecting the actual performance of the individual TMAs.

The Ministry indicated that the change in the format of the presentation was due to the fact that Ministry has only four bank accounts for the seventeen TMA's.

The change in the disclosure has resulted in the limited information being disclosed in the financial statements for users in terms of performance and cash flows for each TMA.

Recommendation

The Ministry should ensure that adequate disclosures are made in the financial statements for the users of the financial statements to make informed decisions.

Ministry's Comment

Since there are only four (4) TMA Operation Bank Accounts and GL Cash at Bank Allocations, it was applicable/practical to present only four TMA AFS as advised by Ministry of Economy.

The Ministry maintains the cashbook for the 17 Entity's to keep record of the Cash at Bank for individual entities.

If individual TMA statement of Assets and Liabilities for each 17 TMAs were presented then Cash could not be distributed and Balance Sheet of some entities would not have Cash at Bank.

The Ministry maintains the cashbook for the 17 Entity's to keep record of the Cash at Bank for individual entities.

Thus, the following was applied from the Financial Instructions;

The Financial Instructions under section 71(1)(d) states that “Each agency must include in its annual financial statements - a statement of assets and liabilities for each trading and manufacturing activity (where applicable)”. The key word here is “where applicable”.

40.16 FEA Grid and House Wiring Refunds in the Energy Trust Account

The 2016 budget announcement by the Minister for Economy waived the community contributions of 10% for grid extensions. All costs from the year 2016 for grid extensions will be fully funded by the government.⁷

The Energy Trust Account had a balance of \$2,232,312 as at 31 July 2018. The closing balance comprises of refunds for the FEA Grid and House wiring, bond payment for projects and revenue for bills collected from the Solar Home Systems.

However, the Ministry could not provide a detailed breakdown of the balance in the account for audit review. Hence, it was not possible to determine the funds kept in the account which related to FEA Grid and House wiring, bond payments and revenue from Solar Home System. We also noted refunds to customers for Grid and House Wiring were slow which could be attributable to lack of appropriate information.

The Ministry indicated that the unavailability of the adequate records were due to frequent movements in staff due to resignations in the Department and lack of reviews by the Senior Officers.

Due to lack of adequate records timely refunds for FEA Grid and House wiring is hindered.

Recommendation

The Ministry should ensure that necessary action is taken to substantiate the closing balance held in the Trust Fund Account.

Ministry’s Comments

This trust account comprises of consumer contribution for house and grid wiring, monthly solar bills payments and security deposits from contractors. The current data maintained by Ministry can be substantiated whilst those records maintained prior to 2010 cannot.

Initially (Prior to 2010) revenue was collected by Department of Energy Technical Staff, Ministry of Rural Development (DO’s Office) and the Post Offices for which records were maintained and monitored by technical officers.

Records for revenue collected by DOs office were destroyed during flooding of their storage area at Rural Development HQ in Knolly Street, hence revenue collected and payee details could not be established /substantiated. Furthermore Department of Energy had over the years moved to several locations and in the process the staff then had lost track of documents/records.

⁷ Minister of Finance Budget Address, 2016
Ministry of Infrastructure and Transport

In view of the events mentioned above, Ministry is unable to substantiate the records for the \$2,232,312 closing balance. The Ministry is currently rectifying the unsubstantiated balances and will be advising the Office of the Auditor General on the progress.

40.17 Lack of Monitoring of Capital Projects carried out by CSA's

The Ministry is responsible for the policy and legislative formulation and the administrative and regulatory functions of Land Transport Authority, Water Authority of Fiji, and Fiji Roads Authority.

The Ministry may conduct site visits on a quarterly basis during the term of the agreement to review and comment on the utilisation of the grant and the progress and services of the work programme.⁸

The Ministry disbursed capital grants totalling \$457,381,049 to the following state-owned entities in the 2016/2017 financial year for various capital projects. Refer to Table 40.16 for details.

