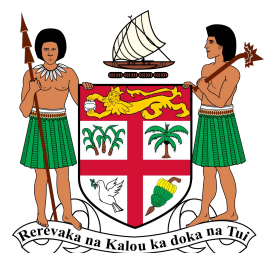




OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

2017 Audit Report on General Administration 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 GENERAL ADMINISTRATION 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 General Administration 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 – General Administration 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 General Administration Sector includes:

Section 01	Office of the Prime Minister
Section 02	Office of the Attorney-General
Section 03	Ministry of Economy
Section 05	Ministry of iTaukei Affairs
Section 06	Ministry of Defence, National Security and Immigration
Section 07	Ministry of Employment, Productivity and Industrial Relations
Section 08	Ministry of Foreign Affairs
Section 09	Office of the Auditor General
Section 10	Fijian Elections Office
Section 11	Judiciary
Section 12	Parliament Office
Section 13	Independent Commissions
Section 14	Office of the Director of Public Prosecutions
Section 15	Ministry of Justice
Section 15A	Fiji Corrections Service
Section 16	Ministry of Communication, Department of Information and Communication
Section 16A	Department of Information Technology and Computing Services
Section 17	Ministry of Civil Service
Section 18	Ministry of Rural and Maritime Development and National Disaster Management
Section 19	Republic of Fiji Military Forces
Section 20	Fiji Police Force
Section 49	Peacekeeping Missions

However, Ministry of Economy will be reported separately with the 2017 Financial Statements of Government as soon as these reports have been finalised.

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 ministries and departments as at 31 July 2017.

Results of our audits

As at 30 September 2018, we issued audit opinions on 23 agency financial statements of ministries and departments in the *General Administration Sector* for the 2016-2017 financial year.

Quality and timelines of financial statements

The financial statements of most ministries and departments were delayed. The quality of agency financial statements of some ministries and departments were not of good quality. We issued unmodified opinions on 17 of agency financial statements for 2016-2017.

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 2004, Financial Management (Amendment) Act 2016, Finance Instructions 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.

Figure 1 - Independent Audit Reports issued for 2016-2017 financial year

	Unmodified Opinion	Modified Opinion
Number of audits	17	6
Percentage of total	74%	26%

Source: Office of the Auditor-General

Majority of the ministries and departments in the *General Administration Sector* submitted the draft financial statements for 2017 well after the deadline of 16 October 2017 set by Ministry of Economy. Only a few agencies submitted of their draft financial statements on or before the deadline.

The draft financial statements for 2016-2017 of 14 or 61% of ministries and departments in the *General Administration Sector* were not adjusted during our audit. The remaining financial statements were adjusted through audit adjustments.

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 2004, Financial Management (Amendment) Act 2016, Finance Instructions 2010, 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 State-agencies to provide assurance to their reliability.

Ministry of Economy advised all State-agencies to provide the draft 2017 agency financial statements to the Auditor-General by 31 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 prepare high quality financial statements in a timely manner.

We assessed the quality and timeliness of financial statements prepared by 20 agencies in the *General Administration Sector* for financial year ended 31 July 2017 by considering:

- year-end closing process – whether accounts were closed-off on the 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 each ministry/department is included in Appendix A.

Conclusion

A total of 23 ministries and departments were audited under the General Administration Sector. Of these, unqualified audit reports were issued on 17 financial statements while audit reports for 6-financial statements were qualified.

It is evident from the audit, that more concerted efforts need to be taken to streamline year-end account closing process, improve on the timeliness of submission of draft financial statements for audit and to improve the quality of the financial statements prepared.

It is imperative that the Heads of Ministries and Departments take proactive actions to address the issues raised in the audit reports and improve on year-end account closing process, improve on timeliness and quality of the financial statements submitted for audit.



Ajay Nand

AUDITOR-GENERAL

Date: 05/02/2019

3.0 Audit Opinion results

Table A summarises the audit opinions we issued on the 2016-2017 financial statements for State-agencies.

Table A
Audit opinions issued by OAG for 2016-2017 financial year

Sector	Unmodified opinions	Modified opinions	Disclaimer of opinion
General Administration	17	6	0

Modified opinions

We issued modified opinions on 6 of the 2017 financial statements completed for various ministries and departments on the following grounds:

- Ministry of Justice did not maintain detailed breakdown listings of the companies under provisional liquidations and the individuals under receiverships.
- The Judicial Department's reconciliations for Sutors, Sundries and Maintenance Trust Fund accounts were only prepared up to January 2015, January 2000 and December 1994, respectively as at 31 July 2017. In addition, the Department does not maintain detailed breakdown listing of funds received from FNPF, funds paid out to beneficiaries, and balance of fund to be refunded to FNPF where no application has been made to claim the funds from High Court.
- A variance of \$197,953 exists between the total revenue recorded in the general ledger and subsidiary revenue records maintained by the Ministry of Rural and Maritime Development and National Disaster Management.
- The Engineers Trust Fund Account Statement of Receipts and Payments does not provide receipts and payments for each project undertaken by Fiji Military Force. The statement only includes closing cash balance for each project.
- There was an unreconciled variance of \$3,006,088 between the Integrated Border Control Management System (IBMS) which records the Department of Immigrations operating revenue and the FMIS General Ledger. In addition, detailed listings of work permit holders for whom security bond totaling \$25,215,349 was held in trust as at 31 July 2017 are not maintained by the Department of Immigration.
- The Ministry receives \$70,000 annual fees from the Ministry of Civil Service under the Shared Services Agreement. The Ministry deposited the service fees into the OHS Consultancy Trust Fund Account. Transfer of public funds into a trust account is improper as funds in trust are those funds other than public money. Consequently, the OHS Trust Fund Account is overstated by \$70,000 and Ministry's operating revenue is understated by the same amount.
- An unreconciled variance of \$381,087 exists between the OHS Consultancy, Wages Dispute and Workmen's Compensation Trust Fund cash at bank balance and the General Ledger (FMIS) balance. As a result I was not able to ascertain that all receipts and payments had been accurately accounted and disclosed in the Trust Fund cash account.

Unmodified opinions

We issued unmodified opinions on 17 or 74% of the 2017 financial statements various ministries and departments. This means that material misstatements were not noted in majority of the agencies which were audited.

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.

Fourteen (14) ministries and departments prepared good quality complete draft financial statements that did not require any adjustments.

Adjustments passed on draft financial statements for 5 ministries and departments were not material.

The most material adjustment was made for financial statements of three ministries and departments.

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.

Table B
Agencies which met or missed the agreed timeline for submission of draft financial statements

Sector	Timeline Met	Timeline not Met
General Administration Services	<ol style="list-style-type: none"> 1. Parliament Office 2. Office of the Director of Public Prosecutions 3. Judiciary Department 4. Office of the Auditor General 5. Peacekeeping Missions 	<ol style="list-style-type: none"> 1. Ministry of Justice 2. Ministry of Civil Service and Public Service Commission 3. Fiji Corrections Services 4. Ministry of Rural and Maritime Development and National Disaster Management 5. Fiji Military Force 6. Fiji Police Force 7. Ministry of Communication – Department of Information 8. Office of the President 9. Office of the Prime Minister 10. Ministry of iTaukei Affairs 11. Ministry of Defence, National Security and Immigration

Sector	Timeline Met	Timeline not Met
		12. Ministry of Employment, Productivity and Industrial Relations 13. Ministry of Foreign Affairs 14. Independent Commission – Fiji Independent Commission Against Corruption 15. Office of the Attorney General 16. Fiji Elections Office 17. Department of Information Technology and Computing Services

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:

- 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.

Ten or 43% of the Ministries and Departments under the General Administration sector achieved all the key focus areas for closing of accounts set by Ministry of Economy while 10 or 43% managed to achieve 5 of 10 key processes within two weeks of due date.

Three Ministries could not achieve any of the key focus areas.

Appendix A: Assessment of financial governance

This section evaluates the effectiveness of the internal controls maintained by 20 ministries and departments.

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 or more components of internal control.

Permanent Secretaries, Heads of Departments and other personnel of ministries 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 or Head of Department of ministries and departments.

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 *General Administration Sector* as:











Rating	Timeliness of Management Comments Received
Effective	Within 14 days from issue of 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 across the ministries and departments in the *General Administration Sector* which were subject to our audit.

Ministry or Department	Internal controls					Financial Statement Preparation			Responses to OAG	
<i>General Administration</i>	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS
1. Office of the President	Effective	Effective	Effective	Effective	Effective	Ineffective	Effective	Effective	Effective	Ineffective
2. Office of the Prime Minister	Effective	Effective	Effective	Effective	Effective	Ineffective	Effective	Effective	Ineffective	Effective
3. Office of the Attorney-General	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective
5. Ministry of i-Taukei Affairs	Effective	Effective	Effective	Effective	Effective	Ineffective	Effective	Effective	Effective	Effective
6. Ministry of Defence, National Security and Immigration	Effective	Effective	Effective	Effective	Effective	Ineffective	Effective	Effective	Ineffective	Effective
7. Ministry of Employment, Productivity and Industrial Relations	Ineffective	Effective	Effective	Effective	Effective	Ineffective	Effective	Effective	Effective	Ineffective
8. Ministry of Foreign Affairs	Effective	Effective	Effective	Effective	Effective	Effective	Ineffective	Ineffective	Ineffective	Effective
9. Office of the Auditor-General	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective
10. Fijian Elections Office	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective
11. Judiciary	Ineffective	Ineffective	Ineffective	Ineffective	Ineffective	Effective	Effective	Effective	Effective	Ineffective
12. Parliament	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective
13. Independent Commissions: Fiji Independent Commission Against Corruption	Effective	Effective	Effective	Effective	Effective	Ineffective	Effective	Effective	Effective	Effective
Public Service Commission	Effective	Effective	Effective	Effective	Effective	Ineffective	Effective	Effective	Effective	Ineffective
14. Office of the Director of Public Prosecutions	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective
15. Ministry of Justice	Effective	Effective	Effective	Effective	Effective	Ineffective	Effective	Effective	Effective	Effective
15A. Fiji Corrections Service	Effective	Effective	Effective	Effective	Effective	Ineffective	Effective	Ineffective	Effective	Effective
16. Ministry of Communication	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective
17. Department of Information Technology & Computing Services	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Ineffective	Ineffective
18. Ministry of Civil Service	Effective	Effective	Effective	Effective	Effective	Ineffective	Effective	Effective	Effective	Ineffective
19. Ministry of Rural and Maritime Development and National Disaster Management	Effective	Effective	Effective	Effective	Effective	Ineffective	Ineffective	Ineffective	Ineffective	Ineffective
20. Republic of Fiji Military Forces	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Ineffective	Ineffective
21. Fiji Police Force	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Effective	Ineffective	Effective

Ministry or Department	Internal controls					Financial Statement Preparation			Responses to OAG	
<i>General Administration</i>	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS
49. Peace Keeping Mission										

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

Appendix B: Audit Opinion Results

The following table presents the results of our audit of 2016-2017 financial statements for ministries and departments in the *General Administration Sector*.

Ministry/Department	Date audit report signed	Audit opinion type
1. Office of the President	08/03/18	Unmodified
2. Office of the Prime Minister	13/02/18	Unmodified
3. Office of the Attorney-General	29/01/18	Unmodified
5. Ministry of i-Taukei Affairs	30/04/18	Unmodified
6. Ministry of Defence, National Security and Immigration	03/05/18	Modified
7. Ministry of Employment, Productivity and Industrial Relations	24/07/18	Modified
8. Ministry of Foreign Affairs	20/06/18	Unmodified
9. Office of the Auditor-General	18/10/17	Unmodified
10. Fijian Elections Office	17/12/18	Unmodified
11. Judiciary	12/07/18	Modified
12. Parliament	22/11/17	Unmodified
13. Independent Commissions:		
Fiji Independent Commission Against Corruption	24/01/18	Unmodified
Public Service Commission	23/05/18	Unmodified
14. Office of the Director of Public Prosecutions	18/12/17	Unmodified
15. Ministry of Justice	22/05/18	Modified
15A Fiji Corrections Service	04/09/18	Unmodified
16. Ministry of Communication	14/03/18	Unmodified
16A. Department of Information Technology & Computing Services	11/05/18	Unmodified
17. Ministry of Civil Service	23/05/18	Unmodified
18. Ministry of Rural and Maritime Development and National Disaster Management	03/04/18	Modified
19. Republic of Fiji Military Forces	16/04/18	Modified
20. Fiji Police Force	19/03/18	Unmodified
49. Peacekeeping Missions	03/05/18	Unmodified

Section 1

Office of the President

Roles and Responsibilities

Under the Constitution of the Republic of Fiji, the President is the Head of State and the Executive Authority of State. The President is also the Commander-in-Chief of the Republic of Fiji Military Forces and performs ceremonial functions for the military in this capacity. The President is also the Chancellor of the Order of Fiji and oversees the recognition of both citizens and non-citizens for their contributions at the community, national and international levels that help Fiji develop as a nation.

The President is apolitical and symbolizes national unity for all Fijians. The President's responsibilities include approving all Constitutional appointments, opening each annual session of Parliament with an address outlining the policies and programmes of the Government, assenting to Bills passed by Parliament, receiving the credentials of foreign diplomats and conducting State Visits to strengthen Fiji's diplomatic and foreign relations. The President also maintains an active programme of community engagements.

The Office of the President's primary role is to assist the President in fulfilling all constitutional, official and ceremonial obligations. They provide direct policy advice on matters of national interest by providing a full range of administrative, protocol, domestic and landscape services on a daily basis. The Office of the President also coordinates security services to the President through the Republic of Fiji Military Forces and the Office of the President.

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PART A: FINANCIAL STATEMENTS

1.1 Audit Opinion

The audit of the 2017 accounts for the Office of the President resulted in the issue of an unqualified audit opinion.

1.2 Statement of Receipts and Expenditure

The Office of the President recorded revenue totalling \$1,040 and incurred a total expenditure of \$1,958,566 for the year ended 31 July 2017. Details are provided in Table 1.1

Table 1.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State revenue	1,040	676
Total Revenue	1,040	676
Established staff	634,847	380,706
Government wage earners	189,884	111,735
Travel and communications	465,514	866,952
Maintenance and operations	380,314	265,878
Purchase of goods and services	184,652	118,421
Total Operating Expenditure	1,855,211	1,743,692
Value Added Tax	103,355	40,501
Total Expenditure	1,958,566	1,784,193

The financial year-end for Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

1.3 Appropriation Statement

The Office incurred expenditure totalling \$1.9 million in 2017 against a revised budget of \$3.5 million, resulting in a saving of \$1.5 million or 45%. The large savings was due to the deferment of major capital projects namely the Coronation Ground Drainage, upgrading of the Vakatunuloa and installation of the fire alarm system to the 2017 – 2018 financial year.

Details of expenditure against the revised budget are provided in Table 1.2.

Table 1.2: Appropriation Statement for financial year 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	649,621	(6,562)	643,059	634,847	8,212
2	Government Wage Earners	230,604	(30,787)	199,817	189,884	9,933
3	Travel & Communication	311,900	159,054	470,954	465,514	5,440
4	Maintenance & Operations	483,400	(94,315)	389,085	380,314	8,771
5	Purchase of Goods & Services	157,400	32,186	189,586	184,652	4,934
	Total Operating Expenditure	1,832,925	59,576	1,892,501	1,855,211	37,290
8	Capital Construction	1,492,248	(59,576)	1,432,672	---	1,432,672
	Total Capital Expenditure	1,492,248	(59,576)	1,432,672	---	1,432,672
13	Value Added Tax	220,000	---	220,000	103,355	116,645
	TOTAL	3,545,173	---	3,545,173	1,958,566	1,586,607

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

1.4 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 management of agencies 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 agencies 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 Office as:

Rating	Internal control assessment
 Effective	No deficiencies identified in internal controls

1.5 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 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.


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

Rating	Year-end close process assessment
 Effective	All 10 key processes completed by due date

1.6 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 Office was:

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


1.7 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

1.8 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 as:

Rating	Timeliness of Management Comments Received
 Generally effective	Within 21 days from issue of Draft Management Letter

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

Section 2

Office of the Prime Minister

Roles and Responsibilities

The Prime Minister is the Head of Government and is responsible for leading Cabinet and guiding the Government's legislative and reform agenda.

One of the Prime Minister's primary responsibilities is to ensure that Government adopts a holistic approach to Fiji's development by promoting close cooperation among his Ministers. It is also the duty of the Prime Minister to ensure that his Ministers uphold their responsibilities to Parliament.

The Office of the Prime Minister [OPM] provides policy advice and administrative support to the Prime Minister and Cabinet. It liaises with and seeks input from Government Ministries to provide the Prime Minister with policy advice.

Under the Prime Minister's guidance, the OPM's work includes but is not limited to projects of particular priority for Government, such as rural and outer island development, small and community grant projects and the development of specific industries which require a national focus.

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PART A: FINANCIAL STATEMENTS

2.1 Audit Opinion

The audit of the 2017 accounts of the Office of the Prime Minister resulted in an unqualified audit opinion.

2.2 Statement of Receipts and Expenditure

The Office collected state revenue totalling \$145,991 and incurred a total expenditure of \$9,078,591 for the year ended 31 July 2017. Details are provided in Table 2.1.

Table 2.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	145,991	47,664
Total Revenue	145,991	47,664
Established Staff	2,252,683	1,464,308
Government Wage Earners	483,752	275,447
Travel & Communications	1,416,646	813,869
Maintenance & Operations	634,255	478,457
Purchase of Goods & Services	150,666	146,342
Operating Grants & Transfers	659,573	512,690
Special Expenditures	190,041	146,605
Total Operating Expenditure	5,787,616	3,837,718
Capital Construction	17,871	---
Capital Grants and Transfers	3,163,482	2,036,944
Total Capital Expenditure	3,181,353	2,036,944
Value Added Tax	109,622	90,081
Total Expenditure	9,078,591	5,964,743

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

2.3 Appropriation Statement

The Office incurred expenditure totalling \$9.1 million in 2017 against a revised budget of \$17.6 million and carried over \$5.8 million in accordance with Section 19 of the Financial Management Act, resulting in a saving of \$2.7 million or 18%. The savings was mainly attributed to operating expenditure.

Details of expenditure against the revised budget are provided in Table 2.2.

Table 2.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Carry-Over (\$)	Lapsed Appropriation
1	Established Staff	2,936,529	---	2,936,529	2,252,683		683,846
2	Government Wage Earners	537,277	---	537,277	483,752	---	53,525
3	Travel & Communication	2,300,720	(20,000)	2,280,720	1,416,646	---	864,074
4	Maintenance & Operations	878,700	(4,500)	874,200	634,255	---	239,945
5	Purchase of Goods & Services	329,900	(26,881)	303,019	150,666	---	152,353
6	Operating Grants & Transfers	815,000	---	815,000	659,573	---	155,427
7	Special Expenditure	258,100	27,731	285,831	190,041	---	95,790
Total Operating Expenditure		8,056,226	(23,650)	8,032,576	5,787,616	---	2,244,960
9	Capital Construction	---	23,650	23,650	17,871	---	5,779
10	Capital Grants and Transfers	9,200,000	---	9,200,000	3,163,482	5,818,901	217,617
Total Capital Expenditure		9,200,000	23,650	9,223,650	3,181,353	5,818,901	223,396
13	Value Added Tax	339,100	---	339,100	109,622	---	229,478
TOTAL		17,595,326	---	17,595,326	9,078,591	5,818,901	2,697,834

The Office collected revenue totalling \$145,991 in 2017, an increase of 206% from the previous year.

Carry-Over of Appropriation

The carry-over of \$5,818,901 in Capital Grants & Transfers (Small Grants Project) was approved by the Honourable Minister for Economy in accordance with Section 19 of the Financial Management Act 2004.

2.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Office of the Prime Minister operates and maintains four main trust fund bank accounts which includes the following;

2.4.1 Chinese Grant Trust Fund Account

The trust fund account is used to record and maintain grants that are provided by the Chinese Government to the Fiji Government through bilateral agreements in the form of letter of exchange.

The funds are generally used to cater for those projects that are committed by the Honourable Prime Minister through requests from communities and are evaluated based on its need and priority in areas of education, integrated village/settlement developments, youth developments, women's and minority group settlement developments and are not provided for in the national budget estimates.

The approving authority for the funding of assistance under this trust fund account is the Honourable Prime Minister.

Table 2.3: Chinese Grant Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Interest	496	178
Assistance & Refunds	211,434	8,948
Total Receipts	211,930	9,126
Payments		
Withholding Tax	50	18
Statement Fee	3	---
Withdrawal Transfer – Bank Fees	---	40
Total Payments	53	58
Net Surplus	211,877	9,068
Opening balance as at 1 August	360,929	351,861
Closing Balance as at 31 July	572,806	360,929

2.4.2 Taiwan Grant Trust Fund Account – Statement of Receipts and Payments

The trust fund account is used to record and maintain grants that are provided by the Taiwanese Government to the Fiji Government through bilateral agreements.

The funds are generally used to cater for those projects that are committed by the Honourable Prime Minister through request from communities and are evaluated based on its need and priority in areas of education, integrated village/settlement developments, youth developments, women's and minority group settlement developments and are not provided for in the national budget estimates.

The approving authority for the funding of assistance under this trust fund account is the Honourable Prime Minister.

Table 2.4: Taiwan Grant Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Interest Received	50	21
Other Receipts	---	41,849
Total Receipts	50	41,870
Payments		
Withholding Tax	5	---
Withdrawal Transfer – Bank Fees	---	43
Total Payments	5	43
Net Surplus	45	41,827
Opening balance as at 1 August	50,080	8,253
Closing Balance as at 31 July	50,125	50,080

2.4.3 Retention Fund Account – Statement of Receipts and Payments

The trust fund account is used to maintain retention monies for various projects as per the conditions of contract with the contractors. Funds kept in this account will be paid to the contractors when certificate of completion is submitted and all conditions of the contract are met.

Table 2.5: Retention Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Interest	968	474
Retention for Vatulele District School	17,061	---
Retention for Matanuca Primary School	12,189	---
Retention for Vunisaiki Primary School	60,962	---
Total Receipts	91,180	474
Payments		
Bank Fee	97	40
Resident Withholding Tax	4,807	47
Total Payments	4,904	87
Net Surplus	86,276	387
Opening balance as at 1 August	953,810	953,423
Closing Balance as at 31 July	1,040,086	953,810

2.4.4 Mahogany Industry Council Fund Account – Statement of Receipts and Payments

The Mahogany Industry Council Trust Fund ('Fund') was established in July 2015 for the sole purpose of administering all license fees paid by Mahogany Industry license holders. The license fees concept was introduced in June 2011 following the Mahogany Industry (Licensing and Branding) Act 2011. The administration of the proceeds was handled by the Ministry of Economy and was only transferred to the Office of the Prime Minister, as Secretariat of the Mahogany Industry Council ('Council'), in August 2015.

Table 2.6: Mahogany Industry Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Interest	17,095	8,478
Transfer from Ministry of Economy	---	44,164
License Fees	178,317	1,110,987
Reversal Withholding Tax	---	76
Total Receipts	195,412	1,163,705
Payments		
Bank Chargers	43	76
Withholding Tax	1,710	923
Refund of License Fee	532,795	---
Total Payments	534,548	999
Net (Deficit)/Surplus	(339,136)	1,162,706
Opening balance as at 1 August	2,068,910	906,204
Closing Balance as at 31 July	1,729,774	2,068,910

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

2.5 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 management of agencies 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 agencies 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 Office of the Prime Minister as:

Rating	Internal control assessment
 Effective	No deficiencies identified in internal controls

2.6 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 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.


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

2.7 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 Office of the Prime Minister was:

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


2.8 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

2.9 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 as:

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

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 5 days from issue of Financial Statements for signing

Section 3

Office of the Attorney-General

Roles and Responsibilities

The Attorney-General is the Chief Legal Adviser to Government, whose Permanent Secretary is the Solicitor-General.

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

The Chambers is therefore responsible for:

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

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

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

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PART A: FINANCIAL STATEMENTS

3.1 Audit Opinion

The audit of the 2017 accounts of the Office of the Attorney General resulted in an unqualified audit opinion.

3.2 Statement of Receipts and Expenditure – Head 03 Office of the Attorney-General

The Office collected revenue totalling \$306,174 and incurred a total expenditure of \$13.5 million for the year ended 31 July 2017. Details are provided in Table 3.1.

Table 3.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State revenue	296,663	187,785
Agency revenue	9,511	8,455
Total Revenue	306,174	196,240
Established staff	3,488,716	1,723,001
Government wage earners	304,459	170,292
Travel and communications	524,601	149,504
Maintenance & operations	468,710	306,894
Purchase of goods and services	955,164	913,153
Operating grants and transfers	7,307,304	4,680,361
Special expenditures	188,983	282,782
Total Operating Expenditure	13,237,937	8,225,987
Capital construction	---	---
Capital purchase	---	---
Capital grants and transfers	---	---
Total Capital Expenditure	---	---
Value added tax	244,928	243,254
Total Expenditure	13,482,865	8,469,241

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

Revenue mainly comprised of hotels and guest house license fees which are normally received in the last quarter of the calendar year resulting in a significant increase in state revenue.

Established staff expenditures increased by \$1,765,715 in 2017 compared to 2016 due to the pay rise for professional officers and bonus payment for officers involved in the revision of the Laws of Fiji.

Operating grants and transfers expenditures increased by \$2,626,943 in 2017 compared to 2016 due to the disbursement of the full operating grant to the Legal Aid Commission and payment of domestic air services subsidy in 2017.

3.3 Appropriation Statement – Head 03 Office of the Attorney General

The Office incurred expenditure totalling \$13.5 million in 2017 against a revised budget of \$19.6 million, resulting in a saving of \$6.1 million or 31%.

The large savings was due to vacant positions not being filled by the Office in 2017 and the partial payment of operating grant to the Civil Aviation Authority of Fiji. Moreover, the Media Industry Development Authority was not fully active in 2017 as there were no staffs, thus grants were not released.

The Civil Aviation Authority of Fiji did not submit any further request for operating grants due to the large amount of revenue collected in 2017.

Details of expenditure against the revised budget are provided in Table 3.2.

Table 3.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	5,259,134	(155,000)	5,104,134	3,488,716	1,615,418
2	Government wage earners	177,362	155,000	332,362	304,459	27,903
3	Travel & communication	226,750	326,000	552,750	524,601	28,149
4	Maintenance & operations	372,300	171,000	543,300	468,710	74,590
5	Purchase of goods & services	1,783,973	(224,000)	1,559,973	955,164	604,809
6	Operating grants & transfers	9,860,825	(13,000)	9,847,825	7,307,304	2,540,521
7	Special expenditure	1,205,000	(260,000)	945,000	188,983	756,017
	Total Operating Expenditure	18,885,344	---	18,885,344	13,237,937	5,647,407
8	Capital construction	350,000	---	350,000	---	350,000
9	Capital purchase	---	---	---	---	---
10	Capital grants and transfers	---	---	---	---	---
	Total Capital Expenditure	350,000	---	350,000	---	350,000
13	Value added tax	354,500	---	354,500	244,928	109,572
	TOTAL	19,589,844	---	19,589,844	13,482,865	6,106,979

The Office collected revenue totalling \$306,174 in 2017, an increase of 56% from the previous year.

3.4 Statement of Receipts and Expenditure – Head 13 (i) Fiji Human Rights Commission

In 2016, less than a quarter of annual operating grant was released to the Fiji Human Rights Commission (FHRC). The full amount which was for the whole year was paid in 2017. Moreover, the annual budget for FHRC increased by \$328,305 from 2016 to 2017. Details are provided in Table 3.3 and Table 3.4

Table 3.3: Statement of Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
Operating Expenditure		
Operating Grants and Transfer	1,492,656	194,059
Total Expenditure	1,492,656	194,059

3.5 Appropriation Statement – Head 13 (i) Fiji Human Rights Commission

Table 3.4: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	1,492,657	---	1,492,657	1,492,656	1
	Total Operating Expenditure	1,492,657	---	1,492,657	1,492,656	1
	TOTAL	1,492,657	---	1,492,657	1,492,656	1

3.6 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Office of the Attorney General operates and maintains 2 main trust fund bank accounts which includes the following;

3.6.1 Attorney General's Conference Trust Fund Account

The Trust Fund Account was established to retain surplus fund generated after the Annual Attorney General Conference to assist the next conference as the Office are only allocated \$100,000 from the yearly budget allocation.

Receipts consist of \$100,000 received from the Continuing Legal Education budget of the Office and fees from private practitioners attending the Conference. Payments comprise of expenditure associated with the Attorney General Annual Conference which is usually held in December.

As at 31 July 2017, the Trust Fund Account had a balance of \$156,004.

Table 3.5: Attorney General's Conference Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Budget allocation from Consolidated Fund	100,000	100,000
Participants registration fees for AG's conference	385,276	95
Interest	2,187	598
Total Receipts	487,463	100,693
Payments		
Conference accommodation	460,839	---
Conference stationery	16,681	---
Conference transportation	1,600	---
Conference advertising	6,624	---
Conference incidental	21,767	---
Conference speakers travel	16,664	---
Meal claims	774	---
Refund of registration	8,874	---
Withholding Tax	219	60
Bank charges	143	24
Total Payments	534,185	84
Net (Deficit)/Surplus	(46,722)	100,609
Opening balance as at 1 August	202,726	102,117
Closing Balance as at 31 July	156,004	202,726

3.6.2 Law of Fiji Trust Fund Account

The Laws of Fiji Fund was established on 18 December 2016 to fund the cost of publication and printing of the Laws of Fiji and to provide funding for future law revision costs

As at 31 July 2017, the Laws of Fiji Trust Fund Account had a balance of \$931,143. This balance is made up of the payments received from the respective buyers of the revised set of the "Laws of Fiji" volumes.

Table 3.6: Laws of Fiji Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Laws of Fiji Book Order	1,358,685	---
Interest	3,036	---
Total Receipts	1,361,721	---
Payments		
Laws of Fiji Book payments	430,239	---
Withholding Tax	304	---
Bank charges	35	---
Total Payments	430,578	---
Net Surplus	931,143	---

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

3.7 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 management of agencies 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 agencies 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 Office as:

Rating	Internal control assessment
✱ Effective	No deficiencies identified in internal controls

3.8 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 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.


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

Rating	Year-end close process assessment
 Effective	All 10 key processes completed by due date

3.9 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 Office was:

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required

3.10 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
 Generally effective	Acceptable draft financial statements received on or before 16 October 2017

3.11 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 as:

Rating	Timeliness of Management Comments Received
 Effective	Within 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 5 days from issue of Financial Statements for signing

Section 5

Ministry of i-Taukei Affairs

Roles and Responsibilities

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

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

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

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PART A: FINANCIAL STATEMENTS

5.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of iTaukei Affairs resulted in an unqualified audit report.

5.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$15,779 and incurred a total expenditure of \$11,444,306 for the year ended 31 July 2017. Details are provided in Table 5.1.

Table 5.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	2,596	17,967
Agency Revenue	13,183	1,604
Total Revenue	15,779	19,571
Established Staff	2,491,844	1,275,161
Government Wage Earners	164,287	98,642
Travel & Communications	162,715	56,793
Maintenance & Operations	375,974	155,490
Purchase of Goods and Services	214,262	105,788
Operating Grants and Services	6,545,900	3,272,351
Special Expenditure	739,619	603,858
Total Operating Expenditure	10,694,601	5,568,083
Capital Grants and Transfers	636,546	389,586
Total Capital Expenditure	636,546	389,586
Value Added Tax	113,159	75,922
Total Expenditure	11,444,306	6,033,591

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

5.3 Appropriation Statement

The Ministry incurred expenditure totalling \$11.4 million in 2017 against a revised budget of \$11.5 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$75,554 or 0.7%.

Details of expenditure against the revised budget are provided in Table 5.2.

Table 5.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	2,757,142	(247,220)	2,509,922	2,491,844	18,078
2	Government wage earners	114,400	50,000	164,400	164,287	113
3	Travel & communication	100,212	63,220	163,432	162,715	717
4	Maintenance & operations	275,500	103,800	379,300	375,974	3,326
5	Purchase of goods & services	154,000	61,200	215,200	214,262	938
6	Operating grants & transfers	6,545,900	---	6,545,900	6,545,900	---
7	Special expenditure	770,608	20,000	790,608	739,619	50,989
	Total Operating Expenditure	10,717,762	51,000	10,768,762	10,694,601	74,161
10	Capital grants and transfers	688,798	(51,000)	637,798	636,546	1,252
	Total Capital Expenditure	688,798	(51,000)	637,798	636,546	1,252
13	Value added tax	113,300	---	113,300	113,159	141
	TOTAL	11,519,860	---	11,519,860	11,444,306	75,554

The Ministry collected revenue totalling \$15,779 in 2017, a decrease of 19% from the previous year.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

5.4 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 management of agencies 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 agencies 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 as:

Rating	Internal control assessment
✱ Effective	No deficiencies identified in internal controls

5.5 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 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.

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

5.6 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 was:

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

5.7 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

5.8 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 as:

Rating	Timeliness of Management Comments Received
☀ Generally effective	Within 21 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
☀ Generally effective	Within 15 days from issue of Financial Statements for signing

Section 6

Ministry of Defence, National Security and Immigration

Roles and Responsibilities

Ensuring the safety and security of the Fijian people is one of Government's most sacred obligations. This is something that only Government can do, and it goes to the core of people's faith in their Government.

The Ministry of Defence, National Security and Immigration ensures peace and stability in Fiji by coordinating and supervising all activities and functions of Government concerned directly with national security. The Ministry is responsible for the implementation of security related legislation and policy initiatives, managing national crises and emergencies, aerial surveillance and search and rescue operations.

Through the Security Forces Division, it coordinates with the Fiji Police Force and Republic of Fiji Military Forces on security matters. The Security and Assessment Divisions are responsible for the coordination of Government's intelligence and security requirements.

Government is also responsible for managing and protecting Fiji's borders to ensure the legal and orderly flow of citizens and visitors in and out of the country.

The Department of Immigration is responsible for facilitating clearance of all inward and outward passengers, vessels and aircrafts, detention and deportation, combating the trafficking of persons, determining refugee status and managing migration. The Department issues passports, visas, permits and citizenship.

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PART A: FINANCIAL STATEMENTS

6.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Defence, National Security and Immigration resulted in a qualified audit opinion. The qualification was due to the following:

- There was an unreconciled variance of \$3,006,088 between the Integrated Border Control Management System (IBMS) which records the Department of Immigrations operating revenue and the FMIS General Ledger. As a result, I was unable to substantiate the correctness of the operating revenue balance of \$13,490,542 recorded in the financial statements for the year ended 31 July 2017.
- Detailed listings of work permit holders for whom security bond totalling \$25,215,349 was held in trust as at 31 July 2017 are not maintained by the Department of Immigration. As a result, I was unable to establish the completeness of the amount of security bond reflected in the Immigration Bond Trust Fund Account.