Table 40.16: Details of Capital Grants Provided to the CSA's

Corporate Statutory Authority	Capital Grant as per Grant Agreement (\$)	Total Capital Grant Released (\$)
Land Transport Authority	6,500,000	5,202,694
Water Authority of Fiji	229,353,118	195,428,577
Fiji Roads Authority	411,072,661	256,749,778
Total	646,925,779	457,381,049

Our audit noted that the Ministry did not carry out any site visits to independently review the progress of the work programme and monitor the utilization of grants paid. Instead the Ministry was monitoring the physical and financial progress of works from the acquittals submitted by the respective entities which is not deemed sufficient.

We were informed by Ministry that the reason for not carrying out the site visits was due to lack of technical expertise and resources in the newly established Project Monitoring and Compliance Unit by the Ministry.

As a result, audit could not establish whether grant funds totalling \$457,381,049 paid the CSA's stated in Table 40.16 were utilised for the intended purpose.

In the absence of independent project reviews and over-reliance on progress reports and acquittals submitted, there is a high risk of grant funds not being utilized for the intended purpose as approved by Parliament.

Recommendation

The Ministry should ensure that quarterly site visits are carried out in order to verify the acquittal reports submitted by the entities receiving grants from the Ministry

⁸ Grant Agreement between the Ministry and Water Authority of Fiji, Ministry and Land Transport Authority, Section 8.1 and the Ministry and Fiji Roads Authority, Section 9.1

Ministry's Comment

The Ministry is currently working towards recruitment of officers to be fully engaged in the Performance Monitoring Unit. Currently officers from the Department of Energy and Water & Sewerage are assuming additional roles in terms of monitoring progress of capital projects by CSAs. These officers already have their core roles and responsibilities and as such, monitoring other CSAs is not possible. Once officers are fully engaged, a comprehensive monitoring exercise will be possible.

Since October 2016, the Ministry has made some internal restructure arrangements to post officers from the Department of Transport, Energy and Water in formulation of Performance and Monitoring Team.

The Ministry through the Department of Transport and Accounts Section monitor the Financial Utilisation and Grants allocated to the Land Transport Authority and Maritime Safety Authority of Fiji. The Ministry through the membership of LTA and MSAF board also monitors the capital works. The Ministry continues to encourage respective Departments and CSA's to have their internal monitoring team while executive monitoring team is formed to advise executive management.

40.18 Non-compliance with Service Agreement by Post Fiji Limited

The Ministry engaged Post Fiji Limited (PFL) to provide monthly statement printing, mail processing and billing works. A service agreement between the Ministry and PFL was signed on 24/6/13 for the outsourcing of the solar home system monthly electricity statement (bill) printing and payments (revenue collection). The term of the agreement was for five years and expired on 23/6/18.

Audit review of the bill pay services provided by the PFL revealed the following anomalies.

- The PFL was to invoice the customer for the services within the first four days of the following month of receipt of the Customer's PDF files/disc for the previous calendar month's services. The invoicing shall not under any circumstances extend to or include days that fall outside the previous calendar months services.⁹

However, the revenue collected by PFL from the customers was not promptly paid to the Ministry. PFL paid the revenue collected from customers to the Ministry after significant delays. It was also noted that the Ministry did not follow up with PFL on the late payment of revenue collected. Refer to Table 40.17 for details.

Table 40.17: Delay in payment of electricity bill collections by PFL

Months	Amount (\$)	Date Revenue Due to Ministry by PFL	Date Revenue Paid to the Ministry by PFL	Days Revenue Payments Delayed
August	14,329.84	5/9/16	11/11/16	67
September	34,314.22	4/10/16	11/11/16	38
October	19,949.76	4/11/16	10/1/17	67
November	29,105.46	5/12/16	10/1/17	36
December	16,108.98	4/1/17	10/1/17	6
January	12,495.35	6/2/17	1/5/17	84
February	15,033.74	6/3/17	1/5/17	56
March	16,819.46	4/4/17	1/5/17	27

⁹ Service Agreement between the Ministry and Post Fiji Clause 4.4

Months	Amount (\$)	Date Revenue Due to Ministry by PFL	Date Revenue Paid to the Ministry by PFL	Days Revenue Payments Delayed
April	16,006.22	4/5/17	27/7/17	84
May	35,380.40	5/6/17	27/7/17	52
June	15,298.06	4/7/17	27/7/17	23
July	14,030.62	4/8/17	4/9/17	31

- PFL shall meet with the Ministry at agreed intervals at every year end to formally review PFL's performance in providing the services.¹⁰

There was no evidence to indicate that Ministry had meetings with PFL to review the company's performance since the service agreement was signed on 24/6/13.