6.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$13,507,264 and incurred a total expenditure of \$7,810,488 for the year ended 31 July 2017. Details are provided in Table 6.1.

Table 6.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	13,490,633	7,197,715
Agency Revenue	16,631	44,185
Total Revenue	13,507,264	7,241,900
Established Staff	4,166,371	2,472,932
Government Wage Earners	356,428	181,412
Travel & Communications	406,373	180,951
Maintenance & Operations	646,282	408,727
Purchase of Goods & Services	1,080,880	617,027
Operating Grants & Transfers	56,265	10,708
Special Expenditure	662,149	284,695
Total Operating Expenditure	7,374,748	4,156,452
Capital Construction	90,647	16,227
Capital Purchases	91,291	29,951
Total Capital Expenditure	181,938	46,178
Value Added Tax	253,802	154,132
Total Expenditure	7,810,488	4,356,762

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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 comparative balances for some account areas.

6.3 Appropriation Statement

The Ministry incurred expenditure totalling \$7.8 million in 2017 against a revised budget of \$8.6 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$0.8 million or 10%.

The savings of \$358,709 under the Capital Purchases allocation was due to non-utilisation of funds allocated for the Integrated Passport Issuance System. The funds were budgeted for additional computers and user licenses for the new Immigration office in Nadi. Due to delays in getting suitable office space, budgeted funds could not be utilised.

Details of expenditure against the revised budget are provided in Table 6.2.

Table 6.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	4,397,710	(160,807)	4,236,903	4,166,371	70,532
2	Government Wage Earners	277,249	80,061	357,310	356,428	882
3	Travel & Communication	305,000	111,924	416,924	406,373	10,551
4	Maintenance & Operations	583,437	82,769	666,206	646,282	19,924
5	Purchase of Goods & Services	1,170,872	(66,569)	1,104,303	1,080,880	23,423
6	Operating Grants & Transfers	35,200	31,000	66,200	56,265	9,935
7	Special expenditure	1,000,622	(78,378)	922,244	662,149	260,095
	Total Operating Expenditure	7,770,090	---	7,770,090	7,374,748	395,342
8	Capital Construction	100,000	---	100,000	90,647	9,353
9	Capital Purchase	450,000	---	450,000	91,291	358,709
	Total Capital Expenditure	550,000	---	550,000	181,938	368,062
13	Value Added Tax	324,900	---	324,900	253,802	71,098
	TOTAL	8,644,990	---	8,644,990	7,810,488	834,502

The Ministry collected revenue totalling \$13,507,264 in 2017, an increase of 87% from the previous year.

6.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Department of Immigration operates and maintains one Main Trust Fund Bank Account.

6.4.1 Immigration Bond Trust Fund Account

The trust fund account is used to record and maintain bonds. Bond is a sum of money paid by a non-citizen applying for a permit as security prior to the granting of the permit as. The bond money is refunded when the person(s) returns to their home country at the completion of their work contract, education or other reasons. In the event where a non-citizen breaches any of the conditions of his/her permit or the non-citizen without lawful authority remains in the Fiji Islands after the expiration of his/her permit, the bond is forfeited to the State.

Table 6.3: Immigration Bond Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Immigration Bond Received	9,222,553	4,139,196
Total Receipts	9,222,553	4,139,196
Payments		
Immigration Bond Payment	4,187,530	1,642,177
Total Payments	4,187,530	1,642,177
Net Surplus	5,035,023	2,497,019
Opening balance as at 1 August	20,180,326	17,683,307
Closing Balance as at 31 July	25,215,349	20,180,326

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

6.5 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 management of the agencies 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 agencies 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 Department of Immigration as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

6.6 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 un-presented 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

6.7 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 Department of Immigration was:

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


6.8 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

6.9 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 as:

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

Rating	Timeliness of Signed Financial Statements Received
 Generally effective	Within 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS - DEPARTMENT OF IMMIGRATION

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 Department 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 Department. These have been included in this report as they impacted on the overall system of control of the Department as at 31 July 2017.

6.10 Variance between International Border Management System and FMIS

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at ministry/department level and/but most importantly at whole of government level.¹ The Senior Accounts Officer must reconcile all accounts to be submitted to Ministry of Economy within two weeks after closing of each monthly account.²

Unreconciled variance of \$3,006,087.75 exists between the total operating revenue as per the general ledger (FMIS) and the International Border Management System (IBMS) system. Refer to Table 6.4 for details.

Table 6.4: Comparison of GL and IBMS Balances

Description	Balances as per General Ledger FMIS \$	Balances as per IBMS \$	Unreconciled Variance \$
Passport Revenue	13,490,541.88	10,484,454.13	3,006,087.75

The above variance was due to the following:

- The Department had engaged Informatics International Limited in 2012 to implement International Border Management System (IBMS) to automate the Department's processes. Of the 11 modules, one was the receipting module whereby all revenue collected by the Department was supposed to be automated.

However, receipts from appeal fee, prohibited immigrant uplift fee, issue of citizenship certificate fee and security bond are yet to be integrated in the IBMS and are collected manually in all centres. These receipts are posted directly into the general ledger (FMIS) without being posted into the IBMS system.

¹ Department of Immigration Financial Manual 2013 Section 17.2.4

² Department of Immigration Finance Manual 2013, Paragraph 17.2.4

- We could not perform alternative audit procedures to reconcile the variance as the manual revenue register for Suva was only updated from November 2016 to July 2017 and for outer stations Nadi, Lautoka, Rotuma, Levuka and Savusavu manual register was not maintained. Therefore, the completeness and accuracy of the revenue figures recorded as per the general ledger cannot be ascertained.
- In addition, the Department did not maintain necessary supporting documents for overseas remittances (immigration revenue collected overseas) to substantiate revenue that were posted in the general ledger by the Ministry of Economy and Ministry of Foreign Affairs.

The above findings indicate that the implementation of the IBMS is incomplete and does not fully support the revenue management of the Department. Poor record-keeping for manual receipts by the respective centres has contributed significantly towards the inability of the Accounting Head to reconcile the manual receipts and IBMS revenue to the General Ledger.

As a result, we could not ascertain the accuracy and completeness of operating revenue disclosed in the financial statements.

Recommendations

The Department should:

- **expedite the full integration of the revenue module in the IBMS system;**
- **update their manual records to ensure that all revenues received manually are recorded, reconciled and posted into IBMS and FMIS general ledger; and**
- **carry out monthly reconciliations of revenue and any variances to be rectified accordingly.**

Management Comments

The Department acknowledges the Auditor General's recommendations. The system is not linked to government's FMIS so all revenue receipted by FMIS is journalised and posted to FMIS daily. The Department is working on fully integrating all revenue modules in IBMS, this includes Issue fees (Permit), Appeal fee, PI Uplift, Citizenship fees and the bond, to ensure that there is no manual receipt issued for this services. Training has already been conducted to the technical officers. This integration will see the infrequent use of manual receipts being used. However, in unforeseen circumstances like power outages and natural disaster that affects the supply of power, hence the cashier have to resort to manual receipts so our service can continue. Manual receipt is not reflected on the IBMS system.

The Fiji Embassies around the world also provide Immigration service to current and former Fiji citizen in the respective countries and collect revenue for the service rendered. The Ministry of Foreign Affairs then journalises all revenue collected to FMIS on a monthly basis. This revenue is not reflected in the IBMS.

The way forward, the Department will ensure that;

- *All manual receipts to be updates into the IBMS system on daily basis.*
- *All revenue collected from the respective countries should be posted into IBMS system on a monthly basis.*
- *Revenue reconciliations are to be carried out monthly to ascertain revenue appearing in the Consolidated Fund Account is equal with the IBMS system.*
- *The Department will ensure that the 2 reports will reconcile at the end of the financial year*

6.11 Unsubstantiated Security Bond amount

Where the Bond is not forfeited to the State, it is returned to the non-citizen or organisation that the Bond is payable to after the permit holder has departed Fiji.³

The Department of Immigration maintains the Security Bond Trust Fund bank account in order to facilitate the receipt and payment of these bonds from non-citizens.

As at 31 July 2017, both the security bond trust cash and trust liability general ledger had a balance of \$25,215,348.86.

We noted that detailed listing of work permit holders equating to the security bond held in trust are not maintained by the Department. As a result, the Department was unable to establish the number of work permit holders currently in the country and those that have left the country without claiming a refund.

However, the Department maintains a manual Security Bond Trust register which was not maintained up-to-date and did not record the permit file reference number. As a result, it was difficult to relate the security bond to the permit file(s).

The above findings can be eliminated if improved supervisory checks are carried out over the management of the security bond records by the Senior Accounts Officer.

Also, prolonged delays in refund of the bond to permit holders may pose difficulties in tracing the permit holders and results in unnecessary accumulation of the bond amount and administrative work.

Recommendations

The Senior Accounts Officer should:

- **provide a breakdown of the permit holders status and balance composition/ageing as at 31 July 2017;**
- **ensure that the Security Bond Trust Register is maintained are up-to-date, file references are recorded appropriately and checked on a monthly basis; and**
- **ensure the security bonds are refunded to the permit holders or organisation in accordance with Section 27 (1) of the Policies & Management guidelines on Processing & Issuance of Non-Citizen Permits, Visas & Exemptions.**

Management Comments

The Department appreciates the recommendation of the OAG. Work has begun on entering all bond details in the register into Ms Excel. The bond registers kept holds information pertaining to a permit holder and these are updated daily. Bonds received and refunds made are recorded daily. These will help provide the breakdown details of the permit holder's status and balance composition.

³ Policies & Management guidelines on Processing & Issuance of Non-Citizen Permits, Visa's & Exemptions – Part X Section 27.1 (i)

6.12 Losses Report not prepared for Passports Damaged in Printing Process

Officers responsible for managing assets, revenue collection or cash shall prepare a loss report whenever a loss is incurred. The loss report shall outline the nature of the loss, circumstances leading to it and recovery measures taken, a copy of the loss report must be submitted to the Senior Accounts Officer who shall record details of each loss in the Losses Register.⁴ A surcharge must be imposed on an Officer who is directly or indirectly responsible for the destruction, damage, theft or other loss of property.⁵

We noted that a considerable number of passports were damaged during the processing stage incurring unwarranted costs and loss of revenue for the Department. In addition, a losses report was not prepared for damaged books contrary to Section 14 of the Finance Manual to instigate recovery of losses in accordance with Section 63(1)(b) of the Finance Instructions.

According to the Department, damages to passports resulted from machine errors such as printing problems, improper lamination, overheating and inking problems while some were due to human errors such as poor judgement, typing errors and incorrectly placing the passport books in the machine. Refer to Table 6.5 below for details.

Table 6.5: Details of Damaged Passports

Year	Number of Damaged Passports	Value of Loss in Revenue (\$)
2014	112	8,064
2015	109	7,848
2016	90	6,480
2017	111	7,992
Total	422	30,384

Similar concern was raised in the previous audit reports and it indicates that more expertise or improved supervision is needed over the printing of the passports.

Inability to contain and mitigate losses arising from damaged passport books results in loss of revenue for the Department.

Recommendations

- The Department should consider providing refresher training to officers printing passport books to minimise the passport book damage rate.
- Manager Passports should ensure that a losses report is prepared for damaged books and investigate the root-cause of the damages and consider taking appropriate action on responsible officer(s) if elements of negligence are noted.

Management Comments

The Department duly notes the OAG comments and would like to add that refresher training will be conducted for officers handling passport printing. Also measures have been taken to recover the loss from damaged passport books. The loss recovered from the officers is the unrealised value of the damaged passport book. A

⁴ Department of Immigration Finance Manual 2013 – Section 14.1.1, 14.1.2 and 14.1.5

⁵ Finance Instruction 2010 Section 63(1)(b)

loss report is filled and the unrealised value is collected the same day from the officers for the process to continue without delay.

The recovery will be made from the staff if it is ascertained that the fault was the cause of human error however should the error be system or machine related than only a report form is filled and submitted for manager's information and records.

6.13 Absence of Risk Management Framework

It is a good practice to establish a risk management framework to have the Department's Management, and respective Divisional Heads, to jointly plan, implement, monitor, and take action on evolving risks affecting the Department.

Risk management framework would provide a platform to identify various risks affecting the Department, management of the risks, develop appropriate internal control to mitigate the risks and continuous monitoring of risks. The mechanism to mitigate risks could include policies, procedures, training and awareness.

Our review of the Department's Corporate Governance revealed that there is no risk management framework in place. As a result, the Department does not have written policies, procedures or guidelines to manage risk associated with the following:

- department operational and human resource planning;
- fraud control and anti-corruption;
- disaster recovery and business continuity, and
- assessment of potential conflicts of interest .

In absence of a risk management framework, the Department may find difficulty in managing risks affecting the Department particularly risk of fraud and misappropriation of assets.

Our finding also indicates that currently the Department does not have an established governance and accountability function to drive the risk management framework.

Recommendations

- **The Department should work towards establishing a governance and accountability function that supports the operations of the Department by providing financial and operational risk management and management of external reporting obligations.**
- **Following the establishment of the governance and accountability function, a risk management framework should be developed and continuously used.**

Management Comments

The Department acknowledges the OAG recommendations and will ensure to put in place a governance and accountability policy. With this in place a risk management framework will be drawn up.

6.14 Untimely Preparation of Reconciliations

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, CO-Reconciliation/the Assistant Accounts officer shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.⁶

⁶ Department of Immigration Finance Manual 2013 – Section 16.3.3
Ministry of Defence, National Security and Immigration

Our review of the Department's payroll and main trust reconciliations revealed that monthly reconciliations were not prepared in a timely manner. Instances were noted where reconciliations were prepared after two months of receiving the monthly general ledger reports from Ministry of Economy. Refer to *Appendix 6.1 and 6.2* for details.

Delays in preparing reconciliations may result in errors, omissions and mispostings postings not being detected and rectified on a timely manner.

Recommendation

The Accounting Head should ensure that underline accounts reconciliations are prepared within three days of receipt of the monthly general ledger reports from the Ministry of Economy.

Management Comments

The Department duly notes the OAG recommendation and will ensure that the reconciliation is submitted on time.

6.15 Anomalies noted in Journal Voucher Posting – Revenue

Each agency must have in place a cost effective system of internal controls which;

- a) safeguards money and property against loss;
- b) avoids or detect accounting errors; and
- c) avoids unfavourable audit reports⁷.

Within five working days of the Ministry of Economy issuing the monthly General Ledger Reports, the CO- Revenue shall reconcile the revenue figures in the report to the Revenue Statement.⁸ Where errors or discrepancies occur, the Senior Accounts Officer shall inform the Chief Accountant in writing within 7 days of receiving the GL reports.⁹

Our review of the postings made in the general ledger (FMIS) audit noted that 13 journal vouchers were posted twice, hence overstating closing revenue balance by \$617,697.25. Refer to *Appendix 6.3* for details.

No explanation was provided by the Senior Accounts Officer or corrective action taken to rectify the overstatement of revenue collection in the FMIS General Ledger.

In addition, for the following journal vouchers amounting to \$432,155, source documents (bank lodgement, revenue collector's cash analysis and IBMS receipts) were not provided for audit verification. Refer to Table 6.6 below for details:

Table 6.6: Records Not Provided for Audit Verification

JV Number	Details	Allocation	Amount (\$)
25/08/16	Clearance of revenue for Suva on	1-06201-70999-538101	235,097.00
	24-08-16 / 31-08-16	1-06201-70999-230306	(215,685.32)

⁷ Financial Instruction 2010 - Section 59 (1)

⁸ Department of Immigration Finance Manual 2013 – Section 5.5.12

⁹ Department of Immigration Finance Manual 2013 – Section 5.5.14

JV Number	Details	Allocation	Amount (\$)
23/08/17	Clearance of Labasa revenue from 01-03-17 / 09-03-17	1-06201-70999-863201	(19,411.68)
		1-06201-70999-538101	107,947.00
		1-06201-70999-230306	(99,034.00)
		1-06201-70999-863201	(8,913.00)
25/08/17	Clearance of Labasa revenue from 21-03-17 / 29-03-17	1-06201-70999-538101	89,111.00
		1-06201-70999-230306	(81,754.00)
		1-06201-70999-863201	(7,357.00)

The above findings indicate poor supervisory checks by the Senior Accounts Officer in ensuring correct postings were made by the subordinate staffs.

Failure to reconcile and rectify the misallocations would overstate the closing revenue balance.

Recommendations

The Department should:

- review and strengthen its supervisory checks in the Accounts Section;
- review and regularise double postings amounting \$617,697.25; and
- locate and provide requested journal vouchers amounting \$432,155 for audit verification.

Management Comments

The Department acknowledges the recommendations of the OAG. The accounts team will raise the journals to regularise the double postings. The journal should be available for verification.

6.16 Anomalies noted in Operating Trust Fund

The ledger reconciliation statement shall be forwarded to the Senior Accounts Officer. The Senior Accounts Officer must ensure that:

- all balances are accurate and adequately supported;
- any misallocations or outstanding balances from the previous month have been dealt with.¹⁰

Our review of the Operating Trust Fund Account reconciliation revealed that the “VAT from provision of goods and services” component (1-06201-70999-863201) has accumulated from previous years to \$1,022,211 and comprised of 96% of the total operating trust fund account balance as at 31/07/17. Refer to Table 6.7 below for details.

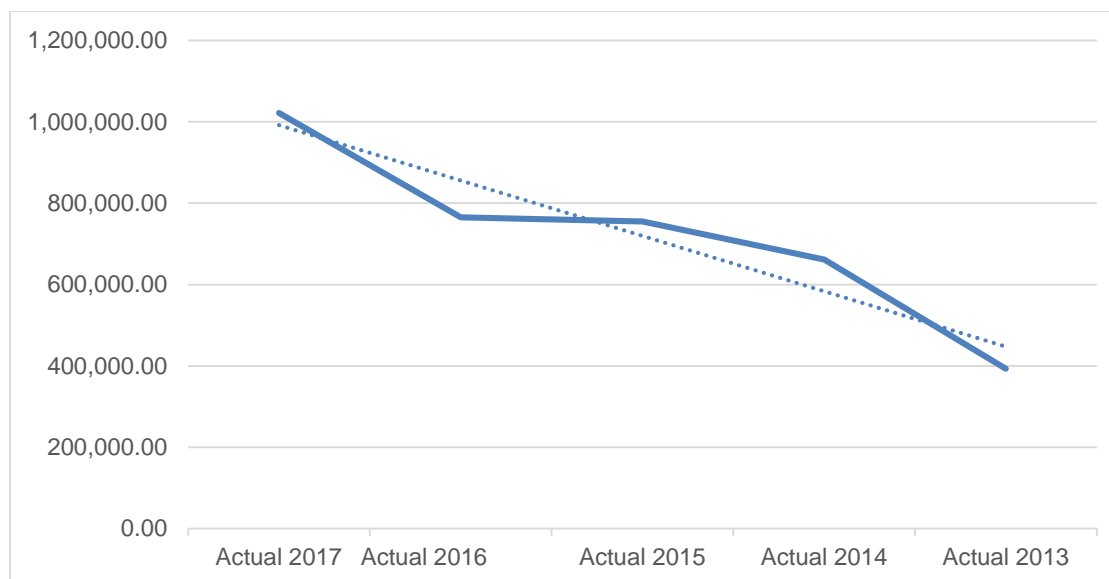
Table 6.7: Long Outstanding Operating Trust Fund Account Balance

Account	Description	Actual 2017 (\$)	Actual 2016 (\$)	Actual 2015 (\$)	Actual 2014 (\$)	Actual 2013 (\$)
1-06201-70999-863201	VAT from provision of goods and services	(1,022,211.34)	(765,274.08)	(755,404.31)	(661,137.02)	(393,576.89)

¹⁰ Department of Immigration Finance Manual 2013 – Section 16.3.6
Ministry of Defence, National Security and Immigration

Graph 6.1 below shows the movement of the VAT amount for the five (5) year period.

Graph 6.1: Long Outstanding Operating Trust Fund Account Balance



Upon review of the postings made in the general ledger (FMIS), it was noted that 13 journal vouchers were posted twice, hence overstating “VAT from provision of goods and services” closing balance by \$55,592.75. Refer to Appendix 6.3 for details.

The Department did not rectify the misallocation which indicates that proper supervisory checks were not carried by the Senior Accounts Officer over the postings made and reconciliations prepared by subordinate staffs.

Failure to reconcile and rectify the misallocation would overstate the closing balance could also result in overpayment of VAT to Fiji Revenue and Custom Services.

Recommendations

The Senior Accounts Officer should:

- ensure that section 16.3.6 of the Department’s Finance Manual 2013 is complied with and proper supervisory checks are in place to ensure that all balances are accurate and adequately supported and errors and omissions noted are promptly rectified; and
- review the closing balance as at 31 July 2017 and regularise all misallocations.

Management Comments

The Department duly notes findings and recommendations of the OAG. The Department would like to highlight that the increasing VAT outstanding in the Operating Trust Account is due to the revenue received from Fiji’s Trade Commission (FTC) overseas. The Department will gradually remit this amount to the relevant authority until the outstanding is cleared.

6.17 Lack of Monitoring on Permit Holders

It shall be unlawful for any person to remain in Fiji after the expiration of any permit issued to or in respect of him/her under the provisions of the Immigration Act.¹¹

The Compliance and Investigation section of Department of Immigration has responsibility for the location, apprehension and removal from Fiji of persons who have breached conditions of their entry and further stay or who may otherwise be of health, character or security concern to the Fiji community. Persons of interest include those who overstay their permitted stay period in Fiji, who undertake unauthorised employment, person with criminal records to criminal affiliation and those who have entered or remain in the Country by resorting to forged or false documents or by contrived arrangements.

We noted from a report generated from the IBMS system that a total of 2,008 permit holders have remained in the country despite the expiry of their permits. Refer to Table 6.8 and Appendix 6.4 for details.

Table 6.8: Number of Over-stayers

Particulars	Number
Number of Over Stayers that have not applied for extension of permit	1,266
Number of Over Stayers that have applied for extension of permit	742
Total	2,008

We noted the Compliance Unit consists of five staffs and shares one vehicle with the remaining sections which hinders the Unit's ability to proactively follow-up on the permit holder's permit condition and expedite the removal of over-stayers in the country.

Absence of the stringent monitoring and reliance on the permit holders and the employers/sponsors to provide the correct information could result in breaches of the permit conditions, illegal activities and over-stayers not being detected and necessary actions taken on a timely basis.

Recommendation

The Department should consider enhancing its Compliance and Investigation Unit capacity with the sufficient staffing/logistics allocation to enable them to proactively monitor permit terms and condition and mitigate the overstay cases.

Management Comments

The Department notes the Auditor's recommendation. The Department is in the process of filling the vacancies and is proactively working on the system to track permit holders.

¹¹ Immigration Act 2003, Cap 88 –Section 14

6.18 Anomalies noted in processing of payments

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. The responsible authority for a budget sector agency is responsible for ensuring the proper administration by the agency of an appropriation administered by it and ensuring that money and property of or under the control of the agency are properly accounted for.¹²

The Senior Accounts Officer must not certify a payment as correct unless they are satisfied that:

- i. it is in accordance with an LPO/PO, indent, contract, invoice or other authorisation;
- ii. there is documentation that the goods, services or works have been received;
- iii. sufficient uncommitted funds are available for payment of the account;
- iv. the account is not fraudulent and has not been previously paid; and
- v. the expenditure account it is charged to is correct.¹³

Journal voucher must be numbered in sequential order. Supporting documents shall be attached to the voucher.¹⁴ The Senior Accounts Officer must check that:

- i. all relevant details are included on the voucher;
- ii. balance are adequately supported; and
- iii. the correct amounts have been debited or credited.¹⁵

Our review of the Department's payment records noted the following anomalies in the administration and maintenance of accounting records and documents pertaining to payments made during the year;

- Supporting documents such as competitive quotes/delivery dockets/ memorandum of understanding were not always attached to the payment vouchers provided for audit verification; and
- Despite funds amounting to \$27,061 being allocated for IBMS Project Monitoring Staff, the Department did not make any staff appointments and diverted a sum \$21,874.70 or 81% of the budget to pay for expenses related to other standard expenditure groups.

Refer to *Appendix 6.5* for details.

Expenditure recorded in the general ledger contrary to the budget defeats the purpose for which the budget appropriation is provided and misstates the expenditure reported in the Statement of Receipts and Expenditure against the relevant budget allocation.

The above findings indicate inadequate supervisory checks by the Senior Accounts Officer in ensuring compliance with the relevant provisions of the Department's Finance Manual.

¹² Department of Immigration Finance Manual 2013 - Section 2.1.2

¹³ Department of Immigration Finance Manual 2013 – Section 2.8.4

¹⁴ Department of Immigration Finance Manual 2013 – Section 16.1.3

¹⁵ Department of Immigration Finance Manual 2013 – Section 16.1.4

Recommendations

The Department should:

- ensure that budget submission are made after a proper planning and consultations to avoid diversion of fund sfor unplanned activities unless in cases of emergencies;
- ensure that public funds are used for the purpose it has been approved for in the budget;
- ensure all accounting records are properly maintained; and
- supervisory checks are strengthened in record keeping in the Accounts Section.

Management Comments

The Department duly notes the recommendations raised by the OAG and will ensure that budget submission is made after a proper planning and consultation.

It will also ensure that public funds are used for the purpose it has been approved in the budget and strengthen its record keeping and supervisory checks

APPENDIX 6.1: STATUS OF SECURITY BOND TRUST FUND RECONCILIATIONS

FMIS GL allocation	Description	GL Balance as at 31/07/17 (\$)	Remarks
9-06201-70002-520301	Trust Fund Bank Account - Immigration	25,215,348.86	<ul style="list-style-type: none"> Reconciliations were not prepared on a monthly basis. (that is five days after the end of each month) <ul style="list-style-type: none"> August – December 2016 reconciliation was prepared together on 08/03/17 January 2017 reconciliation was prepared on 08/03/17 February 2017 reconciliation was prepared on 01/05/17 March 2017 reconciliation was prepared on 02/05/17 April 2017 reconciliation was prepared on 06/06/17 June 2017 reconciliation was not checked and approved by Senior Accounts Officer.
9-06201-70002-895001	Immigration Trust	25,215,348.86	<ul style="list-style-type: none"> Reconciliations were not prepared on a monthly basis. <ul style="list-style-type: none"> August and September 2016 reconciliation was prepared together on 20/02/17 October and November 2016 prepared on 20/02/17 December 2016 – March 2017 prepared on 04/05/17

APPENDIX 6.2: STATUS OF PAYROLL RECONCILIATIONS

FMIS GL allocation	Description	GL Balance as at 31/07/17 (\$)	Remarks
1-06201-70999-010101	Established Staff	2,010,333	<ul style="list-style-type: none"> Salaries reconciliations were not prepared on a fortnightly basis. <ul style="list-style-type: none"> Pay 16-26/16 was prepared on 08/02/17 Pay 1-12/17 was prepared on 27/06/17 Pay 13-14/17 was prepared on 07/08/17 Pay 15/17 was prepared on 15/08/17 Changes in salaries for increase was documented as overtime & meal and decrease was stated as "normalise pay" but the actual reason was not disclosed.
1-06201-70999-020101	Government Wage Earners	74,907	<ul style="list-style-type: none"> Wages reconciliations were not prepared on a weekly basis; <ul style="list-style-type: none"> Pay 32 - 36/16 and 39-52/16 was prepared on 22/08/17 Pay 37-38/16 was not prepared Pay 1-25/17 was prepared on 26/06/17 Pay 26-28/17 was prepared on 22/08/17 Pay 29-31/17 was prepared on 21/08/17 Changes in wages were documented as increase and decrease in normal working hours and the actual reason was not disclosed.

APPENDIX 6.3: DETAILS OF DOUBLE POSTED JOURNAL VOUCHERS

JV Number	Journal ID	Particulars	Allocation	Amount (\$)
02/01/17	625641	Being Clearance of Revenue for Suva on 01/08 - 08/08/16.	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	208,377.00 191,171.56 17,205.44
03/01/17	625642	Being Clearance of Revenue for Suva on 09/08-15/08/16.	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	161,064.00 147,765.14 13,298.86
04/01/17	625643	Being Clearance of Revenue for Suva on 03/08, 05/08, 10/08 and 12/08/16.	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	18,072.00 16,579.82 1,492.18
07/08/17	625646	Being Clearance of Revenue for Burewai Ra	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	216.00 198.17 17.83
08/01/17	625647	Being Clearance of Revenue for Lautoka on 01/08 -08/08/16	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	23,079.00 21,173.39 1,905.61
09/01/17	625648	Being Clearance of Revenue for Lautoka on 09/08 -16/08/16	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	21,370.00 19,605.50 1,764.50
10/01/17	625649	Being Clearance of Revenue for Labasa on 01/08 -08/08/16	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	4,104.00 3,765.14 338.86
11/01/17	625650	Being Clearance of Revenue for Labasa on 09/08 -11/08/16	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	1,116.00 1,023.85 92.15
12/01/17	625651	Being Clearance of Revenue for Savusavu on 01/08 -09/08/16	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	3,680.00 3,376.15 303.85
13/01/17	625652	Being Clearance of Revenue for Labasa on 12/08 -17/08/16	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	3,974.00 3,645.87 328.13
14/01/17	625653	Being Clearance of Revenue for Lautoka on 17/08-23/08/16	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	12,724.00 11,673.39 1,050.61
16/01/17	625655	Being Clearance of Revenue for Suva on 15/08 - 23/08/16	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	215,382.00 197,598.17 17,783.83
17/01/17	625660	Being Clearance of Revenue for Direct Deposit for Natasha Bird	DR 1-06201-70999-538101 CR 1-06201-70999-230306 CR 1-06201-70999-863201	132.00 121.10 10.90

APPENDIX 6.4: DETAILS OF OVER-STAYERS

Nationality	Expired Permits	On-going Applications	Total
Afghan	3	---	3
American	88	24	112
Australian	81	34	115
Austrian	1	---	1
Bangladeshi	18	20	38
Belgian	---	2	2
Bosnian	---	1	1
Brazilian	1	---	1
British - Citizen	33	8	41
British - National	1	---	1
Bulgarian	1	---	1
Cameroonian	---	3	3
Canadian	21	6	27
Chilean	1	---	1
Chinese	161	186	347
Czech	1	---	1
Dane	4	1	5
Dutch	1	1	2
East German	1	---	1
Egyptian	1	---	1
Filipino	57	43	100
French	6	2	8
German	4	2	6
Ghanaian	---	1	1
Greek	1	---	1
Guatemala	---	1	1
Guyanese	1	---	1
Indian	77	58	135
Indonesian	6	11	17
Irish	2	2	4
Israeli	---	1	1
Italian	6	2	8
Japanese	22	22	44
Kenyan	1	1	2
Kiribatian	108	40	148
Lao	1	---	1
Latvian	2	---	2
Malaysian	1	1	2
Marshall Islands	1	3	4
Mauritian	1	---	1
Mexican	2	1	3
Micronesian	1	---	1
Myanmar	2	---	2
Nauru	25	25	50
Nepalese	---	1	1
New Zealander	88	25	113
Nigerian	---	1	1
Pakistani	6	8	14
Palauan	1	---	1
Papua New Guinean	28	6	34
Portuguese	1	---	1
Republic of Korean	42	57	99
Romanian	1	---	1

Nationality	Expired Permits	On-going Applications	Total
Russian	2	1	3
Samoan	23	2	25
Serb	1	---	1
Singaporean	4	---	4
Solomon Islands	67	28	95
South African	6	---	6
Spanish	4	1	5
Sri Lankan	12	21	33
Swede	3	1	4
Swiss	1	1	2
Taiwanese	4	3	7
Thai	2	---	2
Tongan	43	11	54
Tuvaluan	120	32	152
Ukrainian	5	---	5
Un Representative	2	---	2
Vanuatu	53	40	93
Venezuelan	1	---	1
Vietnamese	1	1	2
Total	1,266	742	2,008

APPENDIX 6.5: ANOMALIES NOTED IN PAYMENTS PROCESS

Cheque / JV Date	Cheque / JV Number	Amount (\$)	Payee	Description	Anomalies
11/05/17	5177	5,791.33	Security Company	Guard services provided in Suva & Nadi Office	Diversion of funds: \$5,791.33 posted to SEG 7: Project Monitoring Staff allocation instead of posting to SEG 4 - Detention Centre as advised by SAO due to shortage of funds available in SEG 4 allocation.
07/06/17	06/11/17	6,985.71	IT Company A	IBMS Maintenance Fees	Diversion of funds: \$6,985.71 posted to SEG 7: Project Monitoring Staff allocation instead of posting to SEG 5: IBMS Maintenance Fees allocation.
07/08/17	58/12/17	6,847.06	IT Company A/Tax Authority	Clearance of withholding tax receipt on indent IMM08/17	Diversion of funds: \$6,847.06 posted to SEG 7: Project Monitoring Staff allocation instead of SEG 9: Integrated Passport allocation as advised by SAO due to not enough funds available in that allocation.
27/07/17	15602	17,154.14	Office Equipment Supplier	Office furniture for Labasa Office	Competitive quotes and delivery docket not provided
27/07/17	15603	6,067.11	IT Company B	Compactus/ conference table/ conference chair for Nadi Office	Competitive quotes and delivery docket not provided
02/06/17	5301	2,293.58	Rubber Stamp Making Company	1,000 red seal	Only one quotation attached to payment voucher. Also there was no MOA with the supplier to legally safeguard the interest of the Department.
09/06/17	5338	911.52	Newspaper Company	Advertisement of 8 technical & 1 GWE posts on 22/04/17	Misposted to SEG 4: 1-06201-70999-040708 allocation instead of SEG 5: 1-06201-70999-050501 - Office Books, Periodical and Publication.
06/06/17	40/10/17	3,631.65	IT Company A/Tax Authority	Being clearance of IDC for the month of May	VAT component was posted to SEG 5: IBMS Maintenance Fees which resulted in overstating the allocation and understating SEG 13: VAT allocation by \$3,631.65.