As of the date of audit on 30/8/17, PFL was yet to make the payments for the month of July 2017.

- The PAO through the SAO/AO/AAO and respective CO - Revenue Collectors/Cashier shall prepare a quarterly Arrears of Revenue Report on the level of outstanding and overdue debts.¹¹

We noted that the Ministry did not include the outstanding electricity bill for the month of July amounting \$14,030.62 in the arrears of revenue report as at 31 July 2017.

As a result the arrears of revenue report as at 31 July 2017 is understated by \$14,030.62.

The audit findings indicate that the Ministry did not properly monitor the performance of PFL to ensure effective compliance with the service agreement and did not comply with the reporting requirement for arrears of revenue.

Recommendations

The Ministry should:

- **ensure that PFL submits bill collection payments due to the Ministry within the first four days on the following month of receipt of the Customers PDF files for the previous calendar months services;**
- **carry out a performance review of the services provided by PFL; and**
- **take appropriate disciplinary action against those responsible for non-compliance with the service agreement and reporting requirements for arrears of revenue.**

Ministry's Comments

Comments are noted. The Ministry would ensure that the dues are collected within first 4 days of the following month and also consider carrying out the performance review of PFL and taking appropriate action against those responsible who are not complying with the agreement.

¹⁰ Service Agreement between the Ministry and Post Fiji Limited, Clause 8.2

¹¹ Ministry of Infrastructure and Transport Finance Manual 2017/2018, Section 9.3.1

40.19 Lack of Implementation and Dissemination of Knowledge gained from Training

All officers who undertake an attachment, training, workshop or visit, shall make a report in duplicate within 14 days of their return to work. Head of Departments are required to coordinate staff presentations on lessons learned or new knowledge and skills gained from training course attended. Three months after any training, supervisors and trainees are required to assess the effectiveness of the training undertaken on the actual job performance.¹²

The Ministry was allocated a sum of \$376,500 for staff training in the 2016-2017 budget estimates out of which the Ministry spent \$334,411 or 89% as at 31 July 2017.

Audit review of training documents revealed the following anomalies:

- local training participants did not submit their training reports on lessons learned, knowledge and skills acquired from the trainings and the recommendations to enhance professional development or operational efficiency;
- dissemination of knowledge acquired from training through official presentation was not done;
- supervisory controls to oversee that training recommendations are implemented was lacking; and
- feedback on the evaluation from supervisors on participants attending trainings was not provided to the Ministry.

The above findings indicate lack of enforcement on compliance with the Ministry's training policies.

There is a high risk of public funds being not properly utilized if knowledge acquired from trainings are not properly disseminated to others staff and put into practice for improvement.

Recommendations

The Ministry should ensure that:

- **timely course reports are prepared by all officers who undertake an attachment, training, workshop or visit;**
- **Head of Departments coordinate staff presentations on lessons learnt and or knowledge and skills gained from training courses attended;**
- **training recommendations are assessed, approved and effectively implemented; and**
- **three months after any training, supervisors and trainees to assess the effectiveness of the training undertaken on the actual job performance.**

Ministry's Comments

Ministry agrees to the comments by the Audit Team. While there are a few training reports received with training presentations made by officers attending to such overseas training and workshops, we see that there is a lot of improvements required and we are currently progressing to implement greater controls to ensure

¹² Ministry of Infrastructure and Transport Training Policy 2016, Sections 9.3.2, 16 and 17

that all training attended must have the training report submitted within the 14 days requirement, all presentations done within timelines to ensure the smooth dissemination of knowledge/information within the Ministry so that the full benefits of attending these training realized.

40.20 Anomalies in Project Management for Construction of New Offices and Workshops for Government Shipping Services

The Government Tender Board awarded Contract Number WSC 20/2015 to the Contractor on 18/6/15 for total contract sum of \$3,663,715 (VIP) for the construction of new offices and workshops for Government Shipping Services.