Section 7**Ministry of Employment, Productivity and Industrial Relations****Roles and Responsibilities**

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

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

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

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PART A: FINANCIAL STATEMENTS

7.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Employment, Productivity and Industrial Relations resulted in a qualified audit report. The qualifications were as follows:

- The Ministry receives \$70,000 annual fees from the Ministry of Civil Service under the Shared Services Agreement. The Ministry deposited the service fees into the OHS Consultancy Trust Fund Account. Transfer of public funds into a trust account is improper as funds in trust are those which are public money. Consequently, the OHS Trust Fund Account is overstated by \$70,000 and Ministry's operating revenue is understated by the same amount.
- An unreconciled variance of \$381,087 exists between the OHS Consultancy, Wages Dispute and Workmen's Compensation Trust Fund cash at bank balance and the General Ledger (FMIS) balance. As a result, I was not able to ascertain that all receipts and payments had been accurately accounted and disclosed in the Trust Fund cash account.

Without further qualifying the above opinion, attention was drawn to the following:

- Internal controls over management of trust fund receipts were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the future.
- For OHS Consultancy Service, Workmen Compensation and Wages Disputes trust funds, the Ministry maintains one bank account. Separate statements are not presented for each trust type with the receipts and payments to be classified by the nature of receipt and expenditure. The current presentation of the trust fund accounts does not provide adequate and useful information to the users of the financial statements.

7.2 Statement of Receipts and Expenditure

The Ministry of Employment, Productivity and Industrial Relations collected revenue totalling \$9,572 and incurred a total expenditure of \$12,870,152 for the year ended 31 July 2017. Details are provided in Table 7.1.

Table 7.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	947	1,793
Agency Revenue	8,625	2,142
Total Revenue	9,572	3,935
Established Staff	5,496,334	2,454,055
Government Wage Earners	288,046	202,746
Travel and Communications	433,878	158,373
Maintenance and Operations	621,507	310,717
Purchase of Goods and Services	1,000,582	785,038
Operating Grants and Transfers	22,697	137

Description	31 July 2017 (\$)	31 July 2016 (\$)
Special Expenditures	4,691,001	3,420,581
Total Operating Expenditure	12,554,045	7,331,647
Capital Construction	---	---
Capital Purchase	---	493
Total Capital Expenditure	---	493
Value Added Tax	316,107	295,934
Total Expenditure	12,870,152	7,628,074

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

7.3 Appropriation Statement

The Ministry of Employment, Productivity and Industrial Relations incurred expenditure totalling \$12.9 million in 2017 against a revised budget of \$16.3 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$3.4 million or 21%. The savings was mainly due to reduction in maintenance and operational costs due to minimal use of photocopying machines, lights and other electrical items. The Ministry had also anticipated an increased pay out in workmen compensation due to the increase in quantum from \$24,000 to \$50,000 but this did not eventuate.

Details of expenditure against the revised budget are provided in Table 7.2.

Table 7.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	6,294,630	(97,000)	6,197,630	5,496,334	701,296
2	Government Wage Earners	247,030	97,000	344,030	288,046	55,984
3	Travel & Communication	422,795	109,492	532,287	433,878	98,409
4	Maintenance & Operations	527,200	256,797	783,997	621,507	162,490
5	Purchase of Goods & Services	1,403,700	(209,878)	1,193,822	1,000,582	193,240
6	Operating Grants & Transfers	55,000	(30,000)	25,000	22,697	2,303
7	Special Expenditure	6,542,650	(126,411)	6,416,239	4,691,001	1,725,238
	Total Operating Expenditure	15,493,005	---	15,493,005	12,554,045	2,938,960
13	Value Added Tax	800,600	---	800,600	316,107	484,493
	TOTAL	16,293,605	---	16,293,605	12,870,152	3,423,453

The Ministry collected revenue totalling \$9,572 in 2017, an increase of 143% from the previous year.

7.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Ministry operates and maintains the following trust fund bank account:

7.4.1 National Occupational Health & Safety Education and Accident Prevention Trust Fund Account

This liability account is responsible for the promotion of OHS and enforcement of the Health and Safety at Work Act 1996 and its subsidiary legislations. The Service aims to promote and maintain a working environment, which is healthy and safe for both workers and employers and directly contributes to improved productivity.

Table 7.3: National Occupational Health & Safety Education and Accident Prevention Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
OHS Trust Fund	1,212,196	813,827
Total Receipts	1,212,196	813,827
Payments		
OHS Trust Fund	416,854	721,833
Total Payments	416,854	721,833
Net Surplus	795,342	91,994
Opening balance as at 1 August	5,333,931	5,241,937
Closing Balance as at 31 July	6,129,273	5,333,931

7.4.2 Employment Relations Agency Trust Fund Account

In instances whereby employment disputes and employment grievances are not resolved by the Mediation Service, the Employment Relations Tribunal assists employers or their representatives and workers or their representative trade union by adjudicating and determining the grievance or dispute between parties. In adjudication proceedings, there is also a requirement on the Tribunal to provide mediation assistance to the disputing parties when the need arises. In this regard the Tribunal assists disputing parties to amicably settle matters and these settlements are documented as binding awards or decisions.

Table 7.4: Employment Relations Agency Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
ERT Trust Fund	107,251	69,096
Total Receipts	107,251	69,096
Payments		
ERT Trust Fund	451	3,234

Description	31 July 2017 (\$)	31 July 2016 (\$)
Total Payments	451	3,234
Net Surplus	106,800	65,862
Opening balance as at 1 August	401,727	335,865
Closing Balance as at 31 July	508,527	401,727

7.4.3 National Employment Centre Trust Fund Account

The National Employment Centre operates under the National Employment Centre Act 2009. The Centre is responsible for providing employment skills training and facilitating employment opportunities for the unemployed. The Centre offers three services – Formal Employment Service, Foreign Employment Service and Fiji Volunteer Service. Unemployed persons who register under the National Employment Centre undertake professional counselling, aptitude assessment, life skills training and are trained in the relevant employment skills demanded by the labour market. Moreover, the Centre provides opportunities for the unemployed to do volunteer services, work attachment, and facilitates opportunities for employment both locally and internationally.

Table 7.5: National Employment Centre Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
NEC Trust Fund	80,777	16,619
Total Receipts	80,777	16,619
Payments		
NEC Trust Fund	68,203	1,752
Total Payments	68,203	1,752
Net Surplus	12,574	14,867
Opening balance as at 1 August	210,224	195,357
Closing Balance as at 31 July	222,798	210,224

7.4.4 OHS Consultancy Services, Workmen's Compensation and Wages Dispute Trust Fund Account

- **Occupational Health and Safety (OHS) Consultancy Trust Account:** Used to facilitate the payment of overtime hours, meal allowances, transport allowances, and accommodation which is paid by companies into OHS Trust account when OHS Inspectors have performed services to the companies. Funds are transferred from OHS Trust Account to OHS Consultancy to pay the OHS inspectors.
- **Work Compensation Trust Account:** Workmen's Compensation Act (Cap. 94) places on employers the legal responsibility to compensate workers who sustain injuries, lose their lives or contract diseases in the course of their employment. Compensation is through monetary payments and medical care provisions for the injured workers. Cases involving the death of a worker, monetary payments are given to the dependents' of the deceased worker.
- **Wages Dispute Trust Account:** Wages Unit is responsible for setting minimum wages and other terms and conditions of employment in Fiji's employment sector. It ensures workers are

actually provided with the stipulated Wages Regulations terms and conditions. Any payment received from employer after dispute on wages is resolved by the Wages unit and is paid out to the respective employee.

Table 7.6: OHS Consultancy Services, Workmen's Compensation and Wages Dispute Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Workmens Compensation	4,388,376	2,422,812
Wages Dispute	463,166	202,646
OHS Consultancy	121,097	806,924
Total Receipts	4,972,639	3,432,382
Payments		
Workmen Compensation	3,815,895	2,049,903
Wages Dispute	413,874	225,043
OHS Consultancy	17,554	599,995
Total Payments	4,247,323	2,874,941
Net Surplus	725,316	557,441
Opening balance as at 1 August	1,882,237	1,324,795
Closing Balance as at 31 July	2,607,553	1,882,236

7.4.5 Child Labour Unit Trust Fund Account

The Child Labour Unit is responsible for monitoring, training and development for the labour inspectorate and stakeholders on all aspects of child labour issues under the ERP 2007 and Health and Safety at Work Act 1996, for promotion and advocacy on issues of child labour in Fiji and also for the maintenance of child labour information system in Fiji with the aim of maintaining proper and effective management of the child labour cases. The unit conducts investigation and prosecution on child labour cases, provides awareness programmes for stakeholders and members of the public on the aspects of child labour laws and ensures that issues related to child protection are properly addressed.

Table 7.7: Child Labour Unit Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Child Labour Unit Trust Fund	133	---
Total Receipts	133	---
Payments		
Child Labour Unit Trust Fund	2,438	2,759
Total Payments	2,438	2,759
Net Deficit	(2,305)	(2,759)
Opening balance as at 1 August	4,647	7,406
Closing Balance as at 31 July	2,342	4,647

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

7.5 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 management of agencies 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 agencies 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 as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

7.6 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 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.


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

7.7 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 was:

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


7.8 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

7.9 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 as:

Rating	Timeliness of Management Comments Received
 Effective	Within 14 days from issue of Draft Management Letter

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

PART C: OTHER SIGNIFICANT MATTERS

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.

7.10 Shared Services Revenue Recorded in OHS consultancy services Trust Fund

Trust money is money that the agency is holding in trust (it does not include creditor payments such as salary deductions or money that is held in a separate “trust fund” which is not a true trust). As stipulated in the Act and Finance Instructions, trust money is to be kept in a separate bank account and accounted for separately from “public money” and “other money”.¹

Income is defined as increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. The definition of income encompasses both revenue and gains. Revenue arises in the course of the ordinary activities of an entity.

The Ministry has a shared service arrangement with the Ministry of Civil Service where it provides services including Accounts, Human Resources and IT related functions at a fee of \$70,000 per annum.

We noted that for the year ended 31 July 2017, the Ministry deposited the shared services revenue of \$70,000 into the OHS consultancy trust fund account instead of the Consolidated Fund Account of government.

The OHS consultancy trust fund account maintains the funds paid by companies to facilitate the payment of overtime, meal allowances, transport allowances, and accommodation for OHS Inspectors when they perform OHS related services outside their normal working hours. The recording of shared services revenue contradicts the nature and purpose of the OHS consultancy trust fund.

Due to this incorrect recording of revenue, the Ministry’s operating revenue is understated whilst the OHS consultancy trust fund liability is overstated by \$70,000.

¹ Ministry’s Finance Manual 2013 – Part 14 Trust Accounts

Recommendation

The Ministry should reverse the shared services revenue recorded in the OHS consultancy trust fund and deposit it in the Consolidated Fund Account of government.

Management Comments

Your recommendation is noted.

The key here is the idea of sharing within an organization or group. This sharing needs to fundamentally include shared accountability of results by the unit from where the work is migrated to the provider. The provider, on the other hand, needs to ensure that the agreed results are delivered based on defined measures (KPIs, cost, quality etc.). The Permanent Secretary of Employment, Productivity and Industrial Relations (PSEPIR) wants to utilise this fund to benefit the both organizations by delivering an effective and efficient service to Ministry of Civil Service. The PSEPIR realised that there is a need for additional resources to effectively execute the agreed results. Currently there are 646 officers in the Ministry of Civil Service payroll and 2 government wages earners.

The Ministry will prepare an internal policy on how to consume the Shared Service fees as the PSEPIR has the final authority to determine on how to utilise it.

7.11 Presentation of Main Trust Accounts

Trust money is to be accounted for separately from public money and other money within the meaning of this Act. Trust money is to be kept in a separate bank account pending its withdrawal and accounted for separately from “public money” and “other money”.

The Accountant shall prepare bank reconciliation within 5 days of the end of the month. Details of unrepresented cheques and other reconciling items should be attached to the reconciliation statement. Once the bank reconciliation is prepared, it should be signed and dated by the Accountant and submitted to the Senior Accountant. The Senior Accountant must verify balances in the bank reconciliation to the cashbook, bank statements, unrepresented cheque list and the previous month’s bank reconciliation before certifying it.²

As at balance date, the Main Trust Account balances for Ministry of Employment, Productivity and Industrial Relations was \$9,470,495. These funds relate to receipts and payments for Workmen’s Compensation, Wages dispute, Occupational Health and Safety Consultancy, Occupational Health and Safety Trust, Employment Relations Tribunal, National Employment Centre and Child Labour.

Our review of the current presentation of the Main Trust Fund revealed the following anomalies:

- The Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one line item in the Statement even though the nature of the trust receipt and payment may vary.
- For OHS Consultancy Service, Workmen Compensation and Wages Disputes trust funds, the Ministry maintains one bank account and provides a consolidated statement of trust receipts and payments in its Agency Financial Statements.

Separate statements are not presented for each trust type with the receipts and payments to be classified by the nature of receipt and expenditure. Moreover, with the various trust funds

² Ministry’s Finance Manual 2013 – Section 6.4.7 - 6.4.10

being deposited into one bank account, there is a risk of funds for a particular trust being utilised for the other trust funds.

- A variance of \$381,087 was noted between the cash at bank balance and general ledger (FMIS). Refer to Table 7.8 below for details.

Table 7.8: Variance in cash at bank balance

Particulars	Amount (\$)
Cash at bank balance	2,226,466
Balance as per general ledger (FMIS)	2,607,553
Unreconciled Variance	(381,087)

The current presentation of the trust fund accounts is deemed inadequate and does not provide adequate and useful information to the users of the financial statements.

As a result, the accuracy of the OHS Consultancy Service, Workmen's Compensation and Wages Disputes trust funds cash at bank balance cannot be ascertained.

Recommendations

- **The Ministry should work towards maintaining separate bank accounts for each trust accounts and submit separate statements accordingly.**
- **The trust receipts and payments should be classified by nature.**
- **The variance in cash at bank balance noted should be investigated and rectified.**

Management Comments

Your recommendation is noted and we will communicate with Ministry of Economy for the separation of the three bank account.

Your recommendation is noted and we will abide by it once the three accounts is separated. There was a problem with the Ministry's report that is provided by Ministry of Economy until July 2017. The Ministry have reconciled until July 2017 in this year's financial period. The Ministry is working on identifying the variance and audit will be advice accordingly.

7.12 Control weaknesses over trust fund receipts

Receipt books must be issued in sequential order. When new stock is issued to revenue clerks HQ, the Accountant shall enter details of issued stock on the appropriate acknowledgement receipt form. The original and duplicate receipts are to accompany the issued receipt books. The Accountant will retain the triplicate. After checking that all stock has been received, the revenue collector will sign the acknowledgement receipts and return the original to the Accountant.³

For the financial year ended 31 July 2017, the Ministry recorded receipts totalling \$6,375,366 for the seven trust fund accounts which it maintained.

Our review of the trust fund receipts noted the following control weaknesses:

³ Ministry's Finance Manual 2013 – Section 5.2.12 – 5.2.14

- receipt books issued for the Workmen Compensation trust, Wages Dispute trust, OHS consultancy and Employment Relations trust fund were all recorded together in the main distribution register. There is no separate distribution register maintained for each trust account;
- missing sequence from receipt books are not promptly investigated and followed up with the revenue collectors;
- original copy of the signed receipt book acknowledgement form⁴ was not attached to the main distribution register; and
- unused receipt books were not kept properly secured under a safe (lock and key) in the cashier's office and there is a risk that the receipt books could be uplifted without the cashiers' knowledge.

The weaknesses are attributed to the poor internal control over trust fund receipts and if not addressed, may result in misappropriation of revenue being undetected.

Recommendations

The Ministry should ensure that:

- **receipt book stocks for each trust fund accounts are separately maintained and updated separately on the main distribution register.**
- **monthly returns on used receipt books are provided by the revenue collectors in each Districts to the Headquarters and used as a basis for issue of new receipt books.**
- **missing receipt numbers are promptly investigated and appropriate actions are taken.**
- **the original copy of the duly signed acknowledgement receipt form is attached to the main distribution register.**
- **all unused receipt books are kept under lock and key at all times.**
- **monthly trend analysis of receipts for each of the trust fund account is performed. Any significant movements should be promptly investigated and justifications to be documented.**

Management Comments

The Ministry have been using this method since 2012 whereby all the receipts books (Workman Compensation, Arrears of Wages, OHS Consultancy and Employment Relations Trust account) were maintained in one distribution register.

- *The Ministry accept your recommendation and will request Ministry of Economy to separate the three bank accounts.*
- *The Ministry accept your recommendation as monthly return on used receipts books must be submitted and be used as a basis for issue new receipt books.*
- *The Ministry will carry out internal investigation on all missing receipt numbers and appropriate action to be taken.*
- *The Ministry will accept your recommendation with the duly signed acknowledgment receipts form to be attached to the main distribution register.*
- *The Ministry will accept your recommendation and act accordingly.*
- *The Ministry will accept your recommendation and prepare monthly trend analysis for each trust account.*

⁴ This outlines details of the receipt book stock issued

7.13 Original copies of cancelled receipts not attached

When cash or bank cheques are received, the revenue collectors shall immediately issue an official receipt. The revenue collectors must enter relevant details specified on the receipt before signing it. Carbon copies of the receipt should be checked to ensure that details on the original receipt are also legible on these copies. No amendments shall be made to the carbon copies. The original receipt should be detached from the receipt book and issued to the payer. The revenue collectors shall retain the book copy and attach the duplicate receipt to the cash analysis sheet. If a receipt is spoilt, it shall be marked “cancelled” and retained in the receipt book.⁵

Our review of the OHS trust fund receipts noted that there were many instances where original copies of cancelled receipts were not attached or retained in the receipt book to indicate that the receipts were cancelled and not issued. This was prevalent in the Suva office only.

In most instances, the carbon copies of the receipts were either blank or stated on the receipt that there was no original copies.

The above findings indicate a high risk of misappropriation of trust revenue whereby trust funds monies may have been receipted using original receipts but not deposited in bank.

Recommendations

The Ministry should ensure that:

- an investigation is carried out to determine the cause and appropriate action is taken to address it.
- receipt books are checked before being issued to OHS inspectors/revenue collectors.
- revenue collectors must sign the acknowledgement receipt forms and the form is to be attached with the main distribution register.

Management Comments

The Ministry will carry out investigation and appropriate action to be taken.

The Ministry accepts recommendation 2 & 3.

7.14 Unauthorized transfer and missing trust fund receipt books

Under no circumstance shall any receipt book be transferred between revenue collectors unless the Senior Accountant has given approval.⁶

If a revenue collector loses or damages receipt books or other revenue earning forms in his/her custody, the Senior Accountant must immediately be informed in writing. The Senior Accountant shall make the appropriate changes to the stock register and distribution register and notify the Chief Accountant that the Treasury stock register should be amended.⁷

⁵ Ministry's Finance Manual 2013 – Section 5.3.1 – 5.3.5

⁶ Ministry's Finance Manual 2013 – Section 5.2.18

⁷ Ministry's Finance Manual 2013 – Section 5.8.5

If a Receipt book is missing, the Senior Accounts Officer shall arrange an advertisement in at least two daily newspapers specifying the serial numbers of the book and a statement disowning any liability incurred through unauthorized use of that receipt book. The advertisement must be placed within two days of notification of the loss.⁸

We noted the following anomalies in the maintenance of trust fund receipt books:

- Two receipt books (444251 – 444300 and 503151 – 503200) initially issued for use by the Nadi office were transferred to the Lautoka office without obtaining the prior approval of the Senior Accountant.
- The OHS trust fund receipt books were used to receipt cash for the other trust funds namely the Workmen Compensation, Employment Relations Tribunal, OHS consultancy and Wages Dispute trust fund accounts.
- Two trust fund account receipt books initially issued to the Ba NEC office and Nadi office were missing hence were not provided for audit verification. Refer to Table 7.9 below for details.

Table 7.9: Details of missing receipt books

Receipt Book numbers	Issued To		Remarks
116451 – 116500	NEC office	Ba	The main receipt book distribution register was signed off by the former AAO reconciliations based at the Headquarters. The Ba office confirmed that they did not receive the receipt book.
445151 – 445200	Nadi office		No comments provided on the missing receipt books.

This is mainly attributed to the Ministry not reconciling its revenue records on a regular basis.

There is a high risk of receipt books being issued without the actual cash being lodged into the trust fund bank account.

The above denotes that controls over trust receipts are not operating effectively.

Recommendations

The Ministry should ensure that:

- **prior approval of the Senior Accountant is obtained before the trust fund receipt books are transferred to other districts.**
- **the receipt books issued are used for their intended purpose.**
- **the requirement of the Ministry's Finance Manual Section 5.8 should be complied with.**

Management Comments

The Ministry accepts the recommendation and will be conducting refresher training to the agencies on Revenue Management process.

The Ministry is now confirming with Nadi Office, Lautoka Office and Ba Office about the receipt books and will be advertising in the two daily newspapers specifying the serial number of the books.

⁸ Ministry's Finance Manual 2013 – Section 5.8.7

Section 8

Ministry of Foreign Affairs

Roles and Responsibilities

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

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

The Ministry maintains diplomatic relations with as many countries as possible and in co-ordination with the line ministries focuses on promoting and advancement of Fijian interests in the areas of tourism, employment opportunities, and investment and trade.

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PART A: FINANCIAL STATEMENTS

8.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Foreign Affairs resulted in an unqualified audit report.

8.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$391,279 and incurred a total expenditure of \$40,406,244 for the year ended 31 July 2017. Details are provided in Table 8.1.

Table 8.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	10,310	6,512
Agency Revenue	380,969	228,862
Total Revenue	391,279	235,374
Established Staff	13,977,868	8,112,472
Government Wage Earners	3,645,770	2,314,685
Travel and Communications	3,308,133	2,213,025
Maintenance and Operations	10,760,180	7,866,241
Purchase of Goods and Services	672,734	439,574
Operating Grants and Transfers	5,467,608	3,709,985
Special Expenditures	1,029,149	622,943
Total Operating Expenditure	38,861,442	25,278,925
Capital Construction	76,018	46,927
Capital Purchase	309,456	252,278
Total Capital Expenditure	385,474	299,205
Value Added Tax	1,159,328	593,476
Total Expenditure	40,406,244	26,171,606

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

8.3 Appropriation Statement

The Ministry incurred expenditure totalling \$43.4million in 2017 against a revised budget of \$43.1 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$2.7 million or 6%.

Savings of \$263,598 was noted under the Capital Construction allocation. The focus of the allocation was on those Missions where the Ministry owns properties – Canberra, Wellington, London and Brussels. For 2016-17, a major challenge faced, particularly from the Mission, was the collation of

relevant documentation to ensure compliance with the RIE requirements/checklist for release of funds.

The savings of \$154,415 under the Capital Purchase allocation was attributed to some purchase request by the Mission not facilitated by end of the fiscal year due to insufficient information and documentation provided.

Details of expenditure against the revised budget are provided in Table 8.2.

Table 8.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	15,439,533	(807,155)	14,632,378	13,977,868	654,510
2	Government Wage Earners	3,439,925	294,055	3,733,980	3,645,770	88,210
3	Travel & Communication	2,757,529	766,208	3,523,737	3,308,133	215,604
4	Maintenance & Operations	10,817,451	215,293	11,032,744	10,760,180	272,564
5	Purchase of Goods & Services	906,159	62,314	968,473	672,734	295,739
6	Operating Grants & Transfers	5,691,486	(8,180)	5,683,306	5,467,608	215,698
7	Special Expenditure	1,708,222	(527,925)	1,180,297	1,029,149	151,148
	Total Operating Expenditure	40,760,305	(5,390)	40,754,915	38,861,442	1,893,473
8	Capital Construction	798,097	(458,481)	339,616	76,018	263,598
9	Capital Purchase	-	463,871	463,871	309,456	154,415
	Total Capital Expenditure	798,097	5,390	803,487	385,474	418,013
13	Value Added Tax	1,528,900	-	1,528,900	1,159,328	369,572
	TOTAL	43,087,302	-	43,087,302	40,406,224	2,681,058

The Ministry collected revenue totalling \$391,279 in 2017, an increase of 66% from the previous year.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

8.4 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 reporting to management of agencies 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 agencies 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 Foreign Affairs as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

8.5 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 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.

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

8.6 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 Foreign Affairs was:

Rating	Quality of draft financial statements assessment
☹ Ineffective	Adjustments on operating results/net assets were more than one percent

8.7 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.

8.8 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 as:

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

Rating	Timeliness of Signed Financial Statements Received
☀ Generally effective	Within 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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.

8.9 Unreconciled Variance in Overseas Mission Bank Reconciliation

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.¹ Unreconciled items must be investigated and resolved promptly.²

The PAO must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.³

The overseas mission's bank accounts facilitate the payment for mission expenditure and the transfer of monies from the Consolidated Fund Account. At the end of the month, the expenditure is journalised to respective budgetary expenditure allocation.

The cash held in overseas missions' bank accounts totalled \$6,892,348. However, an unreconciled variance of \$3,331,169 was noted between the FMIS general ledger balance \$6,285,329 and the bank reconciliation of \$2,954,160. Refer to Table 8.3 for details.

Table 8.3: Variance in Bank Reconciliation and FMIS General Ledger

Mission	FMIS Balance as at 31/07/17 (\$)	Bank Reconciliation as at 31/07/17 (\$)	Variance (\$)
Fiji Consulate General Sydney	919,008.76	---	919,008.76
Canberra Cash Account	435,370.40	335,373.94	99,996.46
London Cash Account	273,160.65	11,751.03	261,409.62
Tokyo Cash Account	1,272,157.55	1,173,131.72	99,025.83
Wellington Cash Account	530,843.40	408,585.51	122,257.89
Beijing USD Cash Account	279,935.88	61,897.97	218,037.91
Brussels Cash Account	209,981.97	46,365.40	163,616.57
New York Cash Account	262,496.89	(18,028.87)	280,525.76
Washington Cash Account	80,302.34	1,351.40	78,950.94
Geneva Cash Account	111,342.10	109,369.26	1,972.84

¹ Finance Instruction 2010, Section 32 (6)

² Finance Instructions 2010, Section 58 (3)

³ Ministry's Finance Manual 2013, Section 5.3.10

Mission	FMIS Balance as at 31/07/17 (\$)	Bank Reconciliation as at 31/07/17 (\$)	Variance (\$)
Addis Ababa Cash Account	381,658.76	61,745.95	319,912.81
Abu Dhabi Cash Account	614,357.37	172,035.36	442,322.01
Seoul Cash Account	315,065.58	185,580.84	129,484.74
Kuala Lumpur Cash Account	429,527.38	363,947.02	65,580.36
Jakarta Rupiah Cash Account	170,120.01	41,053.49	129,066.52
Total	6,285,329.04	2,954,160.02	3,331,169.02

We also noted that the Fiji Consulate-General Sydney was closed and transferred to the Ministry of Industry, Trade & Tourism during the month of April 2016. However, balance of \$919,009 was still⁴ appearing under the Ministry's head in the FMIS general ledger.

As a result, we could not ascertain the accuracy of the balances appearing under the above allocations in the FMIS general ledger.

Recommendations

The Ministry should:

- liaise with Ministry of Economy to rectify the above variance in bank reconciliation records;
- ensure that overseas missions bank balance is reconciled with the FMIS general ledger bank balance on a monthly basis and any foreign exchange gain or loss are adjusted immediately;
- ensure that the balance of accounts at Fiji Consulate General Sydney is transferred to the Ministry of Industry, Trade & Tourism in consultation with the Ministry of Economy.

Ministry's Comments

The Ministry has introduced a new posting method in the GL system with the objective of reconciling GL system and Mission's bank account balance.

Although the new format of posting is being implemented, the un-reconciled variances accumulated over the years still needs to be rectified. This is a systemic issue that will need the Ministry of Economy to address.

In this regard, the Ministry is consulting Ministry of Economy and OAG on an effective way of addressing these variances.

As for the issue of Fiji Consulate General Sydney funds still appearing in the Ministry's GL account, the Ministry will liaise with Ministry of Economy on the clearance of the amount from our GL account.

8.10 Operating Trust Balance Carried Forward from Prior Years

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Accounts Officer shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.⁵

Any errors or misallocations must be immediately adjusted by way of journal vouchers.⁶

⁴ As at the date of Audit 20/04/18

⁵ Ministry's Finance Manual 2013, Section 12.3.3

⁶ Ministry's Finance Manual 2013, Section 12.3.4

Operating Trust Fund Accounts facilitate transactions relating to the Ministry's administrative role as an employer. These transactions include deductions from employees' salaries/wages with regards to the superannuation contributions, housing loan, repayments, insurance premiums and other deductions for onward payment to the respective payees.

Our review of the operating Trust Fund Account balances revealed that the following trust account balances have been carried forward from previous years without any or minimal movement noted during the year. Refer Table 8.4 for details.

Table 8.4: Trust Fund Account Balances Carried Forward

Account	Description	Balance at 31/07/17 (\$)	Balance at 31/07/16 (\$)	Increase/ (Decrease) (\$)
1-08101-08101-861910	383 PD Sundries	(212,072.61)	(212,072.61)	---
1-08103-80101-863101	Admin Contributions Foreign Mission	(239,444.54)	(239,444.54)	---
1-08103-80102-863101	Admin Contributions Foreign Mission	(330,157.99)	(330,157.99)	---
1-08103-80201-863101	Admin Contributions Foreign Mission	(49,269.33)	(49,269.33)	---
1-08103-80401-863101	Admin Contributions Foreign Mission	(3,261.14)	(3,261.14)	---
1-08103-80701-863101	Admin Contributions Foreign Mission	(131,018.25)	(131,018.25)	---
1-08103-81001-863101	Admin Contributions Foreign Mission	(23,961.59)	(23,961.59)	---
1-08103-81102-863101	Admin Contributions Foreign Mission	(8,100.51)	(8,100.51)	---
1-08101-08101-864199	PSC Cuba Scholarship	(1,703.92)	(1,703.92)	---
1-08101-08101-861299	XXX PD Others	(20,786.23)	(22,721.06)	(1,934.83)
1-08101-08101-861902	204 PD Depst A/C Recoverable	(24,901.70)	(16,689.16)	8,212.54
1-08101-08101-861920	501 PD Employees FNPF	(475,893.96)	(469,429.26)	6,464.70
1-08101-08101-864199	Sundries	(18,795.34)	(40,459.44)	(21,664.10)

The minimal movements in carried forward trust fund balances in 2017 compared to 2016 indicate that the Ministry did not give sufficient priority to address the issue during the financial year.

Recommendations

- The Ministry should investigate the significant balances in the Operating Trust Fund account as at 31 July 2017 and take appropriate action.
- The Ministry should ensure that proper supervisory checks are in place to ensure that all balances are accurate, adequately supported and that errors from previous years are rectified.

Ministry's Comments

This is a system related issue which is on our agenda to discuss and finalise with MOE – reconcile and clearance of left over credits accumulated over the years as most of these accounts have been dormant for past years.

8.11 Anomalies noted on Procurement of Goods and Services

All payments must be processed through payment vouchers prepared by the *Clerical Officer Payments/Ledgers*. Separate vouchers are to be used for separate payees and for the payment of different services.⁷

The Clerical Officer Payments/Ledgers preparing a payment voucher must ensure that all information required under Finance Instruction 14-(1) has been included on the payment voucher or attached to it, before passing it to the SAO for certification.⁸

The PAO, SAO & AO must not certify a payment as correct unless they are satisfied that:

- i. it is in accordance with an LPO, indent, contract, invoice or other authorisation;
- ii. there is documentation that the goods, services or works have been received;
- iii. sufficient uncommitted funds are available for payment of the account;
- iv. the account is not fraudulent and has not been previously paid; the expenditure account it is charged to is correct.⁹

We noted that the Ministry did not comply with its Finance Manual (2013) in accounting for expenses arising from procurement of goods and services. Refer below for details

- (i) Payment vouchers and other supporting payment records were not always stamped paid, checked and authorised by the supervising officers;
- (ii) Instances were noted where there was inadequate supporting documents attached to the payment records to justify the payment made to the supplier of goods and services;
- (iii) Three quotations were not obtained; and
- (iv) Local Purchase Orders (LPOs) were not attached to the payment vouchers.

Processing payments without proper documentation and authorisation increases the risk of double and fraudulent payments.

Non-compliance with the requirements of the Finance Manual by staffs indicates that the work of these staffs was not properly reviewed by supervising officers,

Recommendations

- **The Director Finance should ensure that the Ministry complies with its Finance Manual, procurement procedures and instructions at all times.**
- **The internal control procedure in the Accounts Section, specifically supervisory checks should be strengthened and appropriate disciplinary actions taken if the responsible officers continue to breach financial regulations.**

⁷ Ministry of Foreign Affairs Finance Manual 2013 section 2.9.3

⁸ Ministry of Foreign Affairs Finance Manual 2013 section 2.9.4

⁹ Ministry of Foreign Affairs Finance Manual 2013 section 2.9.5

Ministry Comments

The Ministry noted the anomalies highlighted and to ensure strict adherence and compliance, the following measures will be undertaken:

- a) on-going refresher training programme on procurement procedures and instructions within the Ministry;
- b) Bringing into HQ for specific accounts training staff and especially Locally Engaged Staff (LES) in missions whose responsibilities cover doing the books of the mission. Part of this training will involve looking at the Ministry's audit reports of the last five years; and
- c) close monitoring of the procurement procedures through enforcing the various internal checking systems

8.12 Anomalies noted on Payroll Reconciliations

The salary reconciliation must reconcile the difference between the previous fortnight payroll report and the current report, and must be prepared prior to each pay date. The salary reconciliation shall be signed by the AO and checked & signed by PAO before it is forwarded to the Ministry of Finance, within one week from the pay date.¹⁰

The wages reconciliation must reconcile the difference between the previous week payroll report and the current report, and must be prepared prior to each pay date. The wages reconciliation shall be signed by the AAO - Ledgers and checked & signed by AO or SAO and kept for record purpose.¹¹

Our review of the Ministry's payroll reconciliations revealed that monthly reconciliations were not prepared in a timely manner. Instances were noted where reconciliations were prepared after two months from the pay date and variances were noted in the closing balance of a particular pay compared to the opening balance of the following pay.

Inability to prepare the reconciliations in a timely manner may result in errors and incorrect postings not being detected in a timely manner.

Recommendations

The Ministry should:

- ensure that payroll reconciliations are prepared at least a day prior to each pay date in order to rectify any errors and anomalies on a timely manner; and
- submit a copy of the reconciliation to the Ministry of Economy on a timely manner.

Ministry's Comments

This is a compliance issue and the delay in the preparation and submission of payroll reconciliations highlighted for 2016/2017 financial year is duly noted particularly in terms of timely and quality reporting.

For 2017/2018 financial year, the Ministry is updating Payroll reconciliations on each pay basis instead of the monthly update made in previous years.

In our effort to improve our operational efficiency particularly on reporting as such, the Ministry will undertake the following as a matter of priority in the next 3 months:

- a) review the Position Description of Officers within the Finance Division;

¹⁰ Ministry of Foreign Affairs Finance Manual 2013 section 3.6.4 & 3.6.5

¹¹ Ministry of Foreign Affairs Finance Manual 2013 section 3.14.4 & 3.14.5

- b) conduct internal workshop/refresher training programmes; and
- c) strengthen internal monitoring mechanism to ensure strict adherence to timelines.

8.13 Fixed Assets Register not updated – Headquarters

Each agency must have in place a cost effective system of internal controls which safeguard money and property against loss and avoids or detect accounting errors.¹²

All property, plant or equipment with a value in excess of \$2,000 or more must be recorded in the asset module of the financial management information system; and asset register for those without the financial management information system.¹³ The Asset Recorder must ensure that the fixed assets register is kept updated.¹⁴

Our review of procurement of fixed assets during the year revealed that the following items were not recorded in the Fixed Assets Register. Refer to Table 8.5 for details.

Table 8.5: Details of Procurement not recorded in the Fixed Asset Register

Date	Cheque/ EFT Number	Particulars	Amount VIP (\$)
08/06/17	35527	Purchase of office steel cabinets	6,400
10/07/17	85610	Installation of workstation at Headquarters	995
10/05/17	34946	Installation of work stations at Headquarters	14,270
25/04/17	34910	Installation of work stations at Headquarters	14,270
28/06/17	3285	Purchase of office chairs	6,700
25/07/17	3377	Purchase of glass cupboards	5,010
07/07/17	3292	Purchase of: New Desk Tops x 10 units and New Lap-Tops x 6 units	28,046
28/02/17	2936	Purchase of Laptops for executives	5,108

The above finding indicates non-compliance with established policies for recording of fixed assets.

Failure to update the Fixed Asset Register on a timely manner increases the risk of misuse and loss of fixed assets through theft and damage.

Recommendation

The Ministry should ensure that all items valued above \$2,000 are recorded in the Fixed Asset Register immediately upon purchase.

Ministry's Comment

The monthly report submitted from each Division and Missions is to incorporate a section on fixed asset and inventory updates. This will then be used to continually update the Ministry's central Fixed Asset Register on a monthly basis.

¹² Finance Instruction 2010 – Section 59(1)

¹³ Finance Instruction 2010 – Section 46(1)

¹⁴ Ministry of FA&IC Finance Manual – Section 7.2.2

In addition to the above, the Ministry will use an internal simplified version of the asset register for ease of collating information every month by Divisions and Missions. Following this, HQ will update the collated information into the central Fixed Asset Register.

The Asset Management Unit of the Ministry of Economy has conducted a training session on the whole asset register and reassured their assistance and support through this new implementation.

8.14 Absence of Risk Management Framework

It is a good practice to establish a risk management framework to have the Ministry's Management, and Internal Audit and respective Divisional Heads, to jointly plan, implement, monitor, and take action on evolving risks affecting the Ministry.

Risk management framework would provide a platform to identify various risks affecting the Ministry, management of the risks, develop appropriate internal control to mitigate the risks and continuous monitoring of risks. The mechanism to mitigate risks could include policies, procedures, training and awareness.

Our review of the Ministry's Corporate Governance revealed that there is no risk management framework in place. As a result, the Ministry does not have written policies, procedures or guidelines to manage risk associated with the following:

- occupational health and safety;
- Ministry operational and human resource/succession planning;
- fraud control and anti-corruption;
- disaster recovery, IT back up and business continuity, and
- assessment of potential conflicts of interest

In the absence of a risk management framework, the Ministry may find difficulty in managing risks affecting the Ministry particularly risk of fraud and misappropriation of assets.

The above finding also indicates that currently the Ministry does not have an established governance and accountability function to drive the risk management framework.

Recommendations

- **The Ministry should work towards establishing a governance and accountability function that supports the operations of the Ministry by providing financial and operational risk management and management of external reporting obligations.**
- **Following the establishment of the governance and accountability function, a risk management framework should be developed, continuously used and reviewed as and when necessitated.**

Ministry's Comments

The Ministry is currently working on developing a Risk Management Framework. This is to be conducted as below:

- a) Consultation with Ministry of Labour on OHS Compliance*
- b) Consultations with MOE on appropriate Internal Control procedures*
- c) Consultation with ITC on Information System and Security*
- d) Consultations with Solicitor General in terms of Regulations, Policy compliance*

e) Management Consultation on Operational and Human Resource / succession planning.

Upon securing full information and compliance of the above listed consultations, the following measures must be intact prior to finalising the framework.

- 1) Redeveloping of all Standard Operating Procedures (SOP) in line with current anticipated framework.*
- 2) 1st line contingency plan*
- 3) 2nd line contingency plan if 1st line plan not successful*

The Ministry wishes to assure that once the above processes are ascertained, the Framework should be completed and implemented.

Section 09

Office of The Auditor General

Roles and Responsibilities

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

- The inspection, audit and report on the public accounts, property and transaction of state.
- To perform annual audits across various state entities, ministries, departments and whole of government accounts and fiancé. Report on performance, environment and information technology risk assessment.

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PART A: FINANCIAL STATEMENTS**9.1 Audit Opinion**

The audit of the 2017 accounts of the Office of the Auditor General was carried out by Chartered Accounting firm, BDO¹ resulted in an unqualified audit opinion.

9.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$549,965 and incurred a total expenditure of \$3,819,777 for the year ended 31 July 2017. Details are provided in Table 9.1.

Table 9.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
Revenue		
Audit Fees	547,559	186,998
Miscellaneous revenue	2,406	1,188
Total Revenue	549,965	188,186
Expenditure		
Established staff	2,998,592	1,670,641
Government wage earners	31,146	16,759
Travel and communications	136,766	56,195
Maintenance and operations	109,120	41,188
Purchase of goods and services	486,884	149,471
Operating grants and transfer	5,298	4,279
Total Operating Expenditure	3,767,806	1,938,533
Value Added Tax	51,971	18,517
Total Expenditure	3,819,777	1,957,050

The financial year-end of Government was changed from 31 December to 31 July in accordance with Section 84 of 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.

Revenue mainly comprised of audit fees and commission received for facilitating salary deductions.

9.3 Appropriation Statement

The Office incurred expenditure totalling \$3,819,777 in 2017 against a revised budget of \$4,331,018 resulting in a saving of \$511,241 or 11.8%. Major saving was in the Personal Emolument budget due to some vacant positions which were filled during the 2017/2018 financial year.

Details of expenditure against the revised budget are provided in Table 9.2.

¹ Appointed by Speaker of Parliament in accordance with Section 14 of the Audit Act 1969
Office of the Auditor General

Table 9.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,459,932	---	3,459,932	2,998,592	461,340
2	Unestablished Staff	38,027	---	38,027	31,146	6,881
3	Travel & Communication	136,500	5,000	141,500	136,766	4,734
4	Maintenance & Operations	116,200	(4,000)	112,200	109,120	3,080
5	Purchase of Goods & Services	506,059	(1,000)	505,059	486,884	18,175
6	Operating grants & Transfer	6,000	---	6,000	5,298	702
	Total Operating Expenditure	4,262,718	---	4,262,718	3,767,806	494,912
13	Value Added Tax	68,300	---	68,300	51,971	16,329
	Total Expenditure	4,331,018	---	4,331,018	3,819,777	511,241

The Office collected revenue totalling \$549,965 in 2017.

9.4 Statement of Losses

The Office of the Auditor-General did not report any loss of money or assets during the financial period ending 31 July 2017, except for normal wear and tear arising from use.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

9.5 Internal Controls

As part of its audit, BDO assessed the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, the operating effectiveness were tested 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. The Office of the Auditor General is in the process of implementing formal Risk Management Policy covering the years 2018 – 2021. The Office of the Auditor General is committed to embedding Risk Management Principles and Practices in its operations.

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 management of agencies 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 agencies 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.

Based on the findings of the audit, a summary of assessment of key controls based on the audit was as follows:

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

In view of the above, the internal controls of the Office of the Auditor General was assessed as:

Rating	Internal control assessment
✱ Effective	No Significant deficiencies identified in internal controls

9.6 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 the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, OAG is likely to prepare accurate and timely draft financial statements for audit.

Based on the above, the year-end close process has been assessed as:

Rating	Year-end close process assessment
● Effective	All 10 key processes completed by due date

9.7 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.

The quality of financial statements were assessed by the impact these adjustments had on the total expenditure, operating results or net assets of the OAG. This was assessed as:

Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required

9.8 Timeliness of draft financial statements


To assess the timeliness of acceptable draft financial statements, the date the draft financial statements were due and the date it was received by Chartered Accounting firm, BDO. Accordingly, the assessed timeliness was:


Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements submitted to Chartered Accounting firm, BDO before or on 01 October 2017

9.9 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, the date the draft management letter and audited financial statements were sent to OAG by Chartered Accounting firm, BDO and the date management comments and signed accounts were submitted by OAG to the firm.

Accordingly, the assessed timeliness was:

Rating	Timeliness of Management Comments Provided to Chartered Accounting firm BDO
 Effective	Within 21 days from issue of Draft Management Letter

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

Section 10

Fijian Elections Office

Roles and Responsibilities

The primary role of the Fijian Elections Office [FEO] is to ensure the consolidation of democracy in Fiji. It prepares for and conducts national elections for Parliament, which occur every three-and-a-half to four years. It is also responsible for conducting elections for trade unions and their branches. The FEO is a permanent office that keeps a full staff year round. Its employees conduct various elections around the country and develop local expertise so that Fiji will no longer have to rely so heavily on foreign experts.

The FEO is provided with a budget of **\$12.7 million** in 2016-2017 Budget. This will ensure that the Office is able to operate at the necessary level to provide ongoing training to staff, conduct Trade Union and other elections and continuously seek to improve the Fijian electoral procedures. In the third quarter of 2016, the FEO will conduct nationwide consultation on proposed polling venues for the 2018 General Election to finalize the list of polling venues for the 2018 General Election in the fourth quarter of 2016. An interactive map of the entire country with polling venue locations identified will be accessible on the FEO's website.

The Office will also conduct nationwide voter registration and card replacement exercises specifically targeting Tropical Cyclone Winston affected areas in the first quarter of 2017. In the second quarter of 2017, the FEO will be launching a revamped website, including an audible website reader for disabled persons. The FEO will also carry out procurement of generic election items such as polling kits, ballot boxes and voting screens in preparation for the 2018 General Election.

The FEO has already started its nation-wide school voter registration on 6 June 2016 and will visit all 178 secondary schools in this month-long drive. During this registration drive, the FEO intends to register approximately 7,000 eligible voters. Towards the end of the first quarter of 2017, the FEO will be sending out teams to register voters overseas.

Furthermore, community awareness about voter registration and voting will continue in 2016-2017 in order to inform Fijians – especially those turning 18 – about the importance of voting.

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PART A: FINANCIAL INFORMATION**10.1 Audit Opinion**

The audit of the financial statements of Fijian Elections Office (FEO) for the year ended 31 July 2017 resulted in an unqualified audit opinion.

10.2 Abridged Statement of Comprehensive Income

Description	2017 (12 months) (\$)	2016 (7 months) (\$)
Government grant	11,709,603	3,689,412
Donor Income	896,860	---
Other income	2,688	416
Total Revenue	12,609,151	3,689,828
Administrative Expenses	8,136,061	1,804,290
Other Expenses	2,816,636	1,478,025
Total Expenditure	10,952,697	3,282,315
Net Profit	1,656,454	407,513

Total revenue substantially increased by 241% or \$8.91 million while total expenditure increased by 234% or \$7.67 million in 2017 compared to 2016. The major reason for the increase was due to preparedness for the 2018 general elections.

10.3 Abridged Statement of Financial Position

Description	2017 (12 Months) \$	2016 (7 months) \$
Cash	364,072	1,352,105
Receivables	1,078,843	192,181
Other current assets	475,287	182,774
Investments	5,073	---
Property, plant and equipment	2,058,060	1,453,858
Intangible assets	833,726	---
Total Assets	4,815,061	3,180,918
Trade and other payables	1,076,795	268,762
Employee entitlements	84,506	64,860
Deferred Income	283,826	1,210,716
Total Liabilities	1,445,127	1,544,338
Net Assets	3,369,934	1,636,580
Accumulated funds	3,369,934	1,636,580
Total Equity	3,369,934	1,636,580

Net assets increased by \$1.73m or 106% in 2017 compared to 2016. This was mainly attributed by the increase in receivables, other current assets, property, plant and equipment and intangible assets. Increase in receivables was largely due to receivable of grant of \$1,030,319 from the Ministry of Economy for the last quarter of 2017.

10.4 Appropriation Statement

The FEO was allocated \$12,686,019 for the financial year 2016-2017. Expenditure posted in the FMIS by Ministry of Economy (MoE) was \$7,167,078. However, review of records maintained by the FEO indicated that a sum \$10,871,659 was received during the financial year from MoE. This resulted in a variance of \$3,704,581 between the actual amount received by FEO and amount shown in the records of MoE.

The total lapsed appropriation of \$5,518,941 includes this variance. FEO has confirmed through a letter dated 6 November 2018 that Ministry of Economy will resolve the variance through an adjustment to FMIS. However, as at the date of issue of audit report, Ministry of Economy was yet to effect this adjustment¹.

Details of expenditures against the budget estimates are provided in the appropriation statement in Table 10.1.

Table 10.1: Appropriation Statement for 2017

Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
Established Staff	---	---	---	---	---
Government Wage Earner	---	---	---	---	---
Travel & Communications	---	---	---	---	---
Maintenance & Operations	---	---	---	---	---
Purchase of Goods & Services	---	---	---	---	---
Operating Grants & Transfers	12,686,019		12,686,019	7,167,078	5,518,941
Special Expenditures	---	---	---	---	---
Total Operating Expenditure	12,686,019		12,686,019	7,167,078	5,518,941
Value Added Tax	---	---	---	---	
TOTAL EXPENDITURE	12,686,019		12,686,019	7,167,078	5,518,941

¹ 23/11/18

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

10.5 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 analyzing 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 FEO 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 Fijian Elections Office as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

10.6 Quality of draft financial statements

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 Fijian Election Office was:

Rating	Quality of draft financial statements assessment
 Ineffective	Adjustments on operating results/net assets were more than one percent

10.7 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
☀ Generally effective	Management response received within 21 days

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

PART C: SIGNIFICANT AUDIT MATTERS

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 FEO 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 FEO. These have been included in this report as they impacted on the overall system of control of the FEO as at 31 July 2017.

10.8 Variance between Tendered and Contract Price for Election Management Software

No alterations should be made to the basis of scope of Works on which the tender documents have been prepared and tenders invited except for purposes such classification of details or for the acceptance of alternative Scope of Works as permitted by the conditions of the Tender.²

In the event that exceptional circumstances have arisen such that part or the whole of the tender scope of works must be altered, appropriate approval should be sought to make the necessary amendments or cancel the tendering exercise which is a view to re-tendering.³

The Tender Committee comprising of Chairperson, Secretary and three independent members, in its meeting on 26/4/16 recommended that the tender for the Election Management System (EMS) Software be awarded to the supplier at a total sum of USD 262,500. However, on 24/5/16, a contract agreement was entered into between the Supplier and Fijian Elections Office for the development of a central EMS database and software modules for Polling Venue Assessment, Logistics, Postal Voting, Party Registration, Candidate Nomination, Voter Awareness, Polling Day Worker and Electronic Voter Registration System at a total cost of USD 350,000.

The EMS software together with the source code was handed over to the FEO on the 1 June 2017.

Audit review of the procurement revealed the following anomalies:

- (i) We noted a variance of USD 87,500 or 33% between the tendered price of USD 262,500 and the contract amount of USD 350,000. Upon our discussion with Director Corporate of Fijian Elections Office we were advised that there was no written documentation for the approval from the Tender Committee for the variance.
- (ii) Subsequently, we were provided with a copy of a letter that was addressed to the Director Corporate Services from the Chairperson of the Tender Committee to the Director Corporate services of FEO dated 20 August 2018 (which was during the time of the audit) advising that the Tender Board had verbally agreed for the Supervisor of Elections to enter into negotiations with the supplier on the revised cost.

² Fijian Elections Office, Tender Policy – Section 10.4.1

³ Fijian Elections Office, Tender Policy – Section 10.4.2

We further noted from the letter that the Supplier had highlighted to FEO the likely chances of numerous limitations that could impede the software from operating as per the needs of FEO and recommended a revised cost of USD 398,000 and amendment to Software Requirement Specification (SRS).

We noted that the revised cost of USD 398,000 was further negotiated by the Supervisor of Elections to an agreed price of USD 350,000 which was verbally recommended to the Tender Committee which accepted it following which the contract agreement was prepared.

Refer to Table 10.2 for details of the Pricing Summary Sheet.

Table 10.2: Details of Pricing Summary Sheet

Item	Total Cost (USD) (\$)
Provision of Services in Schedule A	262,500
EVR Migration to Centralised EMS and Voter List Printing	130,500
Dashboard for Portable Mobile Devices	5,000
Grand Total	398,500
<i>Final negotiated price</i>	<i>350,000</i>

However, we were unable to determine the reasons the limitations identified by the Supplier were not identified in the SRS when the tender was initially advertised. We were also not able to ascertain whether the Tender Committee endorsed the change on specification and price variances, as minutes of meetings of the Committee and other related documents such as Committee papers were not sighted during our audit.

Recommendations

FEO Management should ensure that for future procurements:

- proper reviews of the specifications are carried out prior to inclusion in the Requirements for Tender;
- Fresh tenders are invited for any significant changes in the tender specifications; and
- any amendments to the specifications and tendered cost is deliberated and approved by the Tender Committee.

FEO Management should also ensure that changes to price and specifications of the EMS are properly recorded in the minutes of the Tender Committee.

Management's Comments

Fijian Election Office [FEO] has noted the comments by the audit team, our response is as follows:

FEO would like to clarify that the Tender for the EMS from the supplier was for the sum of \$262,000.00. This tender was accepted by the Tender committee based on the performance of the supplier during the evaluation stage as well as during the direct face to face presentations on the eventual design of the software. The Tender Committee employed the resources of a separate evaluation committee making up the number of people to decide on this tender up to nine [9], to make sure that the ultimate procurement process was both transparent, reconcilable as well as accountable.

The attention of Auditors are drawn to the Terms of Agreement dated 24 May, 2016 which is a total sum of \$350,000.00. The process leading up to the contract is as follows:

Tender Committee approved the supplier of the EMS, dated 22 April, 2016.

The supplier arrives in Fiji with its core development and technical team on the 11 May 2016. For the technical team to carry out extensive discussion and presentation with FEO Operations Team, FEO Technical Advisors, Finance Teams and the Supervisor of Elections [SoE]. The technical team from the supplier extensively also discussed the scope that had been published by the FEO to ensure that the technical team thoroughly understood the requirements of the scope as well as understood the end result goals of the EMS that was required by the FEO. The scope was also analyzed for its suitability for the platform that it required the software to be built on also determine the rigidity of the software following the 2018 General Elections.

Following the extensive discussion there was a round table agreement on the draft Software Requirements Specifications [SRS] that would be the basis for the development of the EMS between the FEO and the supplier. Since this is the first time an EMS is being developed for Fiji, were bound to be enhancements or opportunities in the initial scope that could only be explored following the confirmation by the technical team of the supplier of the possibilities.

The supplier thereafter reverted to the FEO outlining that:

There is a possibility to develop the EMS based on the initial scope at the cost of \$262,000.00 but highlighted highly likely chances of numerous limitation that could inhibit the software from functioning as per the FEO needs for the 2018 General Elections

The supplier further recommended that the FEO reconsider a revised cost of \$398,000.00, in which the supplier will deliver to the FEO the entire amended SRS, which would permit the FEO to have the state of the art software it requires with Source Code, as well as will the ability to comprehend further enhancements, as well as changes that may facilitate the EMS into become the overall office management in the near future.

The Tender Committee deliberated over this revised bit and in its discussion considered whether it would be worthwhile to offer the Tender to the next bidder, in case the next bidder's bid was lower than the revised cost. The Tender Committee noted that the next bid was US\$502,000.00.

The Tender Committee further deliberated that there is a highly likely chance that the second bidder would also recommend for the scope to be enhanced or changed in order to allow its technical team to build the software based on the expectation of the FEO which would more likely take the cost well above the 500,000 mark and if the supplier cost difference be taken as a base line then the cost of software would most likely exceed 600,000. The Tender Committee thereafter recommended to the SoE as the head of the institution to negotiate the tender pricing with the supplier with the view to reduce the final price.

The SoE on receipt of the office requested negotiated the price from \$398,000.00 to a round figure of 350,000. The SoE following the negotiations recommended to the Tender Committee the price of \$350,000.00 which was accepted by the Tender Committee as the appropriate round figure. There after the contract was prepared and signed

In order to reflect this discussion the FEO ensured the Terms of Agreement with the supplier, that the agreement demonstrated the tender bid of \$262,000 was included in the price as well as the difference of the 350,000 with the breakdown to facilitate for proper accountability. Once this was done the Terms of Agreement with the supplier was signed and the Software was produced.

10.9 Expired Performance Security

A Performance Bond for delivery of EMS software at a rate of 10 percent of the contract price amounting to USD 35,000 (VEP) was required to be provided by the Supplier.⁴ The performance Bond will be returned to the Supplier at the end of the warranty period. If the performance bond expires during the terms of the agreement, the Supplier must obtain a new bond to replace the expired performance bond prior to the expiry of the performance bond.⁵ The warranty period is 6 months from the date of receipt of the EMS Software by the Client.⁶

The warranty period was effective after the date of the Final Acceptance Certificate which was issued on 1/6/17. The performance bond should have been effective till 1/12/17. Audit noted that the performance bond amounting to USD 35,000 had expired on 28/9/17 which is 64 days prior to the completion of the warranty period.

The findings indicate that the Fijian Elections Office did not monitor the validity of the performance bond.

In absence of valid Performance bond, the FEO may not be able to recover any sum for non-performance.

Recommendation

FEO Management should ensure that performance bonds submitted are monitored to ensure it is valid until the expiry of the warranty period.

Management's Comments

The FEO notes the findings of Audit and invites Audit to consider the following:

1. *The performance Bond was for the sum of USD 35,000. The entire EMS software together with the source code had been handed over to the FEO on the 1st of June, 2017. However, on the date the performance bond expired, the FEO was holding payments due to the Supplier in sum of USD 33,000.*
2. *In light of the pending payments, the Performance Bond was significantly less. In terms of the security of the FEO, due to the pending payments, the FEO was in a more stable and secure position in the event there was a need to enforce the Bond.*
3. *The FEO and the Supplier have had good cordial relationship and since the software was already delivered and accepted by the FEO, both parties were in stable positions for support relations if required.*

10.10 Anomalies in procurements for the 2018 General Elections

Variance in Tally cards for Purchase of Polling Kits

There will be comprehensive records kept of all items entering and leaving the warehouse.⁷ No item would be removed without appropriate authorization and records being updated.⁸

⁴ Contract Agreement between FEO and Supplier – Schedule F

⁵ Contract Agreement between FEO and Supplier – Section 28.3

⁶ Contract Agreement between FEO and Supplier - Definitions

⁷ Fijian Elections Office – Warehouse and Inventory Policy – Section 11.5.1

⁸ Fijian Elections Office – Warehouse and Inventory Policy – Section 11.5.2

On 31 July 2017, FEO purchased 3,000 Polling Kits to be used in the 2018 General Elections at a total cost of \$1,431,965.08 (VIP) via EFT 143 from the Supplier. Each Polling Kit included 62 items that will be required during the elections such as stationery and other accessories. The polling kits are kept at the FEO warehouse.

We visited the FEO Warehouse on 08 March 2018 and noted the following:

- (i) Tally cards were maintained for all items in the Warehouse. However, tally cards for Polling Kits were not updated. All movement in inventory was recorded in an inward/outward register prior to it being entered in the tally cards. However there was no reconciliation between the inward/outward register and the tally cards.
- (ii) A variance of 167 kits existed between the tally card balance of 1,800 kits and the stock take as per stock take carried out during audit of 1,633 kits. Refer to Table 10.3 for details of variance.

Table 10.3: Details of Variance between Tally Cards and Actual Stock

Item	Balance as per Tally Card	Balance as per stock take by audit on 8/3/18	Variance
Polling Kit	1,800	1,633	167

Discussions with the Director Corporate Services revealed that the Polling Kits were distributed for training purposes and were not recorded on the tally card.

- (iii) The Quality Assurance Team for 2018 General Elections identified that some Polling Kits did not have all items which were delivered on 28 July 2017 and some had surplus items. As of the date of audit on 8 March 2018, the Supplier was yet to provide the incomplete items in the kits which is 223 days after delivery.

Our findings indicate that the items were not properly inspected upon delivery.

In the absence of timely reconciliation and inspection of items, FEO will not be in a position to determine the correct number of items received and kept in the Warehouse.

Recommendations

FEO Management should ensure that:

- reconciliations are carried out between the tally cards and the physical stock count and rectify any variances arising; and
- items received are inspected upon delivery.

Management's Comments

Management has noted your comments. Stock card may not have been updated at the time stock-take was conducted by the auditors however, there was a stock-take conducted with Logistics Coordinator for handover of stock to Operations Directorate. During this handover it was confirmed that there were no missing Kits.

As for the items missing in the Polling Kits, we wish to confirm that the Supplier had later supplied all the missing/outstanding items.

Insufficient Supporting Documents for delivery of Election Items

The proper management of expenditure is fundamental in ensuring value-for-money in delivering services to the nation for the grants allocated by the government and donor agencies. Having cost-effective internal controls within the purchasing and payments system plays an important role in ensuring that misuse of funds, over-expenditure and corruption does not occur.⁹

The Accountant and Financial Controller must not certify a payment as correct unless he/she is satisfied that it is in accordance with the PO, contract, invoice or other documentation and authorization; and there is written evidence that goods, services or works have been received or completed to FEO's satisfaction.¹⁰

On 27 July 2017, FEO purchased 20 Samsung Tab S3 9.7 Inch Screen Tablets costing \$1,529.10 (VIP) each and 150 Samsung J5 Prime Mobile Phones costing \$280 (VIP) each from the Supplier via EFT number 141. As per delivery dockets, the items were received on the same day by the Team Leader, ICT.

During the physical verification of items on 7 March 2018, we noted that only five out of the 20 Samsung Tab S3 9.7 Inch Screen Tablets and 60 out of the 150 Samsung J5 Prime Mobile Phones were received by the Office. Refer to Table 10.4 for details.

Table 10.4: Details of Items Not Received as at 28/9/18

Item	Unit Cost (\$)	Total Cost (\$)	Quantity Ordered	Quantity Resceived	Quantity yet to be received
Samsung Tab S3 9.7 Inch Screen Tablets	1,529.10	30,582	20	5	15
Samsung J5 Prime Mobile Phones	280.00	42,000	150	60	90
Total Cost		72,582			

We were not provided with any documentary evidence explaining that 15 Samsung Tab S3 9.7 Inch Screen Tablets and 90 Samsung J5 Prime Mobile Phones were yet to be received from the Supplier. Our subsequent visit to FEO on 28 September 2018 revealed that the items were still not delivered.

Our discussions with the Director Corporate Services during the audit revealed that advance payment was made for items not delivered. However, there was absence of written documentation to show that advance payment has been made and when the items will be delivered.

In the absence of proper documentary evidence there is a lack of audit trail for goods that are yet to be received from the Supplier.

Recommendation

FEO Management should ensure that goods ordered are received on a timely basis before payment is made.

⁹ FEO Finance Manual Section 2.1.1

¹⁰ FEO Finance Manual Section 2.6.4

Management's Comments

Management has noted your comments. Items were procured in advance due to special price on the phones costing \$280 compared to \$415 from another vendor. These phones were bought for hub and field officers who are going to start work just before elections. There were several reasons why the phones and tablets were kept at Vodafone. Listed below are the reasons:

1. Warranty would have applied from the time of delivery.
2. Mobile phones were purchased in bulk to benefit the FEO in terms of cost saving. It was better to have the phones stored with Vodafone and have them delivered to us as the staff were appointed rather than have the full quantity stored with us.
3. If mobile phones were received immediately, their warranties would expire and in some cases, the warranty would have expired before first use.
4. The FEO has a calendar for appointment to staff and resources for these staff are allocated after their appointment. The option taken by FEO is by far better practical options rather than the old direct supply and delivery system.

We have noted comments by audit and in respect of future purchase we will ensure that proper contracts are done to safeguard the interest of FEO.

10.11 Underpayment of FNU Levy

The levy shall be equal to one per cent of the total of the gross wages paid by the employers in the period prior to the date of such assessment in respect of all employees on whom this levy is imposed.¹¹ Any sum due and unpaid on the date shall bear interest from that date at the rate of one per cent per month or part of a month until payment.¹²

The Office was required to pay 1% of Gross Salary amounting to \$3,309,527 amounting to \$33,095 as FNU Levy to the Fiji National University. Review of the payments made for the FNU levy revealed that there was a variance of \$23,162 between the audit calculation of \$33,095 and the amount paid by the Office amounting to \$9,933. Refer to Table 10.5 for details.

Table 10.5: Details of Variance between FNU Levy Payable and FNU Levy Paid

FNU Levy Calculation	Amount (\$)
Total Gross Salary and Wages	3,309,527
FNU levy at 1%	0.01
Total as per Audit Calculation	33,095
Total as per Trial Balance	9,933
Variance	23,162

The above could be attributable to non-performance of appropriate reconciliation for FNU levy.

Based on the above findings, it is evident that FEO did not comply with the statutory requirements relating to FNU Levy hence increasing the risk of possible penalties on the amount short-paid.

¹¹ Section 4, Fiji National University Amendment Decree No. 58 of 2010

¹² Section 6, Fiji National University Amendment Decree No. 58 of 2010

Recommendations

FEO Management should ensure that:

- **monthly reconciliations for FNU Levy are prepared and reviewed; and**
- **timely payments are made for FNU Levy.**

Management's Comments

FEO agrees to the audit comment that there was underpayment of FNU Levy. FEO was not aware that FNU levy applies to all employees and not only for long term staff. This was clarified with FNU after audit was conducted and FEO managed to clear the payment for short term staff in the next financial year.

10.12 Absence of Risk Management Policy and Risk Register

It is imperative that an entity must establish and maintain an entity specific risk management policy that outlines the following at least:

- defines the entity's approach to the management of risk and how this approach supports its strategic plans and objectives;
- defines the entity's risk appetite and risk tolerance;
- contains an outline of key accountabilities and responsibilities for managing and implementing the entity's risk management framework; and
- is endorsed by the entity's accountable authority.

It was noted that the Office does not have a Risk Management Policy.

In the absence of a Risk Management Policy there is a risk that the Office will not be carrying out its risk assessment and formulating strategies to address the risks that may exist in the Office. Consequently, when the risks are not identified and addressed early this may cause severe business disruption.

Recommendation

FEO Management should consider developing and implementing a Risk Management Policy

Management's Comments

The FEO notes the comments by audit. The FEO has only been operational for the last 4 years and has been continuously building and developing its organizational policies and processes. In some areas, the FEO has had to wait for the establishment or creation of the base processes first before devising more comprehensive overlying frameworks.

Risk Management, aversion and handing policy has been a policy that has been work in progress for the FEO. Being an EMB, the FEO has had to consider additional matters that form the prime basis for consideration and remedial action such as polling operations, decentralization plan etc.

10.13 Significant Error in the Financial Statements Submitted for audit

The Financial Controller shall be responsible for the accuracy of the books of account and financial operations of the Finance Department.¹³

Significant errors were noted during our audit of the VAT. Refer to Table 10.6 for details.

Table 10.6: Details of Items Yet To Be Received

Account	Issues Noted
VAT	VAT amounting to \$562,164 is wrongly classified as an Administrative expense in the Statement of Comprehensive Income and Retained Earnings.

Our findings indicate that the financial statements were not properly reviewed by the Financial Controller before it was submitted for audit.

Recommendation

FEO Management should ensure discrepancies identified are rectified before finalisation of the audit.

Management's Comments

The VAT is reported in the Financial Statement as Expenses in the Statement of Comprehensive Income. This was recorded as Expenses in line to the budget setup and the funds that was released to FEO. All the expenses which related to VAT was posted in GL 43502. The audit verified that the VAT is component of Balance Sheet and it should not be classified as Expenses.

This issue was discussed with FRCS along with the consultancy advice. It was concluded by FRCS that FEO neither qualified for refund and payable for that particular period and the VAT account was zeroed as at 31st July 2017.

We have to classify vat as part of the administrative expenses as excluding this would understate the expenditure and reclassification to respective GL could not be done as there were around 4000 entries for the year.

10.14 Proper reviews and control over Posting of Journal Vouchers not done

Journal vouchers are used to correct accounting errors and make other required transfers between accounts. Journal vouchers must be appropriately approved and then posted into the appropriate ledger.

Our audit noted several instances where the journal vouchers were posted in the Navision Software without the approval of the Financial Controller. The journals were related to the year-end account adjustments. Refer to Table 10.7 for examples.

Table 10.7: Examples of Journal Vouchers not approved

Posting Date	Journal Voucher Number	Amount (\$)	Prepared and Posted By	Approved By
31/7/17	GJ010318	781,204.29	Accountant	Not Approved

¹³ Fijian Elections Office Finance Policy section 10.1.1

Posting Date	Journal Voucher Number	Amount (\$)	Prepared and Posted By	Approved By
31/7/17	GJ010126	191,795.00	Accountant	Not Approved
31/7/17	GJ010282	21,175.39	Accountant	Not Approved
31/7/17	GJ010377	3,078.79	Accountant	Not Approved
31/7/17	GJ009528	16,730.18	Accounts Officer	Not Approved
31/7/17	Not Numbered	2,198.10	Accounts Officer	Not Approved
31/7/17	GJ009860	3,508,815.00	Accountant	Not Approved
Total (Sample Only)		4,524,996.75		

Our findings indicate poor oversight and review functions in the Finance Department. Hence there is a high risk of incorrect journal entries processed and posted in the general ledger.

Recommendations

FEO Management should ensure that:

- **Supervisory role in the Finance Department needs to be strengthened and this needs to be reviewed by the Internal Auditor; and**
- **Accounting officers need to be informed that journals will only be posted in the ledger once it is approved.**

Management Comments

FEO has agreed with Audit that all journal vouchers should be checked and approved by the supervisors.