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

- Contract between the Ministry and the contractor was not vetted by Solicitor-General's Office;
- A Clerk of Works was not appointed by the Ministry to oversee the construction works at the site;
- Proper work program and payment schedule was not documented in the contract;
- Separate project files were not maintained by the Ministry to file all the relevant documents for respective projects together for transparency, accountability and easy accessibility for audit and other reviews.

Refer **Appendix 40.1** for details.

Discussion with Project Manager based at the Ministry revealed that the above anomalies were due to the lack of technical staff in the Ministry as most positions were vacant. In addition, proper handing-over was not done when Projects Officers resigned from the Ministry. Furthermore, the project officers were not provided with proper guidance, training and awareness on project implementation and monitoring.

There is a high risk that lack of proper controls on projects could lead to overpayments, breach of terms of contracts and delays in project completion.

Recommendations

The Ministry should ensure that:

- **The section responsible for project management is properly resourced;**
- **contracts are vetted by the Solicitor General's Office;**
- **agreed terms and conditions such as work program, payment schedules are adequately documented in the contract;**
- **terms and condition of the contract as approved by the Government Tender Board are complied with;**
- **Separate project files are maintained for individual projects carried out by the Ministry with all the necessary supporting documents filed; and**
- **proper handing over is done when officers resigned.**

Ministry's Comments

The 2 projects under Government Shipping Services were overseen by DBGA's office had the Fiji Standard Form of Building Contract (green book) whereby it was normal practise that for any issues or instructions the green book is always referred to. In the duration of the project, the new procedures were then realized of which now the DBGA's Office is working on to adhering to:

1. Submission of Contract Document to SG's Office for verification.
2. Working with recommended Contractor on drafting payment schedules that were practical and workable against their work programme.
3. Reference of Government Tender Board Letter in situations whereby it is outside of the agreed contract e.g. duration/variation.
4. Proper documentation of information on projects.

The DBGA's Office is appreciative of the recommendations from Auditor General's Report and is working on ways to improve its service delivery and documentation.

40.21 Person-to-Post Listing Not Regularly Updated and Reconciled With General Ledger

It will be a good internal control that the person to post listing must be regularly updated.

Our audit noted the Ministry's established (SEG 1) and unestablished (SEG 2) person-to-post listing was not regularly updated. As of the date of audit on 22/8/17, a variance of \$6,017,336 existed between the FMIS general ledger and the person-to-post listing after excluding the vacant positions from the listing. Refer to Table 40.17 for details.

Table 40.17: Variance between FMIS GL and the Person to Post listing (P2P)

SEG	Total Salary as per FMIS GL	Total Salary as per P2P	Variance
1	11,067,138	9,326,043	1,741,095
2	7,960,735	3,684,495	4,276,240
Total	19,027,873	13,010,538	6,017,335

Person-to-post listings which are not updated are highly to affect financial and human resource management in the Ministry.

Recommendation

The Ministry should ensure that person-to-post listing is regularly updated and reconciled with general ledger.

Ministry's Comments

The Corporate Services Department of the Ministry from 2016 to 2017 have experienced some staff movements which has resulted in some of its function being overlooked, one of which was the reconciliation of P2P and the payroll. The responsibility was assigned to the Acting Administrative Officer (Selection) who continued with the assigned duties and at the same time updating Ministry's P2P. Although reconciliation was not done, the other function in terms of updating P2P continued as normal.

The Department has now identified a P2P Officer who is currently working on P2P reconciliation and will ensure discrepancies as such does not appear in future.

40.22 Delay in filling of Vacant Positions

Once a decision had been made to fill a substantive vacancy it shall be advertised within 1 month from the date it became vacant and should be filled within 5 weeks from the date of advertisement.¹³

The Ministry had approved staff establishment of 1,076 for the year ended 31 July 2017. However a total of 353 or 32.8% of the total positions in the Ministry were vacant as at 31 July 2017. The vacant positions comprised of 202 established and 151 Government Wage Earner positions. Furthermore, there was an increase in the number of vacant positions from 263 for the seven months for the ended 31 July 2016 to 353 for the year ended 31 July 2017. Refer to Table 40.18 for details.