10.15 Governance Issues

The Internal Auditor shall submit to the SOE an internal control report. The review should be done annually on a timeframe approved by the SOE.¹⁴ The report shall provide the following information:

- whether all reconciliations are up to date;
- whether financial information are submitted on time.¹⁵

All bank statements shall be reviewed and bank reconciliation performed on a monthly basis by Finance Officer Reconciliation. Bank reconciliations must be completed no later than ten (10) working days.¹⁶

As of the date of audit on 5 March 2018, the following monthly reconciliations were yet to be prepared and reviewed:

- Bank Reconciliations for the Operating Account
- Wages Reconciliation
- VAT Reconciliation

Furthermore the Office prepared a yearly reconciliation for the Trust Fund Accounts instead of monthly reconciliations.

¹⁴ FEO Finance Manual Section 8.3.3

¹⁵ FEO Finance Manual Section 8.3.4

¹⁶ FEO Finance Manual Section 4.7.1

In the absence of appropriate supervision and proper reconciliations, the Office may not be able to detect errors, omissions or possible fraud and misappropriation on a timely basis.

Recommendation

FEO Management should ensure that monthly reconciliations are properly carried out on a timely basis.

Management Comments

Management has noted your comments. However, we confirm that reconciliations were completed for the Bank. Wages were reconciled every week before payments were signed and dispatch to bank to ensure that employees are correctly paid. In this financial system, vat was directly posted to expense account which monthly vat returns were prepared and forwarded to Fiji Revenue and Customs Authority.

The FEO will ensure that monthly reconciliations are prepared and signed off by the supervisors.

10.16 Anomalies in Recording of Cash

The Office maintains a Trust Account for receipt of refundable deposits and donor funds. Receipts are issued for all amounts received for refundable deposits. It is imperative that the receipts are posted in the accounting system through receipt numbers as it is the first audit trail.

We noted the following anomalies from our review of cash:

- (i) Cash received were posted in the Navision system via general journal instead of receipt numbers. We further noted that the journals were neither raised nor approved for posting in the Navision System. Refer to Table 10.8 for details.

Table 10.8: Examples of Receipts posted through Journals

General Reference	Amount (\$)	General Reference	Amount (\$)	General Reference	Amount (\$)
GJ005571	500	GJ006741	500	GJ006749	500
GJ006734	500	GJ006742	500	GJ006750	500
GJ006735	500	GJ006743	500	GJ006751	500
GJ006736	500	GJ006744	500	GJ006752	500
GJ006737	500	GJ006745	500	GJ006753	500
GJ006738	500	GJ006746	500	GJ006754	500
GJ006739	500	GJ006747	500	GJ006755	500
GJ006740	500	GJ006748	500	GJ006756	500
				GJ006757	500
Total (Sample Only)	4,000		4,000		4,500

- (ii) Furthermore, monthly bank reconciliations for the trust account were not prepared. Instead a yearly reconciliation was performed.

The above anomalies indicate generally lack of appropriate financial reviews over accounting functions.

Use of journals which are not reviewed can result in incorrect accounting entries in the general ledger while absence of monthly reconciliation, potential errors, omissions or act of fraudulent activities will not be detected in a timely manner.

Recommendations

FEO Management should ensure that:

- **Monthly trust fund account reconciliations are prepared and reviewed;**
- **cash received is posted using receipts into the Navision System;**
- **journals are prepared and approved prior to these being posted in the Navision System; and**
- **Review function is strengthened in the accounting function.**

Management's Comments

FEO agrees with the comments highlighted by audit on below items:

- *FEO has taken up the recommendation to post the receipt number in the system so that any anomalies can be identified.*
- *FEO has taken up recommendation that monthly reconciliation should be performed, reviewed and approved by respective staff.*
- *All journals will be verified and approved before it is posted in the system.*

These controls are now in place to strengthen the processes in Finance.

Section 11**Judiciary****Roles and Responsibilities**

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

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PART A: FINANCIAL STATEMENTS

11.1 Audit Opinion

The audit of the 2017 accounts of the Judicial Department resulted in a qualified audit report. The qualifications are as follows:

- The Department's reconciliations for Suitors, Sundries and Maintenance Trust Fund accounts were only prepared up to January 2015, January 2000 and December 1994, respectively as at 31 July 2017. Due to significant lapse in the years of reconciliation balance, I was unable to satisfy myself on the accuracy of the closing balance of \$31,623,770 disclosed in the Judicial Trust Fund Account Statement of Receipts and Payments for the year ended 31 July 2017.
- Included in the Suitors Trust Fund Accounts are funds received on behalf of deceased persons who do not have nominees at Fiji National Provident Fund as required under section 57 of FNPF Act 2011. The Department does not maintain detailed breakdown listing of these funds received from FNPF, funds paid out to beneficiaries, and balance of fund to be refunded to FNPF where no application has been made to claim the funds from High Court. Hence, I was unable to establish the quantum of the amount to be refunded to the Fiji National Provident Fund.

11.2 Statement of Receipts and Expenditure

The Department collected revenue totalling \$5,007,515 and incurred a total expenditure of \$29,362,285 for the year ended 31 July 2017. Details are provided in Table 11.1.

Table 11.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	4,496,946	2,513,075
Agency Revenue	510,569	193,093
Total Revenue	5,007,515	2,706,168
Established Staff	19,965,063	11,764,622
Government Wage Earners	1,222,471	679,488
Travel & Communications	1,912,631	1,130,737
Maintenance & Operations	988,476	508,421
Purchase of Goods & Services	1,485,422	442,198
Special Expenditures	1,209,134	426,320
Total Operating Expenditure	26,783,197	14,951,786
Capital Construction	1,628,228	645,931
Capital Purchase	478,946	99,913
Total Capital Expenditure	2,107,174	745,844
Value Added Tax	471,914	185,255
Total Expenditure	29,362,285	15,882,885

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

For Maintenance and Operations, there was an increase in power supply expenditure in 2017 which was attributed to increase in use of electrical equipment. There was also an increase in the purchase of stationery and toner due to increase in volume of court cases administered.

Purchase of Goods and Services expenditure increased by \$1,043,224 in 2017 compared to 2016, which was mainly due to the purchase of the revised version of the Laws of Fiji.

For Special Expenditure, Employment Relations Tribunal was the new inclusion in the 2017 budget, thus the increase. Also, increases were noted in the operational cost of the Fine Enforcement Unit, Legal Practitioners Unit and the Fiji Mediation Centre.

Increase in Capital Construction was due to the refurbishment of existing court complex around Fiji and the old parliament complex in Veiutu.

11.3 Appropriation Statement

The Department incurred expenditure totalling \$29.3 million in 2017 against a revised budget of \$40.2 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$10.9 million or 27%.

Savings in the Established Staff allocation was mainly attributed to vacancies which were yet to be filled.

The savings noted in the Special Expenditure was mainly due to reduction in vessel hire cost in facilitating island court sittings, reduction in Arbitration Court and Fine Enforcement Unit related costs.

For Capital Construction, some of the Capital projects for the Department were not implemented because of adverse weather conditions while some projects were in the initial stage of consultations and tendering process which resulted in savings of \$4,621,772.

Details of expenditure against the revised budget are provided in Table 11.2.

Table 11.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	25,383,527	(1,397,700)	23,985,827	19,965,063	4,020,764
2	Government Wage Earners	1,057,495	215,000	1,272,495	1,222,471	50,024
3	Travel & Communication	1,688,098	478,500	2,166,598	1,912,631	253,967
4	Maintenance & Operations	941,000	150,000	1,091,000	988,476	102,524
5	Purchase of Goods & Services	981,600	610,980	1,592,580	1,485,422	107,158
6	Operating Grants & Transfers	3,000	-	3,000	-	3,000
7	Special expenditure	2,579,461	(337,780)	2,241,681	1,209,134	1,032,547

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Total Operating Expenditure	32,634,181	(281,000)	32,353,181	26,783,197	5,569,984
8	Capital Construction	6,250,000	-	6,250,000	1,628,228	4,621,772
9	Capital Purchase	200,000	281,000	481,000	478,946	2,054
	Total Capital Expenditure	6,450,000	281,000	6,731,000	2,107,174	4,623,826
13	Value Added Tax	1,137,600	-	1,137,600	471,914	665,686
	TOTAL	40,221,781	-	40,221,781	29,362,285	10,859,496

The Department collected revenue totalling \$5,007,515 in 2017, an increase of 85% from the previous year.

11.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Judicial Department operates and maintains 3 main trust fund bank accounts which include the Judicial Trust Fund Account, the Judiciary Trust Fund Account and the Legal Practitioners Unit Fund Account.

The Trust Fund Account Statement of Receipts and Payments is now presented separately in the current year for transparency purposes and to correctly reflect the trust monies received and paid out of the three separate bank accounts maintained for the various trust funds being administered by the Department. In comparison to the prior year, a consolidated statement was presented for the three trust accounts. This is noted as an improvement in disclosure by the Department in the 2017 financial statements.

11.4.1 Judicial Trust Fund Account

The Judicial Trust Account consisted of four trust fund accounts namely; Suitors Trust, Maintenance Trust, Sundries Trust and Deposit Retention for project funds.

- (i) The Suitor's Trust comprise of monies received from FNPF on behalf of deceased who did not have nominees for their FNPF accounts. According to current procedures, the High Court makes a determination on the distribution of the deceased FNPF member's account balance among the family members.
- (ii) The Maintenance Trust comprise of monies received from maintenance payments by defendants to their spouses based on the judgements passed by the Family Law Court.
- (iii) The Sundries Trust comprise of monies received from civil and criminal cases based on Court judgements. These include compensations, LTA fines, cash bail, court fees, bailiff fees and small claims.
- (iv) The Deposit Retention for projects comprises of funds retained for projects that are being carried out by the contractors and are paid back to them after the defects liability period. It is usually 10% of the gross cost of the project. The funds are kept in this account because some projects defects liability period lapses in the following financial year.

Table 11.3: Judicial Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Suitors Fund	16,493,671	6,452,122
Maintenance Fund	4,385,693	2,216,257
Sundries	4,266,256	1,771,676
Deposit Retention for Project Funds	58,029	---
Total Receipts	25,203,649	10,440,055
Payments		
Suitors Fund	11,012,496	6,356,592
Maintenance Fund	3,702,031	2,182,229
Sundries	3,665,638	1,468,044
Retention paid for Project Funds	18,126	---
Total Payments	18,398,291	10,006,865
Net Surplus	6,805,358	433,190
Opening balance as at 1 August	24,818,412	24,385,222
Closing Balance as at 31 July	31,623,770	24,818,412

11.4.2 Judiciary Trust Fund Account

The Trust Fund comprise of funds received from an audit firm for interest received from the Law Society Account to meet the costs and expenses for improving court premises, purchase of equipment for various courts in all the divisions including acquisition of equipment for the Judiciary, implementation of electronic recording of court proceedings and on the discretion of the Chief Justice.

Table 11.4: Judiciary Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Judiciary Trust Fund Account	1,189,335	199,907
Total Receipts	1,189,335	199,907
Payments		
Judiciary Trust Fund Account	1,007,226	261,076
Total Payments	1,007,226	261,076
Net Surplus/(Deficit)	182,109	(61,169)
Opening balance as at 1 August	401,462	462,631
Closing Balance as at 31 July	583,571	401,462

11.4.3 Legal Practitioners Unit Fund Account

The Trust Fund comprise of funds received from an audit firm for interest received from the Law Society Account to meet the costs and expenses of the Legal Practitioners Unit in the Office of the Chief Registrar in the performance of the functions and duties of the Chief Registrar under the Legal Practitioners Act 2009 and other expenses on the discretion of the Chief Registrar.

Table 11.5 Legal Practitioners Unit Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Legal Practitioners Unit Fund	259,717	157,935
Total Receipts	259,717	157,935
Payments		
Legal Practitioners Unit Fund	33,681	48,089
Total Payments	33,681	48,089
Net Surplus	226,036	109,846
Opening balance as at 1 August	545,865	436,019
Closing Balance as at 31 July	771,901	545,865

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

11.5 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 management of the agencies 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 agencies to determine whether internal controls are present and functioning. 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 Department as:

Rating	Internal control assessment
✖ Ineffective	Significant deficiencies identified in internal controls

11.6 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 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 by 31 July 2017 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

11.7 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 Department was:

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


11.8 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
 Generally effective	Acceptable draft financial statements received before or on 16 October 2017

11.9 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 as:

Rating	Timeliness of Management Comments Received
 Generally effective	Within 21 days from issue of Draft Management Letter

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

PART C: OTHER SIGNIFICANT MATTERS

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 Department 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 Department. These have been included in this report as they impacted on the overall system of control of the Department as at 31 July 2017.

11.10 Judicial Trust Fund Account Bank Reconciliation Variance

Each month the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.¹

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.²

The Department maintains Judicial Trust Fund Account which consists of four trust fund accounts: Suitor's Trust, Maintenance Trust, Sundries Trust and Deposit Retention for Projects Trust accounts.

As at 31 July 2017, the General Ledger for respective trust fund account had the following balances:

Table 11.6: Details of the Judicial Trust Fund Account

Description	Description of Trust Account	General Ledger Balance as at 31/07/17 (\$)
Suitors Trust	Trust account comprises monies pending from Suva, Lautoka and Labasa High Court cases on; FNPF, Public Trustee and Civil and Criminal cases.	24,286,148.18
Maintenance Trust	Trust account comprises monies from maintenance payments by defendants to their spouses based on the judgments passed by the Family Law Court.	2,215,160.21
Sundries Trust	Trust account comprises monies from pending Civil and Criminal cases awaiting Court judgments.	5,082,559.62

¹ Finance Instructions 2010, Section 58 (3)

² Finance Instructions 2010 – Section 58 (2& 3)

Description	Description of Trust Account	General Ledger Balance as at 31/07/17 (\$)
Deposit Retention for Projects Trust	Trust account comprises funds retained for projects that are being carried out by the contractors and are paid back to them after the defects liability period.	39,902.04
TOTAL		31,623,770.05

We noted that the Department had prepared monthly bank reconciliations as at 31 July 2017 for the above accounts. Our review of the bank reconciliations revealed the following anomalies:

- There is a balance of \$734,667 that is appearing in the Judicial Trust account bank reconciliation as “Adjustment by Ministry of Economy in December 2013”. This amount has been appearing in the Judicial Trust reconciliation since 2013.

We were not provided confirmation that the physical cash amounting to \$734,667 has been transferred by Ministry of Economy. It was noted that the Department has raised the matter with the Ministry of Economy on numerous occasions but the issue still is yet to be resolved. As a result, the cash at bank general ledger is overstated by the same amount as there is no actual cash held against this balance.

- Included in the trust fund account reconciliation as at 31 July 2017 is a reconciling balance of \$49,774 for which relevant details were not provided by the Department.
- Moreover, while monthly bank reconciliations are being carried out by the Department to reconcile the receipts and payments made out of the bank account, it was noted that the trust liability reconciliations for the Suitors, Sundries and Maintenance Trust Fund accounts were only prepared up to January 2015, January 2000 and December 1994, respectively. As a result, we could not obtain the detailed breakdown listing of those beneficiaries and ascertain their respective balances being held by Department as trust as at 31 July 2017.
- A variance of \$12,786 was also noted between the Trust Fund Account balance (SLG 89) and the Cash at bank balance (SAG 52) in the FMIS general ledger as at 31 July 2017. Refer to Table 11.7 for details.

Table 11.7: Variance in FMIS Trust Fund Account and FMIS Cash at Bank Balance

Description	Amount (\$)
FMIS Cash at Bank Balance	31,596,654.31*
FMIS Trust Fund Account Balance	31,583,868.01
Variance	12,786.30

*excludes project retention balance \$39,902.04

In the absence of monthly reconciliations, we were not able to ascertain the correctness of the balance reflected in the Judicial Trust Fund accounts and if not addressed, there is a high risk of fraudulent payments being made as the detailed current listing of the beneficiaries and their respective balances as at year end are not available.

Recommendations

The Department should;

- **liaise with the Ministry of Economy to rectify the variances noted above;**
- **consider establishing a reconciliation team immediately to undertake the exercise of updating the backlog in the trust account detailed reconciliations; and**
- **ensure that trust fund account bank statement balance, trust fund cash at bank balance in FMIS general ledger and trust fund account balance in FMIS general ledger is reconciled on a monthly basis and any errors or omissions are investigated and resolved.**

Department's Comments

Comments of the Auditors have been noted

- *Department is liaising with MOE to provide the funds amounting to \$734,667*
- *We are also working with MOE to rectify the variance of \$12,786.30 which has occurred due to inter-funding*
- *As for \$49,774 we are going through our records from 2009 again to verify what this balance is made up of and will then action accordingly.*

Department is in the process of recruiting seven (7) TRCO'S on Project to assist in the reconciliation process. These staff will start work from 5 pm – 10 pm on Mondays to Fridays and from 8 am to 1 pm on Saturdays.

Due to shortage of office space we are unable to recruit staff on full time basis.

Current staffs have started the reconciliations from January 2016 and any errors found are adjusted as they go along.

Since the reconciliations are quite behind and with the limited resources, we are trying our best to bring the reconciliations up-to-date in time to come.

11.11 Presentation of Judicial Trust Fund Account

Trust money is to be accounted for separately from public money and other money within the meaning of this Act. Trust money is to be kept in a separate bank account pending its withdrawal and accounted for separately from “public money” and “other money”.

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.³

We noted that the Department maintains Judicial Trust Fund Account which consists of four trust fund accounts: Suitor's Trust, Maintenance Trust, Sundries Trust and Deposit Retention for Projects accounts. All funds related to the above trusts are deposited in one bank account and a consolidated statement of trust receipts and payments is prepared by the Department in its Agency Financial Statements.

As at 31 July 2017, the General Ledger for respective trust fund account had the following balances:

³Finance Instructions 2010 – Section 58 (2& 3)
Judiciary

Table 11.8: Details of the Judicial Trust Fund Account

Description	Description of Trust Account	General Ledger Balance as at 31/07/17 (\$)
Suitors Trust	Trust account comprises monies pending from Suva, Lautoka and Labasa High Court cases on; FNPF, Public Trustee and Civil and Criminal cases.	24,286,148.18
Maintenance Trust	Trust account comprises monies from maintenance payments by defendants to their spouses based on the judgments passed by the Family Law Court.	2,215,160.21
Sundries Trust	Trust account comprises monies from pending Civil and Criminal cases awaiting Court judgments.	5,082,559.62
Deposit Retention for Projects Trust	Trust account comprises funds retained for projects that are being carried out by the contractors and are paid back to them after the defects liability period.	39,902.04
TOTAL		31,623,770.05

Currently, separate statements are not presented for each trust type with the receipts and payments to be classified by the nature of receipt and expenditure. However, the current presentation in the Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one line item on the Statement even though the nature of the trust receipt and payment may vary.

In addition, the retention money is kept in the Judicial Trust Fund bank account for following three capital projects amounting to \$39,902.04. Refer to Table 11.9 below for details;

Table 11.9: Details of Retention Monies in Judicial trust bank account

Project	Retention Balance (\$)
Refurbishment and alteration to the existing Taveuni Court house	18,126.53
Refurbishment works at Fiji Mediation Centre (Tabatolu House)	12,795.51
Refurbishment and alteration to the existing Levuka Court house	8,980.00
Total	39,902.04

With the various trust funds being deposited into one bank account, there is a high risk of funds for a particular trust being utilised for the other trust funds especially when there is backlog in the reconciliation for each of the trust types.

With the current presentation, the trust fund accounts disclosures are deemed inadequate and does not provide adequate useful information to the users of the financial statements.

Recommendation

The Department should work towards maintaining separate bank accounts for all new trust accounts created and submit separate statements accordingly.

Department's Comments

Comments of the Auditors are noted.

However, once all reconciliations are updated then we would know actually how much is for each different account and then consideration can be given to open separate bank accounts. Currently all monies are received on Court Orders thus deposited in one Account. Also awareness will have to be conducted to all registries as they collect the monies.

11.12 Significant Arrears of Revenue

The credit officer must promptly follow up accounts that fall due. If the recovery is unsuccessful after one month, the following actions shall be taken:

- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than a month; and
- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.⁴

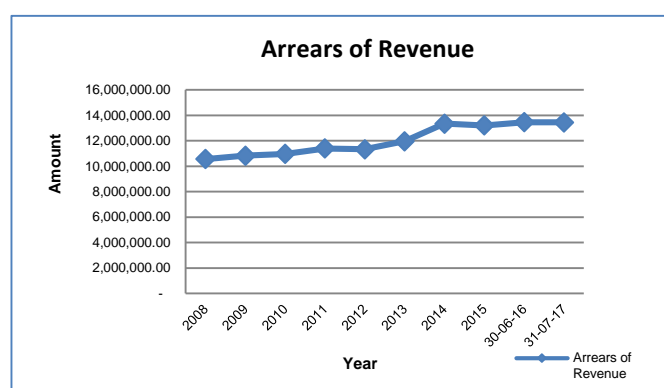
If a final notice had been issued to one of the debtors listed, the Principal Accounts Officer may approve the case to be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implication and the probability of recovery.⁵

The arrears of revenue comprises of arrears arising from court fees, fines and costs awarded to the state.

A slight decrease of \$10,464 in arrears of revenue was noted in 2017 when compared to 2016. Refer to Table 11.10 for details.

Table 11.10: Arrears of Revenue over Nine Financial Years

Year	Balance (\$)	Change (\$)	Percentage Change (%)
2008	10,574,640		
2009	10,828,342	253,702	2
2010	10,970,177	141,835	1
2011	11,397,061	426,884	4
2012	11,341,730	(55,331)	0
2013	11,968,031	626,301	6
2014	13,345,569	1,377,538	12
2015	13,215,858	(129,711)	1
31/07/16	13,461,155	245,297	2
31/07/17	13,450,691	(10,464)	0



Moreover, the arrears of revenue owed to the Department between 1-2 years and more than 5 years had also decreased by \$21,739(2%) and \$316,985(3%), while the arrears of revenue between 2-5 years had increased by 44%.

⁴ Judicial Department Finance Manual 2013, Section 9.2.1

⁵ Judicial Department Finance Manual 2013, Section 9.2.4

Refer to Table 11.11 for Aging of Debtors.

Table 11.11: Aging of Debtors

Year	31/07/17 (\$)	31/07/16 (\$)	Change (\$)	Percentage Change (%)
Less than 1 year	1,075,186	1,312,624	(237,438)	(18%)
1 – 2 years	934,580	956,319	(21,739)	(2%)
2 – 5 years	1,856,513	1,290,815	565,698	44%
More than 5 years	9,584,412	9,901,397	(316,985)	(3%)
Total Debtors	13,450,691	13,461,155	(10,464)	0.08%

Our audit noted that the Department has established a Fine Enforcement Unit in prior years to manage the arrears of revenue. However, the arrears of revenue for the Department remains substantial and indicates that debt recovery procedures employed can be further improved.

Further delay in collecting the outstanding revenue increases the risk of revenue not likely to be collected which may require write-offs resulting in loss of revenue for government.

Recommendations

The Department should:

- **work closely with Fine Enforcement Unit in an effort to recover the arrears of revenue from the defaulters; and**
- **consult all relevant stakeholders and outline the roadmap on ways to recover the arrears of revenue from the defaulters in a more cost-effective manner.**

Department's Comments

The Department is working with the Police Department to increase the Number of execution runs such as having a full time transport allocated by the Police to do day time executions during the week whilst the department provides the transport for the evening executions. On Fridays, the Police Department provides two vehicles to do day time executions to decrease the outstanding arrears of revenue. In addition, the department is collecting the arrears of revenue information with the intention of carrying out an analysis to make a submission for Write off of arrears of Revenue which are over 5 years and which may not be recoverable.

11.13 Increasing VAT liability account

When receipting revenue, the VAT portion should be credited to the new liability account (863201) and the balance to the revenue code. At the end of the month, when making VAT return payment to FRCS, the VAT portion should be debited to the same liability account whilst VAT on expenditure will continue to be met from agencies budgetary funds (SEG 13).⁶

The Department has been submitting its monthly VAT returns on a monthly basis. However, audit review of the operating trust balances noted the increasing balance of VAT from provision of goods and services.

The balance as at 31 July 2017 amounted to \$37,361.69 which has accumulated over the years. Refer to Table 11.12 below for details.

⁶ Finance Circular no 10/2009 – paragraph 5.0

Table 11.12: Long Outstanding VAT Account

Account	Description	31/07/17 (\$)	31/07/16 (\$)	31/12/15 (\$)	31/12/14 (\$)	31/12/13 (\$)
1-11101-11999-863201	VAT from Provision of Goods & Services	(37,361.69)	(25,777.23)	(26,963.05)	(25,645.90)	(16,138.16)

It was noted that the increase in the balance was due to the non-recognition of VAT receivable in the FMIS GL by the Department for those months in which a receivable is recorded from the VAT returns.

Recommendation

The Department should liaise with the Ministry of Economy and rectify the VAT accounting issues and appropriate action is taken to correct the general ledger.

Department's Comments

Comments of the Audit are noted. Necessary adjustments will be made in due course.

Section 12

Parliament Office

Roles and Responsibilities

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

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

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PART A: FINANCIAL STATEMENTS

12.1 Audit Opinion

The audit of the 2017 accounts of the Parliament Office resulted in an unqualified audit opinion.

12.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$11,674 and incurred a total expenditure of \$10.8 million for the year ended 31 July 2017. Details are provided in Table 12.1.

Table 12.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State revenue	11,523	17,129
Agency revenue	151	1,390
Total Revenue	11,674	18,519
Established staff	4,523,347	2,608,147
Government wage earners	387,200	196,070
Travel and communications	2,068,416	724,319
Maintenance & operations	686,670	414,333
Purchase of goods and services	545,203	616,446
Operating grants and transfers	437,500	750,000
Special expenditures	1,485,628	72,800
Total Operating Expenditure	10,133,964	5,382,115
Capital Purchase	261,651	---
Total Capital Expenditure	261,651	---
Value Added Tax	440,157	193,838
Total Expenditure	10,835,772	5,575,953

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

Revenue mainly comprised of refunds from accountable advance and recoveries arising from losses and damages.

The increase in expenditure for Travel and Communication resulted from the enactment of the new determination of allowances and benefits for Members of Parliament. This increased local subsistence, accommodation and meals. Increase in overseas travel led to increase overall expenses in this allocation due to increase travel cost, insurance, per diem and roaming charges.

The increase in expenditure for Special Expenditure resulted from the hosting of the 25th Asia Pacific Parliamentary Forum at the Intercontinental Resort and the increase in Members of Parliament sitting allowance from \$80 to \$200.

Funds allocated for Capital Purchase were used for the installation of CCTV cameras and upgrading of cameras in the common room.

12.3 Appropriation Statement

The Office incurred expenditure totalling \$10,835,772 in 2017 against a revised budget of \$10,838,878.

Details of expenditure against the revised budget are provided in Table 12.2.

Table 12.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	---	---	---	---	
2	Unestablished Staff	---	---	---	---	
3	Travel & Communication	---	---	---	---	
4	Maintenance & Operations	---	---	---	---	
5	Purchase of Goods & Services	---	---	---	---	
6	Operating Grants & Transfers	10,838,878	---	10,838,878	10,395,615	443,263
7	Special Expenditure	---	---	---	---	
	Total Operating Exp	10,838,878	---	10,838,878	10,395,615	443,263
9	Capital Constructions	---	---	---	---	
10	Capital Grants and Transfers	---	---	---	---	
	Total Capital Expenditure	---	---	---	---	
13	Value Added Tax	---	---	---	440,157	(440,157)
	TOTAL	10,838,878	---	10,838,878	10,835,772	3,106

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

12.4 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 management of the agencies 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 agencies 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 Office as:

Rating	Internal control assessment
✱ Effective	No deficiencies identified in internal controls

12.5 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 un-presented 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
● Effective	All 10 key processes completed by due date

12.6 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 Office was:

Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required

12.7 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

12.8 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 as:

Rating	Timeliness of Management Comments Received
● Effective	Within 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
● Effective	Within 5 days from issue of Financial Statements for signing

Section 13

Independent Commissions

Roles and Responsibilities

Fiji's independent commissions directly serve the people in specialised areas where objective and non-political judgment is required. These commissions apply the law independently, and are valuable tools for transparent and accountable governance. They share the larger purpose of defending the rights and dignity of individuals and communities consistent with the Fijian Constitution, keeping institutions and the people who serve the public accountable and serving as a constant reminder that Government serves the people.

A sum of **\$16.2 million** is provided to fund the operations of the five Independent Commissions: the Human Rights and Anti-Discrimination Commission, the Accountability and Transparency Commission, the Freedom of Information Commission, Public Service Commission and the Fiji Independent Commission Against Corruption.

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FIJI INDEPENDENT COMMISSION AGAINST CORRUPTION**PART A: FINANCIAL INFORMATION****13.1 Audit Opinion**

The audit of the financial statements of Fiji Independent Commission Against Corruption for the year ended 31 July 2017 resulted in an unqualified audit opinion. The Commission prepares its financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized entities.

13.2 Abridged Statement of Comprehensive Income

Description	2017 (12 months) (\$)	2016 (7 months) (\$)
Government grant	8,215,437	4,301,208
Other income	136,729	3,667
Total Revenue	8,352,166	4,304,875
Administrative Expenses	719,976	412,022
Other Expenses	7,581,863	4,191,242
Total Expenditure	8,301,839	4,603,264
Net Profit/(Loss)	50,327	(298,389)

The financial year end for the Commission was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the year ended 2017 is for a 12-month whereas the financial period for 2016 reflect transactions for a seven-month period, thus the significant variances with the comparative balances are noted.

13.3 Abridged Statement of Financial Position

Description	2017 (12 Months) \$	2016 (7 months) \$
Cash	1,068,206	1,113,928
Receivables	53,119	31,119
Other current assets	263,455	121,807
Property, plant and equipment	1,599,308	1,516,630
Intangible assets	416,108	517,237
Total Assets	3,400,196	3,300,721
Trade and other payables	207,827	211,459
Employee entitlements	334,813	282,033
Total Liabilities	542,640	493,492
Net Assets	2,857,556	2,807,229
Accumulated funds	2,857,556	2,807,229
Total Equity	2,857,556	2,807,229

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

13.4 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 technology 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 management of Commission 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 the commission 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 Commission as:

Ratings	Internal control assessment
 Effective	No deficiencies identified in internal controls

13.5 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 Commission was:

Ratings	Internal control assessment
 Effective	No adjustments were required


13.6 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:

Ratings	Internal control assessment
 Ineffective	Acceptable draft financial statement received after one month from the end of financial year.

13.7 Timeliness of Management Comments and signed 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 as:

Rating	Timeliness of Management Comments Received
 Effective	Management response received within 14 days

Rating	Timeliness of Signed Financial Statements Received
 Effective	Signed accounts was received within 5 days

PART C: OTHER SIGNIFICANT MATTERS

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 Commission 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 Commission. These have been included in this report as they impacted on the overall system of control of the Commission as at 31 July 2017.

13.8 Zero Written Down Values

Factors such as a change in how an asset is used, significant unexpected wear and tear, technological advancement, and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators are present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life as a change in an accounting estimate.

Included in the fixed assets register are assets with zero written down value (WDV) amounting to \$1,051,779 or 21% of total fixed assets, which is still being used in the Commission's operating activities.

When fully depreciated assets are still used, it suggests that management's initial estimate of the useful lives of these assets may not have been correct or had not been revised to take account of revision in the estimated useful life.

Non-revision of the estimated useful life of the assets would result in an overstatement of depreciation expense in prior periods and understatement of the written down value of property, plant and equipment.

In addition to the above, since no depreciation is charged on assets with zero WDV, the expenditure is understated and operating results overstated by the amount of depreciation which would have been charged if the assets were revalued and depreciated.

Recommendation

The Commission should review the estimated useful lives of significant assets that have not yet been fully depreciated and ensure that the estimated useful life remains appropriate. Where the useful life has changed, the remaining book value should be depreciated prospectively over the remaining (revised) useful life.

Commission's Comments

An asset assessment was made by the Commissioner's BOS Committee. None of the Commission's significant assets experienced a significant wear and tear, change in market demand/price or technological change that would indicate that the useful life of an asset has changed. The Commission is not an income generating organization and does not consider it worthwhile to hire an expert to assess useful life of an asset.

The Commission is in process of revising the policy to adopt a cost model for fully depreciated assets and will continue to use it until derecognized on disposal or when no future benefit is expected from its use or disposal.

13.9 Risk Management Framework

It is a good practice to establish a risk management framework to have Commission's management, and Internal Audit, to jointly plan, implement, monitor, and take action on evolving risks affecting the Commission.

Our audit noted that the Commission does not have a risk management framework in place.

In absence of a risk management framework the Commission may find difficulty in managing risks affecting the Commission particularly risk of fraud and misappropriation of assets.

Recommendation

The Commission should work towards developing a risk management framework.

Commission's Comment

The recommendation by OAG is duly noted and the Commission is working on its internal risk management procedure.

PUBLIC SERVICE COMMISSION**PART A: FINANCIAL STATEMENTS****13.10 Audit Opinion**

The audit of the 2017 accounts of the Public Service Commission resulted in an unqualified audit report.

13.11 Statement of Receipts and Expenditure

The Public Service Commission allocation caters for the salaries, allowances and other expenses for contracted Permanent Secretaries in civil service. The Ministry of Civil Service is responsible for the administration of this fund under the budget. The Commission incurred a total expenditure of \$4,983,911 for the year ended 31 July 2017. Details are provided in Table 13.3.

Table 13.3: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
Operating Grants and Transfers – Salaries for Permanent Secretaries	4,983,911	2,193,373
Total Operating Expenditure	4,983,911	2,193,373
Total Expenditure	4,983,911	2,193,373

13.12 Appropriation Statement – Head 13

The Commission incurred expenditure totalling \$4,983,911 in 2017 against a revised budget of \$5,502,530 in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$518,619 or 9%.

Details of expenditure against the revised budget are provided in Table 13.4.

Table 13.4 Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	5,502,530	---	5,502,530	4,983,911	518,619
	Total Operating Expenditure	5,502,530	---	5,502,530	4,983,911	518,619
	Total Expenditure	5,502,530	---	5,502,530	4,983,911	518,619

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The assessment of financial governance for the Public Service Commission was performed together with the assessment of Ministry of Civil Service. The results are included under **section 17** of this report.

Section 14**Office of the Director of Public Prosecutions****Roles and Responsibilities**

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

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

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PART A: FINANCIAL STATEMENTS

14.1 Audit Opinion

The audit of the 2017 accounts of the Office of the Director of Public Prosecutions resulted in an unqualified audit opinion.

14.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$6,556 and incurred a total expenditure of \$5.2 million for the year ended 31 July 2017. Details are provided in Table 14.1.

Table 14.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
Revenue		
State revenue	5,967	8,830
Agency revenue	589	685
Total Revenue	6,556	9,515
Expenditure		
Established staff	2,789,866	1,520,985
Government wage earners	193,972	111,494
Travel and communications	341,940	156,083
Maintenance and operations	392,186	290,283
Purchase of goods and services	1,192,106	604,984
Special expenditures	120,165	---
Total Operating Expenditure	5,030,235	2,683,829
Value Added Tax	182,041	96,545
Total Expenditure	5,212,276	2,780,374

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

Revenue amounting to \$6,556 in 2017 mainly comprised of disclosure fees, refund from travel and accommodation and commission.

Special expenditures increased by \$120,165 in 2017 compared to 2016 due to separate funds provided for Serious Fraud Division, Child Protection Division and General Crimes Division.

14.3 Appropriation Statement

The Office incurred expenditure totalling \$5.2 million in 2017 against a revised budget of \$5.7 million, resulting in a saving of \$572,867 or 10%. The savings was due to items that were budgeted and could not be purchased due to unavailability of stock and payment for Queen Counsels hired from abroad depended on the trial dates set by the court.

Details of expenditure against the revised budget are provided in Table 14.2.

Table 14.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,398,481	(538,019)	2,860,462	2,789,866	70,596
2	Unestablished Staff	188,032	6,688	194,720	193,972	748
3	Travel & Communication	244,930	100,939	345,869	341,940	3,929
4	Maintenance & Operations	337,200	85,569	422,769	392,186	30,583
5	Purchase of Goods & Services	1,315,000	341,823	1,656,823	1,192,106	464,717
7	Special Expenditure	120,000	1,000	121,000	120,165	835
	Total Operating Expenditure	5,603,643	(2,000)	5,601,643	5,030,235	571,408
13	Value Added Tax	181,500	2,000	183,500	182,041	1,459
	TOTAL	5,785,143	---	5,785,143	5,212,276	572,867

14.4 Trust Fund Accounts

As at 31 July 2017, funds amounting to \$265,778 were maintained in trust fund accounts which consisted of funds amounting to \$82,916 for DPP Trust Account and \$182,862 for Forfeited Assets Fund Account.

14.4.1 DPP Trust Account

The purpose of this fund is to administer the trainings normally conducted by the Office. Money received in this account from parties such as Police Force, lawyers and other participants and payments are made for provision of the trainings and bank interest. Payments of \$437 were for refund of prosecution course fees and bank fees. Details are provided in Table 14.3

14.3 Director of Public Prosecutions – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Lawyers' Prosecution Training Fees	1,219	2,700
Interest	49	47
Total Receipts	1,268	2,747
Payments		
Refund of Lawyers' Prosecution Training Fees	300	300
Bank Fees	137	79
Total Payments	437	379
Net Surplus	831	2,368
Opening balance as at 1 August	82,085	79,717
Closing balance as at 31 July	82,916	82,085

14.4.2 Forfeited Assets Fund Account

Proceeds of Crime Act 2004 and Proceeds of Crime Act Amendment No.7/2005, Section 71 (A) established the trust fund account for the purpose of keeping funds received from a person instead

of a forfeited order as per section 16 of the act, proceeds of pecuniary penalty orders and money receive by the state from a foreign country for mutual assistance on criminal matters. The purpose of this fund is to make payments to the person if a forfeiture order is discharged, make payments to foreign countries with approval of the Minister of Economy in the obligation with respect of a registered foreign forfeiture order and registered foreign pecuniary order.

Receipts consist of \$644 for bank interest and payments of \$171,628 were made for purchase of second- hand containers for Fiji Police Force, hand held analyser for Fiji Revenue & Customs Service and bank fees. Details are provided in Table 14.4

14.4 Forfeited Assets – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Proceeds from sale of forfeited assets	---	205,440
Proceeds of the mortgagee sale	---	89,623
Interest	344	110
Error in deposit of prosecution fees	300	---
Total Receipts	644	295,173
Payments		
Purchase of second hand containers	49,327	---
Purchase of hand held analyser	122,000	---
Bank fees	1	---
Transfer to DPP Trust Account for error in deposit	300	---
Total Payment	171,628	---
Net (Deficit)/Surplus	(170,984)	295,173
Opening balance as at 1 August	353,846	58,673
Closing balance as at 31 July	182,862	353,846

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

14.5 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 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 management of the agencies 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 agencies 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 Office as:

Rating	Internal control assessment
✱ Effective	No deficiencies identified in internal controls

14.6 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
Effective	All 10 key processes completed by due date

14.7 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 Office was:

Rating	Quality of draft financial statements assessment
Effective	No adjustments were required

14.8 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
Generally effective	Acceptable draft financial statements received before or on 16 October 2017

14.9 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 as:

Rating	Timeliness of Management Comments Received
Effective	Within 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
Effective	Within 5 days from issue of Financial Statements for signing

Section 15**Ministry of Justice****Roles and Responsibilities**

The Ministry of Justice is responsible for the efficient and effective administration of the legal registries under its portfolio. The Ministry deals specifically with the registration of land titles, births, deaths, marriages, companies, business names, credit unions, money lenders, bankrupt people, wound up companies.

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PART A: FINANCIAL STATEMENTS**15.1 Audit Opinion**

The audit of the 2017 accounts of the Ministry of Justice resulted in a qualified audit opinion.

The qualification was due to the Ministry not maintaining detailed breakdown listings of the companies under provisional liquidations and the individuals under receiverships. Consequently, I was unable to substantiate the completeness of the closing balance of \$587,437 and \$255,603 reflected in the Statement of Receipts and Payments for the Official Receiver Liquidation Trust Fund Account and the Official Receiver Bankruptcy Trust Fund Account, respectively for the period ended 31 July 2017.

15.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$2,385,560 and incurred a total expenditure of \$4,732,335 for the year ended 31 July 2017. Details are provided in Table 15.1.

Table 15.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	2,385,560	1,418,274
Total Revenue	2,385,560	1,418,274
Established Staff	2,305,416	1,189,941
Government Wage Earners	139,050	108,126
Travel & Communications	119,887	82,922
Maintenance & Operations	409,650	307,213
Purchase of Goods & Services	99,668	69,248
Operating Grants & Transfers	11,500	-
Special Expenditure	851,821	216,434
Total Operating Expenditure	3,936,992	1,973,884
Capital Construction	524,039	207,238
Capital Purchases	121,031	36,927
Total Capital Expenditure	645,070	244,165
Value Added Tax	150,273	74,672
Total Expenditure	4,732,335	2,292,721

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

Special Expenditure increased by \$635,387 in 2017 compared to 2016 due to the increase in project staff establishment for the digitisation program from 30 to 60 project staffs as a result of the large volume of documents to be scanned.

Capital Construction costs increased by \$316,801 in 2017 compared to 2016 due to the upgrading and refurbishment of headquarters and decentralisation of Births, Deaths and Marriages services to Nabouwalu, Sigatoka, Navua and Korovou.

15.3 Appropriation Statement

The Ministry incurred expenditure totalling \$4.7 million in 2017 against a revised budget of \$6.6 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$1.9 million or 28%. The savings was mainly attributed to operating expenditure.

The savings under Established Staff allocation was mainly due to vacancies which were yet to be filled at year-end.

The savings under Special Expenditure was mainly attributed to the non-utilisation of consumer tribunal funds allocation due to no cases received during the financial period, less refund of revenue made in contrast to estimation made and savings made under anti-corruption awareness and digitisation program.

Details of expenditure against the revised budget are provided in Table 15.2.

Table 15.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	2,846,213	(18,121)	2,828,092	2,305,416	522,676
2	Government Wage Earners	147,514	8,075	155,589	139,050	16,539
3	Travel & Communication	276,000	---	276,000	119,887	156,113
4	Maintenance & Operations	627,000	(18,034)	608,966	409,650	199,316
5	Purchase of Goods & Services	181,500	8,500	190,000	99,668	90,332
6	Operating Grants & Transfers	11,500	---	11,500	11,500	---
7	Special expenditure	1,440,870	(8,500)	1,432,370	851,821	580,549
	Total Operating Expenditure	5,530,597	(28,080)	5,502,517	3,936,992	1,565,525
8	Capital Construction	600,000	---	600,000	524,039	75,961
9	Capital Purchase	185,000	28,080	213,080	121,031	92,049
	Total Capital Expenditure	785,000	28,080	813,080	645,070	168,010
13	Value Added Tax	297,900	---	297,900	150,273	147,627
	TOTAL	6,613,497	---	6,613,497	4,732,335	1,881,162

The Ministry collected revenue totalling \$2,385,560 in 2017, an increase of 68% from the previous year.

15.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Ministry of Justice operates and maintains two main trust fund bank accounts, which include the Official Receiver Liquidation Trust Fund Account and the Official Receiver Bankruptcy Trust Fund Account.

The Official Receiver administers Liquidation and Bankruptcy Accounts in accordance with the Companies Act 2015 and Bankruptcy Act 1944, respectively.

The creditor files the petition against the debtor by paying a sum of \$150 for individual debtors and \$700 for Companies.

The petitions are then lodged with the Magistrates' Court or High Court which then appoints the Official Receiver as the Official Receiver of a debtor's estate for individuals or as the Provisional Liquidator for a company.

The Official Receiver then would have to take necessary steps as required under the Companies Act 2015 and the Bankruptcy Act 1944 to ensure recoveries are made from the debtors to pay off the creditors.

Money received from the individual debtors is deposited in the Bankruptcy Trust Bank Account for payment to creditors. Money received from Liquidated Companies on the other hand is deposited into the Liquidation Trust Bank Account for payment to creditors.

15.4.1 Official Receiver Liquidation Trust Fund Account**Table 15.3: Official Receiver Liquidation Trust Fund Account – Statement of Receipts and Payments**

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Debt Collected	1,461,819	938,335
Petition	31,416	9,800
Search Fees	6,233	1,436
Proof of Debt	2,004	500
Total Receipts	1,501,472	950,071
Payments		
Debt Payment	993,143	247,506
Company Operational Expenditure	520,542	730,231
Debtor Refund	7,953	---
Petition Refund	3,788	---
Valuation Costs	3,850	---
Publication Costs	1,456	1,197
Bank Fees & Charges	551	1,397
Total Payments	1,531,283	980,331
Net Surplus	(29,811)	(30,260)
Opening balance as at 1 August	617,248	647,508
Closing Balance as at 31 July	587,437	617,248

15.4.2 Official Receiver Bankruptcy Trust Fund Account**Table 15.4: Official Receiver Bankruptcy Trust Fund Account – Statement of Receipts and Payments**

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Debt Collected	102,356	58,666
Search Fees	29,410	20,870
Official Receiver Fees & Costs	29,037	9,299
Petition	7,618	3,000
Proof of Debt	64	19
Total Receipts	168,485	91,854
Payments		
Debt Payment	101,722	44,767
Debtor Refund	24,908	1,014
Publication Costs	3,044	1,588
Petition Refund	2,375	---
Bank Fees & Charges	463	1,375
Total Payments	132,512	48,744
Net Surplus	35,973	43,110
Opening balance as at 1 August	219,630	176,520
Closing Balance as at 31 July	255,603	219,630

PART B ASSESSMENT OF FINANCIAL GOVERNANCE

15.5 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 technology 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 entities 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 as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

15.6 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 un-presented 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

15.7 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 was:

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


15.8 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

15.9 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 as:

Rating	Timeliness of Management Comments Received
 Effective	Within 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
 Generally effective	Within 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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.

15.10 Absence of Detailed Listing for Official Receivers Trust Fund Account Balance

Within 5 days after the end of each month, the Assistant Accounts Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹ Details of balances must be attached to the reconciliation statement.²

The Ministry maintains two separate Bank Accounts for the Official Receiver Bankruptcy Accounts and the Official Receiver Liquidation Accounts.

The Bankruptcy Accounts maintains records of receipts and payments for individuals under receivership whilst the Liquidation Accounts maintains records of receipts and payments for companies under provisional liquidations.

The details of cash at bank balances for the Official Receivers Bankruptcy and Liquidation Trust Fund Accounts are shown in Table 15.5.

Table 15.5: Official Receiver Trust Account Balance

Description	Amount (\$)
Liquidation Trust	587,436.88
Bankruptcy Trust	255,602.64
Total	843,039.52

Our audit noted that detailed accounts listing of the balances for companies and individuals under provisional liquidation and receivership as at 31 July 2017 were not maintained.

Discussion with the Acting Official Receiver revealed that the detail listings were maintained in soft copies which were lost when the computer in which it was held crashed. The Ministry did not maintain a hard copy of the detail listings.

¹ Ministry of Justice Finance Manual 2011, Section 14.4.1, p 89

² Ministry of Justice Finance Manual 2011, Section 14.4.2, p 89

In the absence of detailed listings, we were not able to ascertain the correctness of the balance reflected in the Liquidation and Bankruptcy Trust Fund accounts.

Recommendations

The Ministry should ensure that the manual records of individuals under receivership and companies under provisional liquidations are up to date, consolidated and reconciled with the respective Trust Fund Account balances.

Ministry's Comment

The recommendations of the auditors are noted. The Ministry has an updated statement of individual debtors in their respective files while the Ministry is currently preparing the consolidated list of all debtors by checking individual files.

In addition to this, the Ministry is liaising with the software developers to develop software for recording and maintaining the Trust Fund Account.

15.11 Outstanding VAT Liability

When receipting revenue, the VAT portion should be credited to the new liability account (863201) and the balance to the revenue code. At the end of the month, when making VAT return payment to FRCS, the VAT portion should be debited to the same liability account whilst VAT on expenditure will continue to be met from agencies budgetary funds (SEG 13).³

The Ministry has been submitting its monthly VAT returns on a monthly basis. However, audit review of the Operating Trust Fund Account balances revealed outstanding accumulated balance of VAT on revenue which comprises of 74% of Operating Trust Fund Account closing balance of \$349,211 as at 31/07/17. Refer to Table 15.6 for details.

Table 15.6: Long Outstanding VAT Account

Account	31/07/17 (\$)	31/07/16 (\$)	31/12/15 (\$)	31/12/14 (\$)	31/12/13 (\$)
11510191991863201	(798.91)	(33.34)	(9.33)	(6,746.75)	(8,644.77)
11510191992863201	(55,499.25)	(51,918.72)	(59,480.87)	(50,416.33)	(5,252.11)
11510191996863201	(45,974.00)	(38,061.63)	(36,837.87)	(28,617.67)	(33,986.60)
11510191997863201	(45,800.20)	(51,268.18)	(51,542.34)	(31,661.60)	(40,558.94)
11510192992863201	(63,667.22)	(83,639.24)	(81,652.52)	(81,673.20)	(69,277.13)
11510192995863201	(9,542.36)	(6,344.91)	(4,675.96)	(3,487.99)	(1,677.80)
11510193992863201	(35,567.20)	(33,356.12)	(30,137.77)	(20,576.02)	(27,590.70)
Total	(256,849.14)	(264,622.14)	(264,336.66)	(223,179.56)	(186,988.05)

Significant balances in the VAT on revenue indicates that monies kept in the trust fund were not promptly paid to Fiji Revenue and Custom Services (FRCS) on time and/or unaccounted balances are maintained in the Operating Trust Fund account.

Non-payment of VAT to FRCS on time could result in penalties being imposed by the FRCS.

³ Finance Circular Number 10/2009 – paragraph 5.0

Recommendation

The Ministry should investigate the significant balances in the VAT on revenue account as at 31/07/2017 and take appropriate action to clear the balances.

Ministry's Comments

The recommendations of the auditors are noted. The Ministry is currently liaising with Ministry of Economy in order to clear the balances.

Section 15A

Fiji Corrections Service

Roles and Responsibilities

The Fiji Corrections Service is responsible for the safe, secure and humane treatment of persons in custody by providing opportunities to correct offending behaviour, develop work and life skills and perform community service. Under the framework of the Fiji Corrections Act 2006, the Fiji Corrections Service works towards enhancing the quality of custodial responsibilities, improve inmate rehabilitation programmes, developing human resources, effective use of resources and modernising the service.

The Fiji Correction Service, like any other corrections jurisdiction in the Pacific region and abroad is a key component within the Government administration of criminal justice and is responsible for the custody of those persons referred to it by the courts. The Fiji Corrections Service has performed this role within the framework of the Constitution of Republic of Fiji 2013, the new Corrections Act 2006 and within International norms and conventions in particular the United Nations Minimum Standard Rules for Treatment of Offenders.

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PART A: FINANCIAL STATEMENTS

15A.1 Audit Opinion

The audit of the 2017 accounts of the Fiji Corrections Service resulted in an unqualified audit report.

15A.2 Statement of Receipts and Expenditure

The Fiji Corrections Service collected revenue totalling \$66,383 and incurred a total expenditure of \$33,972,721 for the year ended 31 July 2017. Details are provided in Table 15A.1.

Table 15A.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	64,779	63,076
Agency Revenue	1,604	457
Total Revenue	66,383	63,533
Established Staff	18,275,010	11,205,824
Government Wage Earners	31,721	20,361
Travel and Communications	473,504	261,005
Maintenance and Operations	1,890,104	1,291,048
Purchase of Goods and Services	4,349,534	2,047,053
Operating Grants and Transfers	9,623	4,821
Special Expenditures	359,071	125,256
Total Operating Expenditure	25,388,567	14,955,368
Capital Construction	6,844,787	1,275,618
Capital Purchase	364,890	157,521
Total Capital Expenditure	7,209,677	1,433,139
Value Added Tax	1,374,477	472,946
Total Expenditure	33,972,721	16,861,453

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

15A.3 Appropriation Statement

The Fiji Corrections Service incurred expenditure totalling \$33.9 million in 2017 against a revised budget of \$40.9 million, resulting in a saving of \$7 million or 17%.

The significant savings of \$3.2 million or 15% in Established Staff resulted from vacant positions which were not filled during the financial year.

Funds allocated under operating grant and transfers are used to pay those inmates with formal qualifications who provide services to institutions while in custody. The funds are released to

inmates upon their discharge from the care of Fiji Corrections Service. For the financial year, there were less inmates released hence savings were noted for the funds allocated under operating grants and transfers.

Savings in Special Expenditure amounting to 41% was due to reduction in self-help projects, businesses and rehabilitation programs provided to sustain inmates when integrating into the community. Savings in Capital Construction budget resulted from the delay caused by vetting of contracts from SGs Office, tender process for approval, bond payment from contractors and drawing amendment approval from GTB or FPO for change of scope and cost.

Details of expenditure against the revised budget are provided in Table 15A.2.

Table 15A.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	22,824,859	(1,288,000)	21,536,859	18,275,010	3,261,849
2	Government Wage Earners	34,656	---	34,656	31,721	2,935
3	Travel & Communication	490,670	---	490,670	473,504	17,166
4	Maintenance & Operations	1,873,000	138,000	2,011,000	1,890,104	120,896
5	Purchase of Goods & Services	3,476,232	1,050,000	4,526,232	4,349,534	176,698
6	Operating Grants & Transfers	46,260	---	46,260	9,623	36,637
7	Special expenditure	605,650	---	605,650	359,071	246,579
	Total Operating Expenditure	29,351,327	---	29,251,327	25,388,567	3,862,760
8	Capital Construction	9,775,700	---	9,775,700	6,844,787	2,930,913
9	Capital Purchase	370,000	---	370,000	364,890	5,110
	Total Capital Expenditure	10,145,700	---	10,145,700	7,209,677	2,936,023
13	Value Added Tax	1,493,200	100,000	1,593,200	1,374,477	218,723
	TOTAL	40,990,277	---	40,990,227	33,972,721	7,017,506

The Department collected revenue totalling \$66,383 in 2017; an increase of 4% from the previous year.

15A.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Fiji Corrections Service operates and maintains the following trust fund bank account:

15A.4.1 Prisoners Cash Trust Fund

Money held in trust consist of confiscated cash from prisoners upon convictions, engagement in the Trading and Manufacturing Small Business Units (TMA SBUs), engagement in the art gallery and commercial wage job placements. For the TMA SBUs, the wage rate depends on the job cost, skill of the prisoner and years of experience in the trade. The more skilful the prisoner, the higher the wage rate which is charged. For commercial wage job placements, the wage rate depends on

the rate offered by the company. For the art gallery, 60% of sale goes to the prisoner while 40% is used to purchase gallery items. The hours worked by the prisoners are recorded in the timesheets and receipted when deposited into the Prisoners Trust Account.

Any pay out for prisoners upon discharge is taken out from the Trust Account upon production of receipts by a prisoner. Pay outs are based on actual cash earned by the prisoners during imprisonment. If there are discipline issues during imprisonment these are accounted for when making payments to prisoners during release but upon Commissioner's discretion. All payments are supported by receipts and approved by the Commissioner before payment is made.

Table 15A.3: Prisoners Cash Trust Fund – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Receipts	389,987	26,730
Total Receipts	389,987	26,730
Payments		
Payments	169,024	43,759
Total Payments	169,024	43,759
Net surplus/ (Deficit)	220,963	(17,029)
Balance as at 1 August	440,360	457,389
Closing Balance as at 31 July 2017	661,323	440,360

15A.5 Consolidated Trading and Manufacturing Account

The Fiji Corrections Service operates the Trading and Manufacturing Account (TMA) and is guided by its legal mandate to operate its Commercial Enterprises Unit as stipulated under the Fiji Corrections Act 2006 under Part 10 Clause 45 (a) to (d).

The Department's TMA consists of six Small Business Units (SBUs) namely the Bakery, Joinery, Piggery, Poultry, Tailor and Crops. The summary of the activities are presented in a consolidated form as there is only one bank account for all the SBUs.

The operation of these TMA helps in the rehabilitative work programs with key objective of teaching and developing inmates with basic industrial and agricultural skills. The TMA also generates much needed revenue through the sale of agricultural products, joinery, tailor and bakery materials.

The activities for the TMA are as follows:

Bakery - is responsible for baking long loaves and slice bread. Bakery unit is located within the Maximum Correction facility. This is the only product currently produced at the bakery. The production is to cater for the demand from the corrections institution and two main external customers which are the Fiji Military Forces and Fiji Navy. It also includes supply for special events like the Hibiscus Festival and Show Case when the need arises.

Crops - does farming of crops and vegetables such as ginger, cassava, dalo and many other products according to seasons. The produce are mostly used to cater for institutional needs and also for sale to local buyers.

Joinery - comprises of inmates who are involved with the construction of furniture items for institutional and commercial use. The furniture include construction of tables, desks, chairs, coffin boxes and wardrobes.

Piggery - is responsible for breeding pigs and supplying pig meat to buyers along the Navua to Nausori corridor. The unit breeds pigs from weaner to baconer. Although it's not part of the major supplies of pig meat in Fiji, the unit is aiming to improve its breeding numbers.

Poultry - is responsible for breeding live chickens for supply of fresh eggs which are then retailed in the local market. The eggs produced are of high quality with affordable prices compared to other suppliers of fresh eggs and is mostly bought by households and businesses around the greater Suva area. Additionally, the unit sells live chicken.

Tailor - is responsible for making garments such as school uniforms, beddings, government uniforms, health workers uniforms/coats and many more. Garments are mostly bought by clothing retail shops around Fiji. The unit also specializes in custom made designs and modifies the designs according to customer needs.

The operating results for each business unit are tabulated below:

	Business Units						Consolidated
	Bakery	Crops	Joinery	Piggery	Poultry	Tailoring	
Income							
Gross Profit	207,096	81,517	(38,498)	230,868	278,912	15,650	775,545
Expenses							
Maintenance and Operations	32,836	94,990	9,561	69,828	31,874	14,290	253,379
Total Expenses	32,836	94,990	9,561	69,828	31,874	14,290	253,379
Net Profit/(Loss)	\$174,260	\$(13,476)	\$(48,059)	\$161,041	\$247,038	\$1,361	\$522,166

As can be seen from the table above, losses incurred in operation of Crops and Joinery business units were financed from surpluses in other operations.

The consolidated Trading and Manufacturing Accounts are presented in the tables below:

Table 15A.4: Manufacturing Account – Consolidated Trading Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
Opening Raw Materials	142,969	150,988
Add: Purchases	1,066,375	872,459
	1,209,344	1,023,447
Less: Closing Raw Materials	44,019	142,969
Raw Materials Used	1,165,325	880,478
Add: Opening Work in Progress	108,721	58,031
Add: Direct Cost – Labour	37,153	10,905
Less: Closing Work in Progress	95,424	108,721
Cost of Manufactured Goods Transferred to Trading Account	1,215,775	840,693

Table 15A.5: Trading Account – Consolidated Trading Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
Sales	2,033,087	1,508,348
Total Sales	2,033,087	1,508,348
Opening Stock	396,308	459,387
Add: Cost of Manufactured Goods transferred from Manufacturing Account	1,215,775	840,693
Less: Closing Stock of Finished Goods	354,541	396,308
Cost of Goods Sold	1,257,542	903,772
Gross Profit transferred to Profit & Loss Account	775,545	604,576

Table 15A.6: Profit and Loss Account – Consolidated Trading Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
Income		
Gross Profit Transferred from Trading Account	775,545	604,576
Total Income	775,545	604,576
Expenses		
Maintenance and Operations	253,379	169,008
Total Expenses	253,379	169,008
Net Profit	522,166	435,568

Table 15A.7: Balance Sheet – Consolidated Trading Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
Assets		
Cash at Bank	753,527	639,420
Debtors	218,558	241,118
Raw Materials	44,019	142,969
Works in Progress	95,424	108,721
Finished Goods	354,541	396,308
VAT Receivable	13,390	2,303
Total Assets	1,479,459	1,530,839
Net Assets	1,479,459	1,530,839
Equity		
TMA Accumulated Surplus	950,397	972,388
TMA Surplus transferred to Consolidated Fund	6,896	122,883
Net Profit	522,166	435,568
Total Equity	1,479,459	1,530,839

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

15A.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 technology 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 management of the agencies 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 agencies 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 Department as:

Rating	Internal control assessment
 Effective	No deficiencies identified in internal controls

15A.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

15A.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 Department was:

Rating	Quality of draft financial statements assessment
 Ineffective	Adjustments on operating results/net assets were more than one percent


15A.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

15A.10 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 as:

Rating	Timeliness of Management Comments Received
 Generally effective	Within 21 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 5 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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 Department 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 Department. These have been included in this report as they impacted on the overall system of control of the Fiji Corrections Service as at 31 July 2017.

15A.11 Anomalies in the Prisoner's trust fund balance

Within 5 days after the end of each month, the reconciliation clerk shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹ Details of balances must be attached to the reconciliation.²

Review of the Prisoner's trust fund account revealed that the beneficiaries listing was not updated for the year ended 31 July 2017. The General Ledger (FMIS) for the trust account recorded a balance of \$661,323.80.

In addition, stale cheques amounting to \$11,269.95 was still appearing in the unrepresented cheque listing of the Prisoner's Trust Fund bank reconciliation as at 31 July 2017.

The above findings indicate that proper controls and supervisory checks were not put into place for the record keeping and administration of Prisoner's Cash Trust Account. In the absence of updated beneficiaries' listings, it will be difficult for FCS to verify claims made by beneficiaries.

As a result the accuracy of the Prisoner's Trust Fund Accounts could not be substantiated.

Recommendations

- **The Department should identify all the beneficiaries and reconcile their record against the general ledger (FMIS) balance.**
- **The Department should verify the trust fund reconciliation and make adjustments accordingly.**

Management Comments

The audit comments and recommendations are noted.

We have completed identifying funds in the Trust account for the following years:

¹ Fiji Corrections Service Finance Manual 2016 Part 15, Section 15.4.1

² Fiji Corrections Service Finance Manual 2016 Part 15, Section 15.4.2

- 1 August 2017 till April 2018 - \$68,284.24
- 1 August 2016 to 31 July 2017 - \$220,963.24
- 1 August 2015 to 31 July 2016 - \$125,723.26

Facilitating the above has been a challenge as we had to locate receipts for previous years to identify these beneficiaries. Be assured that these records are properly maintained into these years and identified easily.

ACTION TAKEN: Beneficiaries identified for the following years:

1 August 2017 till April 2018 – separated accounts in trust account
1 August 2016 to 31 July 2017 - \$220,963.24
1 August 2015 to 31 July 2016 - \$125,723.26

Section 16

Ministry of Communication
Department of Information and Communication
Roles and Responsibilities

Modern technology can create many opportunities for media, businesses, education, health and finance. It provides access to a world of information and helps keep families and communities, often separated by vast distances, connected.

Government is committed to spreading the benefits of technology to all Fijians – to bridge the digital divide between the rural and urban, the rich and the poor. The benefits of technological advances should be equally accessible to all Fijians and not just the elite.

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

The Ministry comprises the following Departments: Information, Communication and Information Technology and Computing Services.

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PART A: FINANCIAL STATEMENT**16.1 Audit Opinion**

The audit of the 2017 accounts of the Department of Information and Communication resulted in an unqualified audit opinion.

16.2 Statement of Receipts and Expenditure

The Department of Information and Communication collected revenue totalling \$24,547 and incurred a total expenditure of \$9,589,654 for the year ended 31 July 2017. Details are provided in Table 16.1.

Table 16.1: Statement of Receipts and Expenditure for 2017

DESCRIPTION	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue		
Revenue from Production of Film	413	606
Licence Telecom and TV	---	42
Other State Revenue	20,341	---
Total State Revenue	20,754	648
Agency Revenue		
Miscellaneous	3,793	8,080
Total Agency Revenue	3,793	8,080
TOTAL REVENUE	24,547	8,728
Established Staff	1,078,089	632,650
Government Wage Earners	148,439	78,164
Travel & Communication	253,981	114,302
Maintenance & Operations	97,774	57,463
Purchase of Goods & Services	770,654	395,590
Operating Grants & Transfers	549,142	283,150
Special Expenditure	2,205,091	150,665
Total Operating Expenditure	5,103,170	1,711,984
Capital Construction	4,014,641	---
Total Capital Expenditure	4,014,641	---
Value Added Tax	471,843	59,243
TOTAL EXPENDITURE	9,589,654	1,771,227

The financial year-end for Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflect 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.

16.3 Appropriation Statement

The Department incurred expenditures totalling \$9.59 million in 2017 against a revised budget of \$17.9 million, resulting in a savings of \$8.3 million or 47%. The savings was mainly attributed to capital expenditure

Details of expenditures against the revised budget are provided in Table 16.2.

Table 16.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	1,652,292	(25,000)	1,627,292	1,078,089	549,203
2	Government Wage Earners	156,613	25,000	181,613	148,439	33,174
3	Travel & Communication	283,782	25,000	308,782	253,981	54,801
4	Maintenance & Operations	203,520	---	203,520	97,774	105,746
5	Purchase of Goods & Services	1,040,072	(25,000)	1,015,072	770,654	244,418
6	Operating Grants & Transfers	1,297,598	---	1,297,598	549,142	748,456
7	Special Expenditure	2,880,000	---	2,880,000	2,205,091	674,909
Total Operating Expenditure		7,513,877	---	7,513,877	5,103,170	2,410,707
8	Capital Construction	9,160,000	---	9,160,000	4,014,641	5,145,359
Total Capital Expenditure		9,160,000	---	9,160,000	4,014,641	5,145,359
13	Value Added Tax	1,221,000	---	1,221,000	471,843	749,157
TOTAL		17,894,877	---	17,894,877	9,589,654	8,305,223

The Department collected revenue totalling \$24,547 in 2017, an increase of 181% from the previous year.

16.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Office of the Prime Minister operates and maintains four main trust fund bank accounts which includes the following;

16.4.1 Telecommunication Development Trust Fund Account

The Telecommunication Promulgation and the Telecommunications (Trust Fund) Regulations 2016 established the Trust Fund Account for the purpose of imposing a levy on the interconnections to fund National developments in telecommunication such as Telecentres and the Digital Television expenditures. Carriers such as telecommunication companies are liable to pay to the Ministry a levy at such rate as may be specified by order to be published in the Gazette and different rates may be specified in respect of different types of interconnection. Funds are used for Information Communication Technology development purposes.

Details of receipts against payments are provided in Table 16.3.

Table 16.3: Telecommunication Development Trust Fund Account - Statement of Receipts and Payments

Descriptions	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Telecommunication Companies Levies	6,320,657	3,781,662
Pay Reimbursement	188	73
Interest	12,708	12,291
Refund from JICA Project	1,312,320	---
Total Receipts	7,645,873	3,794,026
PAYMENTS		
DTV Expenses	23,671,568	1,881,838
Tele-centre Expenses	507,861	371,221
Bank Fees	225	93
VAT Payment to FRCA	1,291,940	---
Total Payments	25,471,594	2,253,152
Net Surplus/(Deficit)	(17,825,721)	1,540,874
Balance as at 1 August	21,428,144	19,887,270
Closing Balance as at 31 July	3,602,423	21,428,144

One of the core responsibilities of the Department of Communication is the implementation of the Digital Television Infrastructure. This involves the migration of television broadcasting from analogue to digital which ensures equal and equitable access to all operators.

The Department of Communication utilised a sum of \$23,671,568 from the main trust fund account during the financial year 2016-2017 for the Digital Television Infrastructure project which includes a grant of \$21,300,024 paid to Walesi Limited.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

16.5 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.

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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 analyzing 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.

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Examples of issues which would fall under this category are reported to management of agencies 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 agencies 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 Department as:

Ratings	Internal control assessment
✱ Effective	No deficiencies identified in internal controls

16.6 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 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.

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

Ratings	Internal control assessment
🌟 Effective	All 10 key processes completed by due date

16.7 Quality of Draft Financial Statements by entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an Department'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 department was:

Ratings	Internal control assessment
🌟 Effective	No adjustments were required

16.8 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:

Ratings	Internal control assessment
🔴 Ineffective	Acceptable draft financial statements received after 16 October 2017

16.9 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 as:

Rating	Timeliness of Management Comments Received
🌟 Effective	Management response received within 14 days

Rating	Timeliness of Signed Financial Statements Received
🌟 Generally Effective	Signed accounts was received within 10 days

Section 16A**Department of Information Technology and Computing Services****Role and Responsibilities**

Modern technology can create many opportunities for media, businesses, education, health and finance. It provides access to a world of information and helps keep families and communities, often separated by vast distances, connected.

Government is committed to spreading the benefits of technology to all Fijians – to bridge the digital divide between the rural and urban, the rich and the poor. The benefits of technological advances should be equally accessible to all Fijians and not just the elite.