Table 40.18: Details of Vacant Positions

Payroll	Approved Establishment	Actual Establishment	Vacant Positions as at 31/7/17	Vacant Positions as at 31/7/16
Established Staff	638	434	202	158
Government Wage Earner	438	280	151	105
Total	1,076	714	353	263

The delay in filling in the vacant positions could impact on the service delivery of the Ministry and as such the Ministry may not be able to achieve the desired output as per its Annual Corporate Plan. In addition, public funds committed in the budget estimates are not fully utilised for the purpose it was appropriated by Parliament.

Recommendation

The Ministry should identify positions which need to be filled and prioritize filling these positions.

Ministry's Comments

Currently, the Ministry is dealing with the processing of vacancies to do with the expiry of contracts each month. As at current date, we are aiming to bring to a closure on a backlog of around 100 (established and GWE) vacancies surrounding expiry of contracts for 2017. The affected officers/employees are on Temporary Appointments.

In principle, Ministry agrees and we are currently ONLY prioritizing the substantive filling of priority positions that had been vacant. Ministry is undergoing a World Bank review as well and keeping this in mind, we are only filling those substantively vacant positions in the respective departments that are urgently needed to be filled to get our core priorities and capital projects moving and to be completed within timelines.

Other vacant positions are in the meantime, would not be progressed any further noting the reform and to wait its recommendation.

¹³ Ministry of Infrastructure and Transport, Revised 2015 Human Resource Manual Section 7.2.4.10

40.23 Anomalies in Revenue Collection for Cartage of Freight Allocation

For any routes which are not included in this authorisation or new routes that may evolve in future, the shipping companies are to make submissions to Fijian Competition and Consumer Commission (Commission) for the authorisation of the passenger fares and freight rates before implementation of any rates or fares.¹⁴ The authorised rates must be charged by the service providers and will remain the same and no new charges should be introduced unless authorised by the Commission.¹⁵

Our audit noted the following anomalies in the collection of revenue from shipping services and cartage of freight:

- The Ministry introduced new franchise routes to North East and Vanua Levu. The passenger fares and freight rates were estimated and implemented by the Ministry without the authorisation of the Commission.
- Receipts issued by the Ministry did not include details such as the number of passengers travelling, the fare and the rates charged on cargo freight.

The findings indicate that the Ministry did not comply with the requirements of the Commission. As a result, it was not possible to ascertain the accuracy of the revenue collected from shipping services and cartage of freight.

Recommendations

The Ministry should ensure that:

- **fare on the new routes are authorised by the Fijian Competition and Consumer Commission prior to it being charged; and**
- **details such as number of passengers traveling, cargo details and rates applied are recorded in the receipts.**

Ministry's Comments

As at 20/3/18 the new rates are still not approved by Fijian Competition and Consumer Commission despite our submission. However due to Government's commitment towards the service Government Shipping Service needs to charge traveling public while waiting for the approval from relevant authorities. Revenue Receipts will now have the Bill of Lading number inserted for cross referencing and ease of audit checks.

40.24 Internal Control Deficiency in Inventory Management – Government Shipping Services

When inventory items are purchased, the store man or the officer in charge of inventory shall record them in the inventory register. The Store man or the Officer in Charge of inventory shall ensure that the register is kept up to date at all times. The Store man or the Officer in Charge of inventory shall keep a Tally Card for each inventory item to determine the value of items. The Store man or the Officer in Charge of inventory must ensure that adequate storage space is

¹⁴ Fiji Commerce Commission, Inter-Island Shipping Fares and Freight Charges, Section 4.3

¹⁵ Fiji Commerce Commission, Inter-Island Shipping Fares and Freight Charges, Section 4.6

available for incoming stock as and when required and stocks are kept in an orderly manner allowing for safe access.¹⁶

Audit noted the following inventory internal control weaknesses at Government Shipping Services (GSS):

- A Storeman was not appointed by the Ministry to maintain stores records. The position has been vacant since 2015 and at the time of our audit in October 2017, an Engineer was assigned to maintain the stock records;
- Separation of duties was not practised as the Engineer was responsible for maintaining stock records for the store room and was also responsible for maintaining stock records on each vessel when items were received at the vessels from the store room;
- Tally cards for stocks were not maintained up-to-date; and
- Tally cards were updated from purchase orders instead of delivery dockets.