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

The Ministry comprises the following Departments: Information, Communication and Information Technology and Computing Services.

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PART A: FINANCIAL STATEMENT**16A.1 Audit Opinion**

The audit of the 2017 accounts of the Department of Information Technology and Computing Services resulted in an unqualified audit opinion.

16A.2 Statement of Receipts and Expenditure

The Department collected revenue totalling \$20,502 and incurred a total expenditure of \$10,142,510 for the year ended 31 July 2017. Details are provided in Table 16A.1 below.

Table 16A.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (Re-stated) (\$)
State Revenue		
Commission	69	130
Total State Revenue	69	130
Agency Revenue		
Miscellaneous Revenue	20,433	15,804
Total Agency Revenue	20,433	15,804
Total Revenue	20,502	15,934
Operating Expenditure		
Established Staff	1,570,594	915,699
Government Wage Earners	17,748	19,639
Travel & Communications	1,334,290	836,909
Maintenance & Operations	1,213,312	884,631
Purchase of Goods & Services	3,274,015	2,213,462
Special Expenditure	1,217,068	1,314,153
Total Operating Expenditure	8,627,027	6,184,493
Capital Purchases	793,468	18,072
Total Capital Expenditure	793,468	18,072
Value Added Tax	722,015	519,079
Total Expenditure	10,142,510	6,721,644

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

16A.3 Appropriation Statement

The Department of Information Technology and Computing Services incurred expenditure totalling \$10.1 million in 2017 against a revised budget of \$18.4 million resulting in savings of \$8.3 million or 45%.

Details of expenditure against the revised budget are provided in Table 16A.2.

Table 16A.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,219,765	3,219,765	1,570,594	1,649,171
2	Government Wage Earners	32,172	32,172	17,748	14,424
3	Travel & Communications	1,614,392	1,614,392	1,334,290	280,102
4	Maintenance & Operations	2,186,000	2,186,000	1,213,312	972,688
5	Purchase of Goods & Services	4,304,760	4,304,760	3,274,015	1,030,745
7	Special Expenditure	2,000,000	2,000,000	1,217,068	782,932
	Total Operating Cost	13,357,089	13,357,089	8,627,027	4,730,062
9	Capital Purchase	2,904,639	2,904,639	793,468	2,111,171
10	Capital Grants & Transfers	1,000,000	1,000,000	---	1,000,000
	Total Capital Expenditure	3,904,639	3,904,639	793,468	3,111,171
13	Value Added Tax	1,170,900	1,170,900	722,015	448,885
	TOTAL	18,432,628	18,432,628	10,142,510	8,290,118

The Department collected revenue totalling \$20,502 in 2017, a decline of 28.7% from the previous year.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

16A.4 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.

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- **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 technology 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 entities 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 Department as:

Ratings	Internal control assessment
★	No deficiencies identified in internal controls

16A.5 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 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.

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

Ratings	Internal control assessment
● Effective	All 10 key processes completed by due date

16A.6 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 below department was:

Ratings	Internal control assessment
● Effective	No adjustments were required

16A.7 Timeliness of Draft Financial Statements

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

Ratings	Internal control assessment
● Ineffective	Acceptable draft financial statements received after 16 October 2017

16A.8 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 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.

16A.8 Human Resource Constraint

It is imperative that vacant positions are filled within reasonable time frame to ensure smooth operation of the Department and timely delivery of services.

We noted that sixty (60) vacant positions or 56% of 108 approved positions of the Department were not filled as at the date of audit¹. Refer table below for details:

Table 16A.1: Details of Vacant Positions

Post	Number of Posts
Established	
Manager ITCS	1
Assistant Manager	2
Director – Project	1
Manager – Project	3
Senior Systems Analyst / Programmer	2
System Analyst / Engineers	7
System Analyst / Programmer	11
Analyst Programmer / Engineer	4
Assistant Programmer	11
Computer Operator Supervisor	1
Computer Operator	10
Accounts Officer	1
Clerical Officer	1
Senior Project Administrator	2
Secretary	1
Government Wage Earner	
Driver	2
TOTAL	60

¹ The audit verification were done on 19/09/2017.

Delay in the filling of the vacant positions could impact on the service delivery of the Department and as such it may not be able to achieve the desired outputs as per their Annual Corporate Plan.

Recommendation

The Department should prioritize filling the vacant posts which are in need as soon as possible.

Management Comments

Creation of Teams and Reclassification and Renaming of Posts

The department has created five (5) teams and reclassified or renamed seventeen (17) posts to handle most of the critical work at ITCS. We had lost a lot of key staff to the corporate and private sectors for various reasons.

Below are some of the teams that we have been created and the jobs and the job descriptions (JD) have been re-aligned to the actual work that the teams and the team members will perform:

Team	Number of Staff	Critical Roles Performed
Website	3	Creating and maintaining government departments/ministries websites
e-Services	4	Providing local support to the users of e-Services applications that we developed by Yalamanchili
Business Solutions	4	Develop and maintain government departments/ministries applications developed locally
Facilities	2	To support and maintain the Data Center facilities
Procurement	4	To facilitate the procurement process for all IT and IT related equipment requests from government ministries/departments.

1. **Website** – we have advertised the 3 posts (Senior Web Designer, Website Developer, and Junior Website Developer) for the team. SC submission was made and approved for the appointment of the Website Developer but unfortunately the appointee turned it down because the salary offered was lower than what existed outside government. In addition to this, the benefits offered by the corporate and private sectors were very attractive. The post will now have to be re-advertised.
2. **e-Services** – the four (4) posts have been advertised and applications have been received.
3. **Business Solutions** - the four (4) posts have been advertised and applications have been received.
4. **Facilities** – two officers have been recruited and have settled in well at the DC
5. **Procurement** – two (2) of the four (4) positions advertised have been recruited i.e. both Assistant Procurement Officers. The interview for the Manager Procurement post has been completed and the report will be finalized shortly. The appointment paper for the Senior Procurement Officer is with the Steering Committee for the endorsement of the post holder.

In total, four (4) officers have been recruited to fill the re-classified/renamed posts. One appointment paper is with the Committee for approval and one will be submitted this week bringing a total of recruited officers to 6 out of the 17 advertised. We hope to fill the remaining eleven (11) posts which were already advertised before end of this fiscal year.

Apart from the technical staff, a Driver (GWE) was also recruited. The officer's appointment was later terminated when he failed his police clearance. The post will be re-advertised.

Expiry and Renewal of Contracts

Apart from advertising and trying to fill the substantively vacant posts, the department was also advertising the posts which were expiring. Below are some of the posts that expired and recruitment have been carried out:

Post	Post holder(s)	Date Contract Expired	Comment
Network Engineer	Employee A	28/10/2017	Process was completed. Employee A was the most meritorious and SC had approved his appointment. However he refused to take the position and will be re-advertised.
Computer Operator (Client Support)	1. Employee B 2. Employee C 3. Employee D	31/8/2017	The following officers were appointed: 1. Employee E 2. Employee B 3. Employee F
Computer Operator (ServiceDesk)	1. Employee G 2. Employee H 3. Employee I	31/8/2017	The following officers were appointed: 1. Employee G 2. Employee H 3. Employee I
Computer Operators (Procurement)	1. Employee J 2. Employee K	31/8/2017	The following officers were appointed: 1. Employee J 2. Employee L
Technician	Employee J	31/8/2017	Employee K
Senior Engineer – Networks	Employee L	11/10/2017 • extended to 11/1/2018 • extended to 11/4/2018 • extended to 11/6/2018	Post is yet to be advertised. Interview will be held in April
Network Engineer	Employee M	31/10/2017 • extended to 31/1/2018 • deceased	Post advertised. Interview will be held in April
Network Technician	1. Employee N 2. Employee O	31/10/2017 • extended to 4/1/2018 • extended to 31/4/2018 31/10/2017 • extended to 4/1/2018 • extended to 2/4/2018	Post advertised. Interview will be held early March
DC Engineer	1. Employee P 2. Employee Q	2/10/2017 • extended to 2/1/2018 • extended to 2/4/2018	Post advertised. Interview will be held early March

Post	Post holder(s)	Date Contract Expired	Comment
	3. Employee R	2/10/2017 <ul style="list-style-type: none"> extended to 2/1/2018 extended to 2/4/2018 	
		30/10/2017 <ul style="list-style-type: none"> extended to 30/1/2018 extended to 30/4/2018 	
Senior Systems Analyst	Employee S	31/10/2017 <ul style="list-style-type: none"> extended to 03/1/2018 extended to 03/4/2018 	Post advertised. Interview will be held in April
Technician (Lautoka Office)	Employee T	31/10/2017 <ul style="list-style-type: none"> extended to 31/1/2018 extended to 31/4/2018 extended to 15/7/2018 	Post is yet to be advertised.
Clerical Officer	Employee U	31/10/2017 <ul style="list-style-type: none"> extended to 31/1/2018 extended to 31/03/2018 	Post advertised. Interview will be held in March
Systems Analyst (DBA)	Employee V	1/1/2017	Employee V
Engineer	Employee W	31/1/2016	Employee W was appointed but he has resigned and the post will not be advertised.

A total of twenty two (22) contracts expired and the OMRS system was carried out to have the posts filled.

Challenges faced by ITCS when trying to fill the vacant posts

1. Salary – government salary is much lower than the salaries offered outside government. Even with the new salary bands, government salary for IT professionals is still not attractive
2. Incentives – government does not offer any incentive compared to other organizations who offer very attractive salaries
3. Resignations – departures to join other organizations, migration or to pursue studies and business careers
4. Job security – the three years contract is too short for some officers so they leave before the end of their contracts to sign up with other organizations.

As much as the department wants to fill up all the vacant positions, it is easier said than done. Some of the best people recruited or appointed through the OMRS process, opt not to sign the government contract due to low salaries and non-attractive conditions. Some of those who do accept the contracts leave when they find a better offer outside government.

IT or ICT is a very lucrative profession and retaining officers for longer periods can be quite difficult given some of the challenges as highlighted above. However, ITC continues its drive in trying to fill as many vacant posts as possible and satisfy the IT needs of the government ministries/departments with its limited human resources.

16A.9 Processing and Holding Cheques for Work Not Done

The guiding principles of procurement requires that any procurement of goods, services or works shall be issued so as to promote value for money and maximize economy and efficiency and the ethical use of government resources.² The Accounting Head must not certify a payment as correct unless they are satisfied that there is documentation that the goods, services or works have been received.³

The Department awarded contract to the Contractor for supply and installation of fiber cabling works for Government Central Business District (CBD) areas a total cost of VIP FJD \$871,000⁴ as per payment schedule below:

Table 16A.2: Payment Schedule

Project Phase	Total Amount (\$)
Phase I	258,500
Phase II	277,500
Phase III	335,000
Total	871,000

The quotation from the Contractor states that 50% of the payment are to be made on placement orders and the other 50% are to be made upon the successful completion of contract.⁵

We noted that the Department processed payments totaling \$306,250 as 50% for phase two and three of fiber works without any work carried out by the contractor. The cheques were converted into bank cheques and retained in the Department's safe at the time of audit⁶. The Department revealed that the cheques would be released later once the work is completed.⁷ Refer Table 16A.3 below for details of the cheque:

Table 16A.3: Detail of Advance Cheques Processed causing over expenditure

Date	Cheque Number	Total Amount (\$)	Details
27/07/2017	20286	167,500	<ul style="list-style-type: none"> • Paid to BSP to convert into a bank cheque for 50% payment for installation of phase 3 fibre works from Sukuna House to Fiji Corrections Services to ITC Data Centre as the contract. • Cheques were processed and held at HQ Accounts. • The contractor had not commenced on work for phase 2 and phase 3 of the project.
27/07/2017	20287	138,750	<ul style="list-style-type: none"> • Paid to BSP to convert into a bank cheque for 50% payment for installation of phase 2 fibre works from PSC HQ to President Office to GCC Complex to Police Nasova as per the contract • Cheques were processed and held at HQ Accounts

²Fiji Procurement Regulation 2012, section 3 (1)

³ITC Department Finance Manual 2014- Section 2.8.4

⁴Contract dated 12.07.2017 between the Contractor and Ministry of Communications (Department of Information and Technology Services) on ITC-Supply & Installation of fiber Cabling Works for Government Central Business District (CBD) Areas- Page 2- clause 1.1

⁵Response of Quotation from the Contractor Solutions for Supply & Installation of Fibre cabling Works for Government Central Business District (CBD) Areas-Page 15

⁶The audit verification were conducted 22/02/2018 until the transfer on 23/02/2018.

⁷Work has not been completed as at 22/02/2018

Date	Cheque Number	Total Amount (\$)	Details
			<ul style="list-style-type: none"> The contractor had not commenced on work for phase 2 and phase 3 of the project.
Total		306,250	

We also noted that the Department with the assistance of Ministry of Economy took action on 23/02/2018 to rectify the overstatement in the general ledger system after the audit inquiry. The cash cheques held were deposited back into the Government consolidated fund bank account.

While the adjustments have been made after audit notification, the above practises increase the risk of fraud and misappropriation of funds without being detected in a timely manner.

Recommendation

The Department should strengthen internal control to ensure that the above is not repeated and ensure cheques are processed and released to the contractor after the successful completion of the work with necessary documentation in place to justify the processing of payments.

Management's Comments

- Phase 2 of the project had already started and was half way through the work; FRA intervened because there was no agreement done between the department and FRA as the work would be affecting the road condition. This was rectified and the project recommenced.
- The timeframe specified for each phase was given and we were sure that it would be completed before the end of July so we discussed with management to prepare the cheque.
- Also the closing of accounts circular in regards to date of advance payment closing and FMIS not been available for 1 week were factors of preparing advance cheque and payment processes were followed as advance payment was approved by the chief Accountant.
- Budget for the new financial year for Government Fiber was reduced and could not cater for the balance of the remaining phases and also the process we followed was discussed in the Accounting Head forum and it was shared by our colleagues from Ministry of Lands.
- As this process has been raised by the OAG, we will ensure that it will not be repeated and will also inform the Accounting Head forum to avoid using this process in future.

Section 17

Ministry of Civil Service

Roles and Responsibilities

The Ministry of Civil Service has been created to oversee and implement the necessary central guidelines in line with the Government's view of Civil Sector Reform, which was undertaken to produce a more accountable, effective and professional Civil Service with the ultimate aim of improving service delivery to the public.

The Ministry comprises three main divisions: the Policy Division, responsible for the assessment of overarching government policies to ensure consistency and fairness within the Civil Sector's Human Resource policies; the Central Training Division, to coordinate central training programs that are necessary to facilitate the up skilling of civil servants; and the Corporate Service Division, to administer the day-to-day activities of the Ministry.

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PART A: FINANCIAL STATEMENTS

17.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Civil Service resulted in an unqualified audit report.

17.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$42 and incurred a total expenditure of \$43,383,399 for the year ended 31 July 2017. Details are provided in Table 17.1.

Table 17.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	42	---
Agency Revenue	---	1,002,443
Total Revenue	42	1,002,443
Established Staff	40,789,894	1,221,347
Government Wage Earners	34,629	57,617
Travel & Communications	121,948	86,150
Maintenance & Operations	142,172	80,692
Purchase of Goods and Services	1,079,021	13,049
Operating Grants and Services	1,047,988	475,863
Special Expenditure	539	---
Total Operating Expenditure	43,216,191	1,934,718
Value Added Tax	167,208	33,500
Total Expenditure	43,383,399	1,968,218

17.3 Appropriation Statement

The Ministry incurred expenditure totalling \$43,383,399 in 2017 against a revised budget of \$45,451,168 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$2,067,769 or 4.5%.

Significant savings were noted in allocations for government wage earners, travel and communication, maintenance and operation, purchase of goods and services and special expenditure. This was mainly due to contracting a company to provide security at the Centre for Training and Development complex instead of hiring individual security guards and reduced operational costs on telephone, printing, procurement of office supplies and stationeries and minimal hiring of volunteers from the National Employment Centre.

Included in the established staff expenditure is a sum of \$40,283,910.03 for personnel emoluments and FNPF for doctors employed by Ministry of Health and Medical Services. The Ministry of Civil Service is responsible for the administration of this fund in accordance with the budget appropriated by Parliament.

Details of expenditure against the revised budget are provided in Table 17.2.

Table 17.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	41,844,468	---	41,844,468	40,789,894	1,054,574
2	Government Wage Earners	48,700	---	48,700	34,629	14,071
3	Travel & Communication	160,000	30,000	190,000	121,948	68,052
4	Maintenance & Operations	205,000	37,488	242,488	142,172	100,316
5	Purchase of goods & services	1,797,700	(77,488)	1,720,212	1,079,021	641,191
6	Operating grants & transfers	1,200,700	---	1,200,700	1,047,988	152,712
7	Special expenditure	-	10,000	10,000	539	9,461
	Total Operating Expenditure	45,256,568	---	45,256,568	43,216,191	2,040,377
13	Value added tax	194,600	---	194,600	167,208	27,392
	TOTAL	45,451,168	---	45,451,168	43,383,399	2,067,769

The Ministry collected revenue totalling \$42 in 2017, a decrease of 99.9% from the previous year due to the transfer of the PSC scholarship bond recovery previously recorded in the Ministry's general ledger to the Fiji Revenue and Custom Services.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

17.4 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 management of the agencies 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 agencies 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 as:

Rating	Internal control assessment
✱ Effective	No deficiencies identified in internal controls

17.5 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 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 by 31 July 2017 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

17.6 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 was:

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


17.7 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

17.8 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 as:

Rating	Timeliness of Management Comments Received
 Effective	Within 14 days from issue of Draft Management Letter

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

Section 18

Ministry of Rural and Maritime Development and National Disaster Management

Roles and Responsibilities

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

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

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

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

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

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PART A: FINANCIAL STATEMENTS

18.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Rural and Maritime Development and National Disaster Management resulted in a qualified audit report. The qualification was as follows:

A variance of \$197,953 exists between the total revenue recorded in the general ledger and subsidiary revenue records maintained by the Ministry. Consequently, I could not confirm the accuracy and completeness of the operating revenue of \$1,417,065.

Without further qualifying the opinion above, attention was drawn to the following matter:

Internal controls over revenue, expenses and trust fund accounts were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the near future.

18.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$1,417,065 and incurred a total expenditure of \$24,310,769 for the year ended 31 July 2017. Details are provided in Table 18.1.

Table 18.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	1,340,496	689,683
Agency Revenue	76,569	105,056
Total Revenue	1,417,065	794,739
Established Staff	5,422,886	3,845,814
Government Wage Earners	1,477,614	1,297,563
Travel & Communications	510,798	391,995
Maintenance & Operations	981,759	871,284
Purchase of Goods & Services	887,833	729,762
Operating Grants and Transfers	398,507	307,089
Special Expenditures	824,755	14,440,892
Total Operating Expenditure	10,504,152	21,884,399
Capital Construction	1,570,783	795,898
Capital Purchase	198,834	192,740
Capital Grants and Transfers	11,566,666	6,672,186
Total Capital Expenditure	13,336,283	7,660,824
Value Added Tax	470,334	1,858,671
Total Expenditure	24,310,769	31,403,894

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

Revenue mainly comprised of business and liquor licences and registration of marriage/birth fees collected on behalf of other government agencies. The Liquor License revenue increased by \$426,956 in 2017 compared to 2016 because of the renewal of license fee which is prepared on an annual basis and processed during the month of October. Thus all renewal of liquor license was received during the last quarter of the calendar year for 2017 rather than 2016.

Established staff expenditure increased by \$1,577,072 in 2017 compared to 2016 due to the payment to officers' salaries for outstanding annual and long service leave. The Ministry was included in Tranche 1 for the Job Evaluation Exercise which resulted in increase in staff salaries.

Special expenditure decreased by \$13,616,137 in 2017 compared to 2016 because provisions in 2016 had increased dramatically due to virement of funds to meet expenses relating to the Tropical Cyclone Winston operations.

Capital construction expenses increased by \$774,885 in 2017 compared to 2016 because of the change in financial year from twelve months in 2017 against the seven months in 2016. In 2017 about 43 projects were implemented in the Non-Cane Access Road program compared to 29 projects implemented in 2016 which resulted in the large increase.

Capital Grants & Transfer expenses increased by \$4,894,480 in 2017 compared to 2016 due to the change in financial year. The total number of capital projects implemented in 2017 averaged to 219 compared to 130 projects in 2016 which increased the utilisation of funds. In 2017, payments were inclusive of 1st and 2nd quarter projects except in 2016 where only the 1st quarter projects were implemented due to the change in financial year.

18.3 Appropriation Statement

The Ministry incurred expenditure totalling \$24.3 million in 2017 against a revised budget of \$31.9 million in accordance with section 19 of the Financial Management Act 2004, resulting in a saving of \$7.6 million or 24%.

The savings of \$284,997 under the Operating Grants and Transfers allocation was mainly due to the non-payment of District Advisory Councillors (DAC) allowances during the year for non-submission of reports. As per the Terms of Reference for payment of allowance to DAC members, payments can only be effected after the DAC member' reports are received and verified by the Provincial Administrators and District Officers.

The Emergency Water Supplies budget was not fully utilized in 2017 as no major drought was recorded during the year. This resulted in a saving of \$467,025 under the Special Expenditure allocation as the fund is maintained at Headquarters and is only released to Divisional Commissioners upon request.

The savings of \$769,217 under the Capital Construction allocation was due to under-utilisation of funds appropriated for the Nacula Health Centre project and the non-execution of the Kubulau Government Station (Construction of Post Office and Staffs Quarters) project due to the delay in the tender process.

There was a saving of \$5,714,852 under the Capital Grants and Transfers allocation. This resulted from the following:

- (i) the under-utilisation of budgeted funds allocated to each divisions for Project Preparatory Works for those projects intended to be carried out in the 2017/2018 financial year;
- (ii) the non-execution of the various appropriated Divisional Development Projects due to the delay in the tender processes; and
- (iii) the non-execution of the various Disaster Risk Rehabilitation Projects in the respective divisions due to the delay in submission of project documents such as plans and costing to facilitate the tender process and submission of RIE from the divisions and for some projects, no bids were received after the projects were placed on tender.

Details of expenditure against the revised budget are provided in Table 18.2.

Table 18.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	5,461,409	-	5,461,409	5,422,886	38,523
2	Government Wage Earners	1,546,577	(27,921)	1,518,656	1,477,614	41,042
3	Travel & Communication	435,160	97,862	533,022	510,798	22,224
4	Maintenance & Operations	975,900	67,682	1,043,582	981,759	61,823
5	Purchase of Goods & Services	1,140,110	(108,943)	1,031,167	887,833	143,334
6	Operating Grants & Transfers	683,504	-	683,504	398,507	284,997
7	Special expenditure	1,320,460	(28,680)	1,291,780	824,755	467,025
	Total Operating Expenditure	11,563,120	-	11,563,120	10,504,152	1,058,968
8	Capital Construction	2,340,000	-	2,340,000	1,570,783	769,217
9	Capital Purchase	200,000	-	200,000	198,834	1,166
10	Capital Grants & Transfers	17,281,518	-	17,281,518	11,566,666	5,714,852
	Total Capital Expenditure	19,821,518	-	19,821,518	13,336,283	6,485,235
13	Value Added Tax	577,100	-	577,100	470,334	106,766
	TOTAL	31,961,738	-	31,961,738	24,310,769	7,650,969

The Ministry collected revenue totalling \$1,417,065 in 2017, an increase of 78% from the previous year.

18.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use.

The Ministry of Rural and Maritime Development and National Disaster Management operates and maintains two main trust fund bank accounts which include the Provincial Development Trust Fund Account, and the PM's Office Disaster and Rehabilitation Trust Fund Account.

The Trust Fund Account Statement of Receipts and Payments is presented separately in the current year for transparency purposes and to correctly reflect the trust monies received and paid out of the two accounts. This is an improvement by the Ministry when compared to 2016 when a consolidated statement was presented for both the accounts.

18.4.1 Provincial Development Trust Fund Account

The Provincial Development Trust Account comprise of the following funds which are all kept in one bank account:

- (i) Tender Deposit Trust Fund: for tender deposits which are refunded to unsuccessful tenderers or at the expiry of the contracted tender;
- (ii) Rural Housing Deposit Trust Fund Account: a scheme where rural dwellers are assisted by Government in the building of their homes and they are required to meet one third of the cost;
- (iii) Unclaimed Wages Trust Fund Account: is where the wages of an employee is kept and this is then paid to the legal beneficiaries in the event of the death of a worker;
- (iv) PM Relief and Rehabilitation Trust Fund Account: is where the rural dwellers deposit the full cost of building materials for their houses. Government would negotiate and get cheaper quotes for the materials and also provide free transportation for the delivery of the materials; and
- (v) Special Purpose Trust Account – Vatukoula: is to cater for Vatukoula Housing Clients Assistance which consists of two-thirds government contribution.

Table 18.3: Provincial Development Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Tender Deposits	-	64,556
Rural Housing Deposit Scheme II	411,314	166,245
Unclaimed Wages	-	14,403
Rural Housing Scheme I / PM Relief & Rehab Committee	72,324	40,289
Special Purpose Trust Account – Vatukoula	163,038	-
One – Third Self Help Projects	108,739	31,770
Cities Trust	999	-
Total Receipts	756,414	317,263
Payments		
Tender Deposits	-	89,039
Rural Housing Deposit Scheme II	210,220	161,438
Rural Housing Scheme I / PM Relief & Rehab Committee	71,819	59,817
Special Purpose Trust Account – Vatukoula	-	-
One – Third Self Help Projects	86,906	61,165
Total Payments	368,945	371,459

Description	31 July 2017 (\$)	31 July 2016 (\$)
Net Surplus/(Deficit)	387,469	(54,196)
Opening balance as at 1 August	1,871,135	1,925,331
Closing Balance as at 31 July	2,258,604	1,871,135

18.4.2 Prime Minister's Office Disaster and Rehabilitation Trust Fund Account

The Trust Fund comprise of money from the Ministry's annual budget (usually \$1 m) and donations from the public or other countries during times of disasters.

Table 18.4: Prime Minister's Office Disaster and Rehabilitation Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Prime Minister's Office Disaster & Rehabilitation Trust Fund	1,924,774	10,898,368
Total Receipts	1,924,774	10,898,368
Payments		
Prime Minister's Office Disaster & Rehabilitation Trust Fund	230,916	12,461,703
Total Payments	230,916	12,461,703
Net Surplus/(Deficit)	1,693,858	(1,563,335)
Opening balance as at 1 August	1,123,701	2,687,036
Closing Balance as at 31 July	2,817,559	1,123,701

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

18.5 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 technology 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 management of the agencies 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.


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Examples of issues which would fall under this category are self-assessment by agencies 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 as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

18.6 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 un-presented 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
 Ineffective	Less than five of 10 key processes completed within two weeks of due date

18.7 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 was:

Rating	Quality of draft financial statements assessment
 Ineffective	Adjustments on operating results/net assets were more than one percent


18.8 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

18.9 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 as:

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

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

PART C: OTHER SIGNIFICANT MATTERS

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.

18.10 Variance in Operating Revenue

Each Accounting Head must ensure that the recording of revenue is reconciled monthly with the Ministry of Economy.¹

An unreconciled variance of \$197,953 exists between the total operating revenue recorded in the revenue reports maintained by the Ministry and the total revenue as per the FMIS general ledger. Refer to Table 18.5 below for details.

Table 18.5: Variance in Operating Revenue

Description	Revenue Reports					Total as per Revenue Reports (\$)	FMIS Balance (\$)	Variance (\$)
	HQ (\$)	Western (\$)	Northern (\$)	Eastern (\$)	Central (\$)			
Fees-Cemetery	32	---	549	---	---	581	539	42
Registration	2,500	11,178	4,344	722	66	18,810	21,305	(2,495)
Fees-Misc (Pub Trustee)	1,514	13	1,096	17,528	6,768	26,920	87,394	(60,474)
License Liquor	6,881	198,654	46,330	17,615	527,526	797,006	815,110	(18,104)
License Trading	28,334	169,049	82,461	15,838	61,465	357,147	404,962	(47,815)
License Others	511	1,084	2,151	756	401	4,903	5,215	(312)
Commission	---	---	---	---	---	---	5,299	(5,299)
Commission	---	---	---	---	---	---	260	(260)
Commission	---	---	---	---	---	---	412	(412)
Miscellaneous Revenue	755	1,300	11,000	690	---	13,745	76,569	(62,824)
Total Revenue	40,527	381,278	147,931	53,149	596,226	1,219,112	1,417,065	(197,953)

Details to explain the variance were not provided by the Ministry. However, we were informed that not all receipts have been included in revenue reports due to the delay in the submission of the relevant documents relating to revenue by various District Offices to Headquarters.

¹ Finance Instruction 2010 – Section 21 (1) (c)

The above finding indicates that proper reconciliations and supervisory checks were not carried out to ensure that the subsidiary revenue records are updated on a regular basis. In the absence of subsidiary records, there is a risk that fraud, errors and omissions will not be detected in a timely manner.

Recommendations

The Ministry should ensure that:

- **strict timelines are set for all District Offices to submit the carbon copies of the receipts and related source documents to the Headquarters on a timely basis and appropriate actions are taken for any non-compliance; and**
- **all revenue receipts are updated in the subsidiary revenue reports and posted into the general ledger and reconciled on a regular basis. Any variances identified should be investigated and promptly rectified.**

Ministry's Comments

The Ministry has noted the audit comments and recommendations. The Ministry have put in place a paperless system to address this.

18.11 Procurements facilitated from the Inter-Departmental Clearance (IDC) Account

The IDC Account is maintained to record transactions effected by one department on behalf of another such as re-allocation of costs and reversal of salaries.

Transactions are charged to the agency's IDC Account pending clearance by that agency.² The Manager Finance or Accounts Officer must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.³

Our review of IDC account reconciliation noted that the Ministry had incorrectly cleared its IDC Account allocation at the end of the financial year. It was noted that a sum of \$52,067.35 was journalised from the IDC account allocation (1-18101-68999-536101) to the VAT on revenue allocation (1-18101-68999-863201) through the journal voucher reference number 139/07 of 2017 in order to clear the IDC account at year-end.

We further noted that the sum of \$52,067.35 relates to the unreconciled difference in the total salaries and wages of Fiji Roads Authority (FRA) staffs which was paid by the Ministry on behalf of the FRA and the total amount reimbursed by the Authority for the period January to July 2017. Salaries and wages were paid were charged to the Ministry's IDC Account and cleared upon receipt of reimbursements from the Authority.

Our audit also noted that during the year, the Ministry processed payments directly from the IDC Account instead of charging expenses incurred directly to the relevant expenditure allocations.

Refer to Table 18.6 below for examples of payments.

² Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Schedule 5

³ Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 2.8.4

Table 18.6: Examples of procurements made from the IDC account

Date	EFT Number JV number	Particulars	Amount (\$)
19/06/17	5822	Payment for bills from 28 April - 30 May. This was later credited via JV 71/06 and debited 1-18101-68999-040421 allocation.	5,713
11/11/16	35181	Payment of airfare for CED & CWD attending rapid disaster resp. toolkit, Indonesia	7,650
11/07/17	5937	Purchase of 4 tyres - GP967	2,320
02/02/17	4520	Purchase of ration (50 kg sugar) for Qamea Island	2,281
08/02/17	4558	Purchase of ration for Qamea Island landslide victims	11,141
31/03/17	4785	Purchase of ration for Qamea Island	6,685
13/04/17	5637	Retention payment for construction of stone masonry wall at Kumi village.	7,167

It was noted that this was done due to unavailability of funds in the relevant expenditure allocations.

The above anomalies indicate that procurement planning was not done and cash flows were not properly managed to ensure that sufficient funding was available when required. The absence of proper supervisory checks to ensure that proper reconciliations are carried out is another contributing factor.

Whilst adjustments to correct these charges have been made at year-end, the above practice indicates that the IDC Account was not used solely for the purpose it was established.

Recommendations

The Ministry should ensure that:

- the practice of directly processing payments from the IDC Account is ceased and proper cash flow forecasts are done to ensure that funds are available for required expenditures; and
- supervisory and control checks in the operation of the IDC Account are strengthened to avoid discrepancies highlighted above from reoccurring in the future.

Ministry's Comments

The Ministry has noted the audit comments and recommendations. The Ministry will ensure planning for procurement is done and proper management of cash flow is implemented to avoid using IDC allocation.

18.12 Unauthorised Journal Vouchers

Only the Manager Finance or Accounts Officer shall approve journal adjustments.⁴ Once the journal voucher has been approved, it shall be posted into the appropriate ledger and the general ledger system.⁵

⁴ Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 14.1.2

⁵ Ministry of Rural and Maritime Development and Disaster Management, Finance Manual 2013, Section 14.1.5

Our review of a sample of journal vouchers noted instances of journal adjustments being done into the general ledger (FMIS) without the approval of Manager Finance or Accounts Officer. The journal vouchers were prepared and posted into the General Ledger by the Revenue Clerical Officer.

As a result of the above, misallocations in the general ledger were prevalent which had to be corrected through audit adjustments and in some cases remained unadjusted due to the non-provision of relevant source documents. Refer to table 18.7 for examples.

Table 18.7: Examples of Journal Voucher not approved

Date	Journal Voucher Number	Reason for adjustment	Amount (\$)
29/08/16	BLC 67/08/16	Revenue clearance for Headquarters	49,946
29/08/16	BLC 69/08/16	Revenue clearance for Headquarters	85,018
06/10/16	BLC 236/10/16	Clearance for emergency water carting and revenue as at 06/10/16	406,470
04/11/16	BLC 406/10/16	Revenue clearance for Commissioner Northern Office as at 14/10/16	12,000
04/11/16	BLC 419/10/16	Revenue clearance for Headquarters as at 21/10/16	52,027
03/02/17	BLC 846/02/17	Revenue clearance for Qamea rations received from PM's Rehab and relief fund	170,950
13/03/17	BLC 1019/03/17	Revenue clearance on the transfer of fund from DRRF to the PMNDRRF	1,000,000
No date	BLC 1107/03/17	Revenue clearance for RHU scheme 1 contribution as at 27/03/17	11,000
No date	BLC 1110/03/17	Revenue clearance for RHU scheme 1 contribution as at 31/03/17	45,454
No date	BLC 1724/03/17	Revenue clearance on liquor license and retail license	34,026
No date	BLC 2684/07/17	Revenue clearance for reimbursement of wages from FRA for the month of Jan – Jul	272,026
No date	BLC 2688/07/17	Revenue clearance for special trust account	144,201
25/04/17	JV01/04/17	Adjustment of misposting	6,861

The magnitude of the unapproved adjustments denotes weaknesses in controls over the posting of journals in the general ledger and raises serious concerns on the lack of oversight by the Manager Finance or Accounts Officer on the processing of journal vouchers.