The above anomalies were highlighted in the 2015 audit report. However, necessary action is yet to be taken. Absence of separation of duties increases risk of errors and omissions and fraud which may not be easily detected on a timely basis.

Recommendation

The Ministry should consider appointing an experienced Storeman who should be given responsibility of maintaining and updating inventory and related records.

Ministry's Comments

Post of Assistant Store man being advertised in October 2017 and post should be filled this year. While the Store man vacant post will advertised and filled also this year to ensure full strength manpower operates and maintain the Government Shipping Services Stores. In the meantime the Marine Officer II manning and operating the Stores is ordering, receiving, dispatching and recording all items into their respective tally cards.

Rural Electrification Projects

The Ministry was allocated a budget of \$14.8m for the rural electrification projects in 2017 budget estimates. The objective of the rural electrification program is to facilitate the penetration of electricity into rural areas with the ultimate intention of bringing about opportunities for economic gains and improvements in our overall standard of living. The rural electrification programme largely, provides a facility that enables rural communities to be provided or assisted with the provision of electricity. The option includes:

- Supply from the FEA Grid
- Supply from a Government Station
- Diesel Generator and Solar Hybrid
- Hydro and
- Solar

¹⁶ Ministry of Infrastructure and Transport Finance Manual 2016/2017 – Section 8.1.1, 8.1.3, 8.1.6 & 8.2.1

40.25 Performance Bond Requirement Not Strictly Adhered to by the Ministry

Performance bond, terms and conditions for the supply and purchase of goods and services for the whole of government shall be reflected in the contract document. All bidders whether local or overseas, shall be required to pay a performance bond if the contract is valued more than FJ\$50,000 during the period of the contract.¹⁷

Audit review of performance bonds of the contractors revealed the following anomalies:

- Performance bond was not provided by some of the contractors despite the contract agreement clearly stating the amount and the performance bond to be paid;
- The Ministry did not request the contractors to renew their performance bond when it expired before the projects were completed; and
- For one contract, the contract amount and the performance bond amount were the same indicating that the contract document was not properly vetted by the Ministry. Refer to Table 40.19 for details.

Table 40.19: Details of Examples of Non Compliance to Performance Bond Requirement

Agreement Details	Contractor	Contract Sum (\$)	Performance Bond Sum (\$)	Audit Comments
CTN 217/2015 – Supply, Transportation, Installation and Commissioning of 500 Solar Home Systems	Contractor	1,771,814.50	177,181.44	Performance bond expired on 31/3/17 before the expiry of the contract in July.
CTN 228/2015 – FEA House wiring Projects	Contractor (Awarded 3 Projects)	177,103.20	17,710.32	Performance bond not provided indicating no performance bond obtained.
		25,259.66	2,525.97	
		50,845.23	5,084.52	
	Contractor (Awarded 4 Projects)	41,223.80	4,122.38	
		41,158.40	4,115.84	
		39,779.98	3,978.00	
	Contractor (Awarded 4 Projects)	25,907.67	2,590.77	
		34,027.84	3,402.78	
		24,373.30	2,437.33	
	Contractor (Awarded 4 Projects)	57,652.73	5,765.27	
		66,777.52	6,677.75	
		18,062.32	18,062.32	
		38,696.01	3,869.60	
CTN 205/2015 - FEA Minor House Wiring Projects	Contractor (Awarded 5 Projects)	65,437.02	6,543.70	Performance bond not provided indicating no performance bond obtained.
		34,400.02	3,440.00	
	Contractor (Awarded 4 Projects)	131,968.50	13,196.85	

In absence of valid and appropriate amount of performance bonds the Ministry may not be able to recover the required sum from the contractors in case of non-performance.

¹⁷ Finance Circular 13/2013, Section 5(i)

Recommendation

The Ministry should ensure that performance bonds and other matters relating to contract management are properly carried out so that the interests of government are adequately protected.

Ministry's Comments

The audit comment is noted, and we are now ensuring that contractors provide their performance bond first before we allow them to sign for their contracts.

40.26 Projects on hold due to Land Consent

The Ministry prior to undertaking the house wiring projects requires the customers willing to be connected to the FEA grid to provide supporting documents such as land consent, tin letter and birth certificate.

Our audit noted that the project for the FEA house wiring for 60 houses at Bilo Road, Waiqanake, Lami was on hold due to land consent issues from the landowners.

The finding indicate that proper due diligence prior to awarding of contract was not carried out by the Ministry.

As a result, the house wiring project for the 60 households could not be carried out.

Recommendation

The Ministry should ensure that proper due diligence is exercised prior to awarding of contracts.

Ministry's Comments

In Bilo Waiqanake's case the Turaga-ni- Mataqali has given his consent for FEA to commence work. That consent was used for the initial arrangement of the project; later on the Mataqali Trustees wrote a letter saying that they do not agree to the extension of the FEA grid as they wanted to evict the tenants on their land who happen to be the members of the project. Negotiation is still on-going with the landowners, the Bilo project is a one off case for Rural Electrification and the auditors comment is noted.

40.27 Non-compliance with directives from GTB

The GTB in its meeting No. 3/2016 held on 21/3/2016 approved to award the tender for CTN 205/2015 for FEA minor house wiring for twelve projects to various companies at the total cost of \$431,263.08 VIP. One of the projects for house wiring of seven houses in Labasa was awarded to a company at a cost of \$9,893.

However, our review of projects under CTN 205/2015 on 4/10/17 noted that the works for the house wiring of seven houses in Labasa was already carried out by another company. The Ministry was unable to provide documentation on the approval of work to be carried out by this company.

We were informed by the Acting Assistant Director Energy through an email correspondence on 4/10/17 that miscommunication within the Ministry resulted in the work being awarded twice. We

were also informed that Ministry is working with the contractor to find a replacement project for the original contractor.

As a result, the Ministry may be exposed to litigation claims in future by the original contractor.

Recommendations

The Ministry should:

- ensure that the decision of the Government Tender Board is implemented; and
- investigate the matter internally and take appropriate actions to avoid recurrence.

Ministry's Comments

The audit recommendation is noted and the Ministry will ensure that awarding of such contracts does not happen again in future.

40.28 Bills for Solar Home Systems Collected and not Remitted by Post Fiji

The Ministry engaged Post Fiji Limited (PFL) to provide monthly Postmaster collection of the Solar Home Systems billing payment facility for the customers of solar home systems. The participants of the Solar Home System program are required to pay a monthly fee of \$14 for Type 1 photovoltaic systems and \$18 for Type 2 photovoltaic systems.

Audit made the following observations from the review of the revenue:

- There was no agreement between the Ministry and PFL for the collection of the monthly bills for the solar home systems.
- As of the date of audit on 31/10/17 PFL did not remit the collections of the bills to the Ministry totaling \$114,907.18 since year 2015. Refer to Table 40.20 for details.

Table 40.20: Details of Monthly Bills Collected and Not Remitted by PFL

Month	2014	2015 (\$)	2016 (\$)	2017 (\$)
January	Paid	5,232.00	2,910.90	626.05
February		9,298.86	5,750.50	602.00
March		9,767.69	4,790.36	286.00
April		5,761.16	1,619.00	500.10
May		3,946.35	2,653.06	322.00
June		692.00	6,625.00	154.00
July		2,313.00	2,168.00	348.00
August		5,864.66	1,862.14	198.00
September		8,027.29	1,784.00	290.00
October		5,018.00	438.00	-
November		15,814.82	1,847.00	-
December		6,162.24	1,235.00	-
Total		77,898.07	33,682.96	3,326.15
Grand Total				114,907.18

Discussions with the Senior Accountant revealed that the Ministry was liaising with PFL on the payment of arrears however PFL did not provide the reconciliations of the rural electrification deposits.

As a result the total receipts in the Energy Trust Account Statement of Receipts and Payments for the Solar Home Payments is understated by \$114,907.18

Recommendations

The Ministry should:

- **enter into an agreement with PFL for the postmaster billing payment facility for customers of solar home systems; and**
- **liaise with PFL for the payment of arrears for the Solar Home Systems.**

Ministry's Comments

Post Fiji Ltd has cleared the outstanding payments amounting to \$86,927.19 on 08/02/18. The Ministry is currently discussing with Post Fiji on the revision of the current contract agreement in order to improve the frequency of the repayments of the Rural Electrification Deposits to the Ministry.

40.29 Main Trust Fund Receipts not used for maintenance of Solar Home Systems

The village/settlement or individual householders must make monthly rental payments of \$18.00 to enable the Rural Electrification Unit to maintain the systems.¹⁸

The Ministry had a balance of \$2,232,312 in the Energy Trust Account as at 31 July 2017 which includes refundable deposits for consumer contribution for house and grid wiring and deposits from contractors. We noted that funds have not been utilized for maintenance of the system since inception of the arrangement in 2002.

We further noted that the maintenance cost for the Solar Home Systems is currently provided in the budgetary allocations of the Ministry which includes the cost of maintenance parts, accommodation cost and accountable advance for staffs visiting the communities.

The Ministry will continue to accumulate funds in the Energy Trust Account if budgetary allocation is provided for the maintenance of the systems.

Recommendation

The Ministry should liaise with Ministry of Economy and find a solution for better utilisation of funds held in the Energy Trust Account.

Ministry's Comments

Auditors Recommendation is noted, Ministry uses its capital budget under Rural Electrification Project to cater for the maintenance cost for Solar Home Systems located in Mainland and Maritime zones. Submission will be made as a way forward for the revenue received as to date.

¹⁸ Fiji Rural Electrification Policy 2016, Section 9.6.1(b)

40.30 Main Trust Fund Reconciliation not performed Monthly

Within 5 days after the end of each month, the Clerical Officer (Trust) shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹⁹

Our audit noted that monthly trust fund reconciliations were not performed on a timely basis by the Ministry for the financial year 2016-2017. Refer to Table 40.21 for details.

Table 40.21: Details of Reconciliations Prepared

Date Reconciliation Prepared	Reconciliation Month	Reconciliation Balance
14/02/17	August 2016 –February 2017	2,195,472.13
13/06/17	March 2017	2,141,608.33
31/8/18	April 2017 – July 2017	2,232,311.49

The Ministry has not complied with requirements relating to monthly reconciliations.

In absence of monthly reconciliations, there is a high risk of errors and omissions or fraudulent activities not being detected and rectified on a timely basis.

The findings also indicate that the officer responsible for preparation of monthly reconciliations and the supervising officer did not diligently perform their duties.

Recommendations

The Ministry should ensure that:

- monthly reconciliations are prepared between the trust account and the FMIS general ledger and any variances arising are properly investigated and resolved; and
- Supervisory and review functions are strengthened in order to comply with the Finance Manual at all times.

Ministry's Comments

The Audit comments are noted. The Ministry now prepares monthly reconciliations for the True Trust Bank Account. The receipts and payments are reconciled with Bank Statements and with the FMIS General Ledger; any variances arising are properly rectified.

¹⁹ Ministry of Infrastructure and Transport, Agency Finance Manual 2017-2017, Section 15.4.1

APPENDIX 40.1: ANOMALIES IN GOVERNMENT SHIPPING PROJECTS

Project		Allocation	Actual (\$)	Remarks
Upgrade of Government Shipping Building	of	1-40103-40301-080421	1,691,861	<p>Audit noted the following anomalies:</p> <ul style="list-style-type: none"> - There was no evidence of contract being vetted by Solicitor General's Office and no Clerk of Work assigned as directed by Government Tender Board; - Proper filing of project documents was not properly done as its project files were not properly maintained and updated; and - Payment Schedule in the contract was not followed as progressive payment was done according to work on site. This should have been initially agreed and documented in the contract.
Upgrade of Government Wharf	of	1-40103-40301-080429	1,178,497	<p>Audit noted the following anomalies:</p> <ul style="list-style-type: none"> - There was no evidence of contract vetted by Solicitor General's Office as directed by Government Tender Board; - The original Work Program in the contract was not followed and as such a revised program was discussed. However, this was not documented and agreed. Nonetheless, work commenced without a revised program and payments were done; - Payment Schedule in the contract was not followed as progressive payments were done. This should have been initially agreed and documented in the contract; and - Under the contract the work was to be completed within 11 months. However, work took more than agreed from actual work began on 04/10/16 and still in progress but on hold as awaiting variation of work to be approved by Government Tender Board.
Total			2,870,358	

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