There is a high risk of fraudulent or incorrect journal entries being posted into the general ledger therefore resulting in revenue balances being misstated.

Recommendation

The Ministry should ensure that all journal vouchers are verified and approved by authorised officers before they are posted into the general ledger.

Ministry's Comments

The Ministry has noted the audit comments and recommendations. The Ministry have put in place a paperless system to address this.

18.13 Anomalies in Provisional Tax

A resident person or a permanent establishment in Fiji of a non-resident person making a payment under a contract of services, including progress payments, must withhold tax from the gross amount of the payment as prescribed.⁶

A person is required to deduct 5% Provisional Tax from the gross amount payable for service fees or commission. The sum deducted is remitted to FRCA by the collection agent or responsible person and the tax collected is given as credit to the recipient's or payee's tax liability at the end of the year when the tax return is lodged. Provisional Tax will only be applicable if the parties have a written agreement for the supply of services or for payment of commission; and the person hiring the service is a business; and the total to pay to a person in one year will be \$1,000 or more.⁷

Our audit noted that the Ministry did not deduct provisional tax from all the contractual payments made during the financial year.

For those payments where provisional tax was deducted, instances were noted where incorrect percentage was used for calculating the provisional tax amount resulting in overpayment of the tax. It was further noted that provisional tax deducted were incorrectly posted to the expenditure allocation and not the SLG 84⁸ account. Refer to **Appendix 18.1** for details.

Our findings indicate lack of proper checks by supervising officers in ensuring that provisional tax payments are correctly processed and posted to the correct allocations. As a result, the Ministry did not comply with Section 114(2) of the Income Tax Act.

If the anomalies highlighted above are not promptly addressed, there is a high risk of incorrect tax payments being made, misallocations in the general ledger and penalties from Fiji Revenue and Customs Service (FRCS).

Recommendations

The Ministry should ensure that:

- **supervising officers are vigilant in performing their supervisory check;**
- **provisional tax deductions are correctly made from payments made to contractors for providing services to the Ministry; and**
- **provisional tax is charged to the correct expenditure general ledger and remitted to FRCS on a timely basis.**

Ministry's Comments

The Ministry has noted the audit comments and recommendations. The Ministry will be vigilant in checking payments in ensuring that the 5% Provisional Tax is deducted from the VEP amount and not the VIP amount and that the correct allocations are posted.

⁶ Income Tax Act 2015 – Section 114(2)

⁷ Tax Talk – Provisional tax

⁸ The SLG 84 account is a liability account in used to record all Accounts Payable including Provisional Tax payable (840602)

18.14 Absence of Risk Management Framework

It is a good practice to establish a risk management framework to have the Ministry's Management, and respective Divisional Heads, to jointly plan, implement, monitor, and take action on evolving risks affecting the Ministry.

Risk management framework would provide a platform to identify various risks affecting the Ministry, management of the risks, develop appropriate internal control to mitigate the risks and continuous monitoring of risks. The mechanism to mitigate risks could include policies, procedures, training and awareness.

Our review of the Ministry's Corporate Governance revealed that a risk management framework was not in place. As a result, the Ministry does not have approved written policies, procedures or guidelines to manage risk associated with the following:

- occupational health and safety (still in draft);
- Ministry's operational and human resource planning;
- fraud control and anti-corruption;
- disaster recovery and business continuity, and
- assessment of potential conflicts of interest.

In absence of a risk management framework, the Ministry may find difficulty in managing risks affecting the Ministry which include risk of fraud and misappropriation of assets.

Our findings also indicate that currently the Ministry does not have an established governance and accountability function to drive the risk management framework.

Recommendations

- **The Ministry should work towards preparing a risk management framework; and**
- **Following preparation of the framework, a governance and accountability function that supports the operations of the Ministry by providing financial and operational risk management and management of external reporting obligations, should be established.**

Ministry's Comments

The audit's comments and recommendations are noted.

The Ministry admits that it does not have a specific Risk Management Framework in place; however there are provisions in the Ministry policies and procedure guidelines (Finance, HR and Admin Policies, Disaster Act and plan) that addresses risks that may arise in the delivery of services.

Currently, the Ministry's OHS policy has been approved. The Ministry is also in the process of formulating the Ministry's Strategic plan which will incorporate risks and mitigating factors.

Furthermore, the Ministry is also working towards formulating a Risk Management Policy and plan.

18.15 Presentation of Main Trust Account

Trust money is to be accounted for separately from public money and other money within the meaning of this Act. Trust money is to be kept in a separate bank account pending its withdrawal and accounted for separately from "public money" and "other money".

The Provincial Development Trust Fund Account includes Tender Deposits, Rural Housing Deposits Schemes, Unclaimed Wages, one-third Self Help Projects and the Vatukoula Special Purpose trust.

All funds related to the above trusts are deposited in one bank account and a consolidated statement of trust receipts and payments is prepared by the Ministry in its Agency Financial Statements. In addition the current presentation of the Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one-line item in the statement even though the nature of the trust receipts and payments may vary.

With the various trust funds being deposited into one bank account, there is a high risk of funds for a particular trust being utilised for the other trust funds.

The current presentation and the trust fund accounts disclosures are deemed inadequate as it does not provide adequate information to the users of the Ministry's financial statements.

Recommendation

The Ministry should work towards opening separate bank accounts for various trust fund currently recorded under the Provincial Development Trust Fund Account and prepare separate statements of receipts and payments.

Ministry's Comments

The Audit's comments and recommendations are noted.

The Ministry is currently liaising with the Ministry of Economy for the opening of separate accounts for the various trust fund accounts maintained in the Ministry.

APPENDIX 18.1: ANOMALIES IN THE DEDUCTION OF PROVISIONAL TAX

Cheque / EFT Number	Date	Amount (\$)	Payee	Remarks
Commissioner Western Division				
4726	21/12/16	24,852.00	Company A	The Ministry did not deduct the provisional tax.
4915	02/02/17	22,500.00	Company B	The Ministry did not deduct the provisional tax.
5270	21/03/17	24,177.95	Company C	The 5% provisional tax was not deducted.
4877	23/01/17	24,177.95	Company D	The 5% provisional tax was not deducted.
19422	12/05/17	24,177.95	Company E	The 5% provisional tax was not deducted.
4688	15/12/16	6,000.00	Company F	The 5% provisional tax was not deducted.
Commissioner Central Division				
3766	19/07/17	35,837.32	Company G	The 5% provisional tax deducted was incorrectly calculated as 5% of the VIP amount instead of the VEP amount.
3111	03/02/17	38,475.00	Company H	The 5% provisional tax deducted was incorrectly calculated as 5% of the VIP amount instead of the VEP amount.
3097	27/01/17	39,240.00	Company I	PT was posted as a credit to SEG 8. The 5% provisional tax was not deducted
3042	18/01/17	40,099.50	Company J	The 5% provisional tax deducted was incorrectly calculated as 5% of the VIP amount instead of the VEP amount.
3695	07/07/17	13,765.50	Company K	Provisional tax was posted as a credit to SEG 8. The 5% provisional tax was not deducted
3602	13/06/17	13,775.00	Company L	The provisional tax was also posted to SEG 10 and 5% provisional tax was incorrectly calculated from VIP amount.

Section 19**Republic of Fiji Military Forces****Roles and Responsibilities**

The RFMF is charged with, and responsible for the defence and state security of Fiji, in the maintenance of Law and Order in land and sea and provision of maritime surveillance of Fiji's maritime zone. It improves the living standards of rural community through infrastructure development and youth training of life skills provided by the Engineering Corp through its Trade Training. It also provides services to mariners through the coastal radio station (Suva Radio 3DP) for all vessels within Fiji waters as required under the International Law of the Sea and the surveying and charting of Fiji's Exclusive Economic Zone.

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PART A: FINANCIAL STATEMENTS

19.1 Audit Opinion

The audit of the 2017 accounts of the Republic of Fiji Military Forces resulted in a qualified audit report. The qualification was as follows:

The Engineers Trust Fund Account Statement of Receipts and Payments does not provide receipts and payments for each project undertaken by the Force. The statement only includes closing cash balance for each project. As a result, I was unable to determine whether any adjustment might have been necessary in respect of the Engineers Trust Fund Account cash at bank balance at year end and any corresponding adjustments to the elements making up the statement of income and expenditure.

19.2 Statement of Receipts and Expenditure

The Republic of Fiji Military Forces collected revenue totalling \$476,480 and incurred a total expenditure of \$91,058,298 for the year ended 31 July 2017. Details are provided in Table 19.1.

Table 19.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	335,115	158,215
Agency Revenue	141,365	81,630
Total Revenue	476,480	239,845
Established Staff	69,829,823	40,997,731
Government Wage Earners	333,974	198,841
Travel and Communications	2,799,216	1,228,969
Maintenance and Operations	3,795,084	2,521,670
Purchase of Goods and Services	6,982,964	3,990,946
Operating Grants and Transfers	42,375	---
Special Expenditures	1,771,837	1,594,725
Total Operating Expenditure	85,555,273	50,532,882
Capital Construction	1,210,317	1,228,066
Capital Purchase	2,584,580	1,508,146
Total Capital Expenditure	3,794,897	2,736,212
Value Added Tax	1,708,128	1,002,847
Total Expenditure	91,058,298	54,271,941

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

19.3 Appropriation Statement

The Republic of Fiji Military Forces incurred expenditure totalling \$91.1 million in 2017 against a revised budget of \$96.4 million in accordance with section 19 of the Financial Management Act 2004, resulting in savings of \$5.3 million or 6%.

The savings was mainly due to the Life Extension Programme on patrol boat being taken through aid to Australia to complete works. Other projects were not completed due to delay in approval from agencies such as the Construction Implementation Unit, lengthy time taken by Government Tender Board in the awarding of contract, call for re-tender due to lack of bids and deployment of RFMF Engineers Personnel for Tropical Cyclone Winston rehabilitation work.

Details of expenditure against the revised budget are provided in Table 19.2.

Table 19.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	74,550,392	(4,053,170)	70,497,222	69,829,823	667,399
2	Government Wage Earners	256,531	96,000	352,531	333,974	18,557
3	Travel & Communication	1,246,890	1,639,510	2,886,400	2,799,216	87,184
4	Maintenance & Operations	4,153,710	(246,555)	3,907,155	3,795,084	112,071
5	Purchase of Goods & Services	5,420,511	1,626,173	7,046,684	6,982,964	63,720
6	Operating Grants & Transfers	50,000	(7,625)	42,375	42,375	---
7	Special expenditure	1,433,000	354,667	1,787,667	1,771,837	15,830
	Total Operating Expenditure	87,111,034	(591,000)	86,520,034	85,555,273	964,761
8	Capital Construction	6,864,500	(3,275,000)	3,589,500	1,210,317	2,379,183
9	Capital Purchase	650,000	3,866,000	4,516,000	2,584,580	1,931,420
	Total Capital Expenditure	7,514,500	591,000	8,105,500	3,794,897	4,310,603
13	Value Added Tax	1,779,300	---	1,779,300	1,708,128	71,172
	TOTAL	96,404,834	---	96,404,834	91,058,298	5,346,536

The Force collected revenue totalling \$476,480 in 2017, an increase of 99% from the previous year.

19.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Republic of Fiji Military Forces operates and maintains the following trust fund bank account:

19.4.1 Engineer Project Trust Fund Account

In July 2017, the Force obtained approval from Ministry of Economy to open the Engineer Project Trust Fund Account. The Statement of Receipts and Payments for this Trust Fund Account only reported the balances of the individual projects and did not include the receipts and payments incurred during the year.

Table 19.3: Engineer Project Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts		
Rural Development	34,095	---
PM's Office	24,868	---
Miscellaneous Project	17,661	---
Rotuma Hospital	3,815,000	---
Total Receipts	3,891,624	---
Payments		
Rural Development	---	---
PM's Office	---	---
Miscellaneous Project	---	---
Rotuma Hospital	---	---
Total Payments	---	---
Opening balance as at 1 August	---	---
Closing Balance		
Rural Development	34,095	---
PM's Office	24,868	---
Miscellaneous Project	17,661	---
Rotuma Hospital	3,815,000	---
Closing Balance as at 31 July	3,891,624	---

19.5 Consolidated Trading and Manufacturing Account

The Force has two trading activity accounts under its Consolidated Trading and Manufacturing Account. These are the Engineers Plant Troop and the Nautical Chart.

- The Engineers Plant Troop trading account was formed in 1978 to construct and develop roads to the inaccessible parts of rural areas in Fiji.
- The Nautical Chart trading account was transferred to the RFMF's naval division in 2010 to provide accurate oceanographic and hydrographic information and services.

Table 19.4: Trading Account – Consolidated Trading Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
Sales		
Plant Hire	824,489	51,461
Sale - Charts	32,787	17,017
	857,276	68,478
Opening Finished Goods	25,362	23,342
Add: Cost of Manufactured Goods	---	---
Goods Available for Sale	25,362	23,342
Less: Closing Finished Goods	22,524	25,362
Cost of Goods Sold	2,838	(2,020)
Gross Profit Transferred to Profit and Loss Statement	854,438	70,498

Table 19.5: Profit and Loss Account – Consolidated Trading Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
Income		
Gross Profit Transferred from Trading Account	854,438	70,498
Total Income	854,438	70,498
Expenses		
Fuel and Oil	85,625	48,905
Repairs and Maintenance	265,401	92,816
Freight	45,675	26,519
Office Upkeep and Supplies	454	---
Fixed Asset Replacement and Improvement	81,947	69,917
Minor Improvement	46,287	---
Consultant and Expert Fees	75,320	30,660
Total Expenses	600,709	268,817
Net Profit	253,729	(198,319)

Table 19.6: Balance Sheet – Consolidated Trading Activity

Description	31 July 2017 (\$)	31 July 2016 (\$)
Assets		
Cash at Bank	956,418	669,224
Accounts Receivable	289	290
Inventory	22,524	25,362
VAT Receivable	138,163	143,250
Total Assets	1,117,394	838,126
Liabilities		
Accrued Expenses	25,539	---
Total Liabilities	25,539	---
Net Assets	1,091,855	838,126
Equity		
TMA Accumulated Surplus	838,126	1,077,195
Transfers to Consolidated Fund	---	(40,750)
Net Profit/(Loss) for the Period	253,729	(198,319)
Total Equity	1,091,855	838,126

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

19.6 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 management of the agencies 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 agencies 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 Force as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

19.7 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 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.


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

19.8 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 Force was:

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


19.9 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

19.10 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 as:

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

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

PART C: OTHER SIGNIFICANT MATTERS

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 Force 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 Force. These have been included in this report as they impacted on the overall system of control of the Force as at 31 July 2017.

19.11 Anomalies in the Main Trust Fund – Engineers Project Fund Account

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.¹

The Chief Staff Officer Finance is responsible for the effective design and operation of internal control of the agency.²

When cash or bank cheques are received, the revenue collector shall immediately issue an ‘official receipt’.³

Our audit noted the following anomalies while reviewing the Main Trust Fund Account records:

- (i) The Engineers Trust Fund Account Statement of Receipts and Payments does not provide details of funds received and expended for each project undertaken by the Force. The statement only includes the closing cash at bank balance for each project;
- (ii) The cash book balance should be reconciled on a monthly basis with the bank statement balance. However, our audit noted that monthly bank reconciliations are only prepared from details appearing in the bank statement. There is no reconciliation of the details appearing in the bank statement against details in the Engineers Project Trust Fund Account cashbook; and
- (iii) The Engineers Project Trust Fund Account cashbook was not properly maintained and updated whereby monthly opening cash book balance, monthly totals of receipts and payments were not included in the cashbook.

We further noted the following weaknesses in the review of internal controls of the Main Trust Fund Account:

¹ Finance Instructions 2010 Section 58 (2), (3)

² RFMF Finance Manual 2014, Section 17.1.1

³ RFMF Finance Manual 2014 – Part 5.3.1

- (i) direct deposits of \$6,300.00 dated 14/09/16 and \$169.25 dated 24/07/17 appearing in the bank statement were not receipted;
- (ii) as of July 2017, although revenue receipting was transferred to Headquarters, unused receipts remained at the Engineering Unit; and
- (iii) fourteen blank cheques were pre-signed by a cheque signatory increasing the risk of misuse of funds and fraud.

The above findings indicate that the management of the Force did not properly review, identify and address the weak internal controls on a timely basis.

As a result of the above findings, the accuracy and completeness of the Engineers Project Fund Account cash at bank balance of \$3,891,624 could not be ascertained. In addition, our audit was also unable to determine whether any adjustment might have been necessary in respect of the Engineers Trust Fund Account cash at bank balance at year-end and any corresponding adjustments to the elements making up the statement of income and expenditure.

Recommendations

The Force must ensure that:

- **monthly bank reconciliations for the Engineers Project Fund Account is correctly carried out;**
- **cash book or the Engineers Project Fund Account is properly maintained and updated;**
- **instructions and requirements stipulated in the Finance Instructions and Finance Manual are complied with;**
- **immediate action is taken to address the control weaknesses highlighted; and**
- **there is regular evaluation of internal controls to determine their effectiveness, identify weaknesses and implement measures to address them.**

Management Comments

OAG findings and recommendations are noted. Previously the Engineer's Project Fund account was operating as a private fund. This was an audit issue for the past 3 years. RFMF regularised this in July of the 2016/2017 financial year. With the approval of the Ministry of Economy the account is operating under FMIS as a True Trust. Final balances of each project were reconciled and recorded into FMIS. As this was an on-going exercise no monies for new projects was received in the 2016/2017 financial year.

All funds donated from agencies for projects are deposited into one bank account but when preparing monthly reconciliation, individual project reconciliation is prepared in order to identify each financial balance. The monthly bank reconciliation prepared was for the management's information however the Force will review its monthly bank reconciliation for the Engineers Project Fund Account. Reconciliation of the cash book was done against the bank statements.

The funds were for the Nasova project which was directly deposited to the Private Account by the donor which was the Police Department.

The change over process is still on-going and RFMF will ensure that all unused accounting books will be returned to Accounts Section for safekeeping.

This was done to ensure that payments continued as 3 of the four signatories were suddenly deployed overseas on training and Middle East appointment.

19.12 Absence of Risk Management Framework

It is a good practice to establish a risk management framework to have the Force Management, and Internal Audit and respective Divisional Heads, to jointly plan, implement, monitor, and take action on evolving risks affecting the Force.

Risk management framework would provide a platform to identify various risks affecting the Force, management of the risks, develop appropriate internal control to mitigate the risks and continuous monitoring of risks. The mechanism to mitigate risks could include policies, procedures, training and awareness.

Our review of the Force's Corporate Governance revealed that there is no risk management framework in place. As a result, the Force does not have written policies, procedures or guidelines to manage risk associated with the following:

- occupational health and safety;
- Force operational and human resource planning;
- fraud control and anti-corruption;
- disaster recovery and business continuity; and
- assessment of potential conflicts of interest.

In absence of a risk management framework, the Force may find difficulty in managing risks affecting the Force particularly risk of fraud and misappropriation of assets.

Recommendation

The Force should work towards establishing a risk management framework that would support the operations by providing financial and operational risk management and management of external reporting obligations.

Management Comments

The RFMF operations is administered by various documents such as the Commander RFMF Intent; the Standing Orders Vol. I – Admin Matters and Standing Orders Vol. II – Support Matters, Camp Standing Orders, and various SOPs for various specialized groups and tasking's. Most of these SOPs cover risks managements for those particular tasks.

As a way forward RFMF acknowledges that a review and documenting of an overall Risk Management Framework should be put in place for the Force.

19.13 Effectiveness of the Internal Audit Function

Internal audit is a key pillar of good governance. It inspects an organisation's systems and processes and provides the board of directors, the audit committee, senior management, with objective, independent assurance on how well they are working, and aim to add value and improve the organisation's operations. Internal audit also provides a view on whether an entity has appropriate controls, practices and procedures both to minimise the risk that an adverse event will occur and to reduce the potential consequences if it does.

The Force has an Internal Audit Unit that is handled by three civilian staff who report directly to the Director Finance, Logistic and Acquisition.

Our review of the work of internal audit function noted that audits were not carried out to review the effectiveness of the internal controls, systems and process of the Force in 2017.

In addition, the Force does not have an internal audit charter defining the internal audit's purpose, authority, responsibility and position within the Force.

In the absence of assurance on the effectiveness of Force's internal controls and processes by internal audit, the management would not be in a position to act promptly to rectify any deficiency existing in the Force's internal control and processes.

Recommendations

- **The Force should develop an internal audit charter outlining the internal audit functions purpose, authority, responsibility and position within the Force;**
- **Following the establishment of the internal audit charter, an annual audit program should be developed based on risk assessment of key functional units within the Force;**
- **Internal Audit team should carry out reviews on the effectiveness of its internal controls, systems and processes particularly in the areas of risk and provide recommendation where deficiencies exist; and**
- **For the purpose of effectiveness and accountability, the Internal Audit function should directly report to the Force Commander.**

Management Comments

The Internal Audit Unit of RFMF was established in 2010 comprising of one civilian staff and three military staff. Due to issues with high staff turnover of military staffs, because of Peacekeeping duties abroad, the recruitment of two civilian staffs was completed in August 2017. Though the internal audit team reports directly to Commander RFMF, the team is administered under the Director Finance Logistic and Acquisition. Due to the lack of staff in 2016 the Audit team conducted only two routine audits for the RFMF – LSU and Engineers. Apart from that, the Audit team conducted special investigations as instructed by HQ RFMF.

With the recruitment of 2 civilian auditors' routine checks and reviews on internal controls in RFMF units is now being carried out in accordance with the audit plans. In addition RFMF is developing an audit charter for endorsement by the Commander by December 2018.

Section 20

Fiji Police Force

Roles and Responsibilities

The Fiji Police Force has the important responsibility of keeping the people of Fiji safe by maintaining law and order, protecting property and upholding the law. All Fijians should feel secure in their homes and free to go about their daily business without any form of criminal violence or intimidation.

Crimes need to be properly investigated, wrongdoers need to be quickly identified, and reduction in crime against women and children and cases need to be brought to trial through Criminal Justice System.

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

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PART A: FINANCIAL STATEMENTS

20.1 Audit Opinion

The audit of the 2017 accounts for the Fiji Police Force resulted in the issue of an unqualified audit opinion.

20.2 Statement of Receipts and Expenditure

The Fiji Police Force recorded revenue totalling \$2,547,774 and incurred a total expenditure of \$120,451,024 for the year ended 31 July 2017. Details are provided in Table 20.1.

Table 20.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State revenue	2,299,786	1,276,233
Agency Revenue	247,988	20,590
Total Revenue	2,547,774	1,296,823
Established staff	95,077,397	55,524,329
Government wage earners	627,403	389,751
Travel and communications	4,187,359	2,286,845
Maintenance and operations	6,684,422	3,464,932
Purchase of goods and services	5,184,797	1,380,823
Operating grants and transfers	61,945	3,023
Special expenditure	1,399,253	495,221
Total Operating Expenditure	113,222,576	63,544,924
Capital construction	877,374	200,000
Capital purchase	4,416,095	1,605,941
Total Capital Expenditure	5,293,469	1,805,941
Value Added Tax	1,934,979	704,644
Total Expenditure	120,451,024	66,055,509

The financial year-end for Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

Revenue mainly comprised of police clearance fees, license fees and overpayment recoveries.

Purchase of goods and services increased by \$3,803,974 in 2017 compared to 2016 due to procurement of items required for special operations, increase in court witness fee and purchase of uniforms.

20.3 Appropriation Statement

The Force incurred expenditure totalling \$120.4 million in 2017 against a revised budget of \$131.7 million, resulting in a saving of \$11.3 million or 9%. The large savings was due to a number of projects earmarked for the Force were not undertaken due to Tropical Cyclone Winston Rehabilitation process where priorities were given to Education and Health sector by the Construction Implementation Unit under the Ministry of Economy. In addition, a number of vacant positions were not filled during the year.

Details of expenditure against the revised budget are provided in Table 20.2.

Table 20.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	102,526,427	(3,337,590)	99,188,837	95,077,397	4,111,440
2	Government Wage Earners	637,576	---	637,576	627,403	10,173
3	Travel & Communication	3,684,000	588,810	4,272,810	4,187,359	85,451
4	Maintenance & Operations	6,179,000	1,476,000	7,655,000	6,684,422	970,578
5	Purchase of Goods & Services	4,730,241	733,000	5,463,241	5,184,797	278,444
6	Operating grants & transfers	90,000	(27,500)	62,500	61,945	555
7	Special expenditure	1,216,650	327,500	1,544,150	1,399,253	144,897
	Total Operating Exp	119,063,894	(239,780)	118,824,114	113,222,576	5,601,538
8	Capital Construction	6,750,000	(1,240,000)	5,510,000	877,374	4,632,626
9	Capital Purchase	3,581,500	1,350,000	4,931,500	4,416,095	515,405
	Total Capital Expenditure	10,331,500	110,000	10,441,500	5,293,469	5,148,031
13	Value Added Tax	2,350,400	129,780	2,480,180	1,934,979	545,201
	TOTAL	131,745,794	---	131,745,794	120,451,024	11,294,770

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

20.4 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 management of the agencies 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 agencies 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 Force as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

20.5 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

20.6 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 Force was:

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


20.7 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

20.8 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 as:

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

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 5 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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 Force 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 Force. These have been included in this report as they impacted on the overall system of control of the Force as at 31 July 2017.

20.9 Anomalies noted in the Revolving Fund Account

The travel advance shall be charged to the advances account until cleared through submission of the acquittals.¹

The Force Accountant must ensure that:

- i. All balances are accurate and adequately supported;
- ii. Any misallocation or outstanding balances from the previous month have been dealt with.²

We noted that the Revolving Fund Account allocation (1-20101-20101-570301 - Advances) for the Force had a debit balance of \$30,405.30 as at 31 July 2017 of which \$17,595.88 or 58% has been carried forward from previous years.

The Force did not maintain the detailed breakdown of the carried forward balances, hence the correctness of the balances could not be substantiated. Despite the issue being raised in previous years audit reports, necessary action has not been taken to address the issue.

The above findings show that the administration of accountable advances by the Force needs to be strengthened.

As a result of the above finding, public funds are held up as outstanding accountable advance and total expenditure is understated. There is also a high risk of non-recovery of outstanding accountable advances due to unavailability of records to substantiate the monies paid.

Recommendations

The Force should:

- **review and rectify the long outstanding balances in the Revolving Fund Account; and**
- **properly maintain all relevant supporting documents for the Revolving Fund Account.**

¹ Fiji Police Force Finance Manual 2014 Section 9.1.9

² Fiji Police Finance Manual 2014 Section 15.3.6

Management Comments

A task force team has been formed to verify the long outstanding anomalies from previous years (2006-2013) which are in the Revolving Fund Account. Appropriate adjustment will be made after consultation with Ministry of Economy since these are long outstanding debts. The responsible officers are informed that details of relevant supporting documents, etc. are to be maintained in the reconciliation files.

20.10 Irregularities in the Operating Trust Fund Accounts

The Force Accountant is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports³

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Assistant Accounts Officer Ledgers shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.⁴

Our review of the Operating Trust Fund Account noted that the account had a credit balance of \$2,203,982.99 as at 31 July 2017 which included significant outstanding balances from prior years which had not been cleared. Refer to Table 20.3 for details.

Table 20.3: Details of Accounts with Significant Balances carried forward to 2017

Account Number	Description	Amount (\$)
1-20101-20101-863201	VAT from Provision of Goods & Services	1,000,753.80
1-20101-20101-861517	307 PD Police Service Credit Union	799,034.76
1-20101-20101-861902	204 PD Deposit A/C Recoverable	86,941.35
1-20101-20101-861917	437 PD Improved Forestry	97,755.08

The above findings indicate that controls and supervisory checks in the administration of the operating trust fund account need to be improved.

Recommendation

The Force should review and rectify the carry forward balances from prior years.

Management Comments

A task force team has been formed to verify the long outstanding anomalies from previous years (2006-2013) which are in the Operating Fund Account. Appropriate adjustment will be made after consultation with Ministry of Economy since these are long outstanding credits. The responsible officers are informed that details of relevant supporting documents, etc. are to be maintained in the reconciliation files.

20.11 Non-Clearance of Withholding Payable Account

At the end of each project, agencies are required to ensure proper clearing of the SLG84 account; and any outstanding balance in the SLG84 account are to be accounted for.⁵

³ Fiji Police Force Financial Manual 2014 Section 15

⁴ Fiji Police Force Finance Manual 2014 Section 15 3.3

⁵ SLG 84 Reporting Guide 2013 Section 9.5

Audit noted the following anomalies in the Withholding Payable Account (1-20101-20999-840602) for the Force:

- contrary to the liability nature of the account, a debit balance of \$16,106.07 was recorded as at 31 July 2017.
- the account was not cleared to zero as required by the SLG84 policy.
- the account had an opening balance of \$17,997.42 and closing balance of \$16,106.07 indicating that only \$1,891.35 was cleared during the year.
- detailed breakdown of the carried forward balances was not maintained to substantiate the balances.

The above findings indicate that controls and supervisory checks in the administration of the Withholding Payable Account needs to be improved.

Recommendations

The Force should:

- **review and rectify the anomalies noted in the Withholding Payable Account; and**
- **properly maintain all relevant supporting documents to substantiate the balances reflected in the reconciliations.**

Management Comments

A task force team has been formed to verify the long outstanding anomalies from previous years (2006-2013) which are in the Withholding Payable Account. Given that partial works had been completed, payments of only \$680,232.48 was released as we were not in a position to action on full payment as works had not been completed and no completion certificate had been provided. Given availability of funding this Financial Year, pending payments has been facilitated.

Section 49

Peacekeeping Missions

Roles and Responsibilities

For more than three decades, Fiji has responded to the call of the United Nations [UN] to serve in some of the most difficult circumstances around the world. Fiji has proudly contributed troops to successive peacekeeping operations in Lebanon, Sinai, Iraq, Syria, Timor Leste, South Sudan, Darfur, Liberia, Bosnia, Kosovo, Kuwait, Namibia, Cambodia and the Solomon Islands.

The UN Security Council mandate for peacekeeping operations calls for security personnel deployed to conflict zones under UN authority to maintain or restore international peace and security, exclusively in the common interest of the international community; disengage the conflict parties; create conditions for peaceful settlement of a conflict; monitor cease-fire peace agreements; and render humanitarian assistance to civilian population in the area of deployment.

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PART A: FINANCIAL STATEMENT

49.1 Audit Opinion

Audit of the 2017 accounts of the Peacekeeping Mission resulted in an unqualified audit opinion. However, attention was drawn to the following matter:

- The Peacekeeping Missions did not carry out a board of survey to verify the existence and condition of the assets under its authority contrary to Section 49 of the Finance Instructions 2010.

49.2 Statement of Receipts and Expenditure

The Peacekeeping Missions incurred expenditure totalling \$75,266,026 for the year ended 31 July 2017. Refer to Table 49.1 for details.

Table 49.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
RECEIPTS		
State Revenue	---	---
Total Revenue	---	---
EXPENDITURE		
Operating Expenditure		
Established Staff	61,854,644	39,524,162
Travel & Communications	301,772	119,031
Maintenance & Operations	47,856	27,354
Purchase of Goods & Services	3,993,097	1,674,140
Special Expenditures	966,946	247,280
Total Operating Expenditure	67,164,315	41,591,967
Capital Expenditure		
Capital Purchase	6,878,905	---
Total Capital Expenditure	6,878,905	---
Value Added Tax	1,222,806	168,398
TOTAL EXPENDITURE	75,266,026	41,760,365

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. 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.

49.3 Appropriation Statement

The Mission incurred expenditure totalling \$75,266,026 in 2017 against a revised budget of \$78,972,375 resulting in a savings of \$3,706,349 or 5%.

Review of the FMIS General Ledger revealed that significant savings were in the following areas: Personal Emoluments (SEG 1) by \$1,569,630, Allowance (SEG 1) by \$608,355, Standby for Rapid Deployment (SEG 7) by \$202,000 and Standby Arrangement RDPM (SEG 7) by \$250,000.

Officers serving in Peacekeeping Missions overseas were from the Republic of Fiji Military Forces and Fiji Police Force and expenditures incurred was charged to Head 49, Programme 1 and Programme 2, respectively.

Republic of Fiji Military Forces

Savings were due to the following reasons:

- Savings of \$1,052,458 in Personal Emoluments and \$436,704 in various allowances was due to decrease in the number of officers serving in Middle East from 338 to 170.
- SEG 7 allocation namely Standby Arrangement Rapid Deployment to Peacekeeping Missions (RDPM) budgeted funds of \$250,000 was not utilised since there was no rapid deployment to Peacekeeping Missions.

Fiji Police Force

Savings were due to the following reasons:

- Savings of \$517,172 in Personal Emoluments was a result of some officers being paid from Appropriation Head 20 (Fiji Police Force) in the 2016/2017 financial year.
- Lodging Allowance allocation had savings of \$143,387 since some officers serving in overseas missions were not eligible to lodging allowance because they were staying in quarters.
- SEG 7 allocation namely Standby for Rapid Deployment budgeted funds of \$202,000 was not utilised since there was no rapid deployment of officers to the UN mission.

Details of expenditures against the budget estimates are provided in Table 49.2.

Table 49.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	72,574,879	(8,165,000)	64,409,879	61,854,644	2,555,235
3	Travel & Communications	122,758	184,284	307,042	301,772	5,270
4	Maintenance & Operations	180,146	(73,000)	107,146	47,856	59,290
5	Purchase of Goods & Services	3,264,192	808,325	4,072,517	3,993,097	79,420
7	Special Expenditures	2,302,200	(845,150)	1,457,050	966,946	490,104
	Total Operating Costs	78,444,175	(8,090,541)	70,353,634	67,164,315	3,189,319
	Capital Expenditure					
9	Capital Purchases	---	6,955,000	6,955,000	6,878,905	76,095
	Total Capital Expenditure	---	6,955,000	6,955,000	6,878,905	76,095
13	Value Added Tax	528,200	1,135,541	1,663,741	1,222,806	440,935
	TOTAL EXPENDITURE	78,972,375	---	78,972,375	75,266,026	3,706,349

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

49.4 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 technology 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 management of 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 ministries and departments to determine whether internal controls are present and function. This may include the establishment of independent internal audit functions within agencies 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 Mission as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

49.5 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
 Effective	All 10 key processes completed by due date

49.6 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 Mission was:

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


49.7 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
 Generally Effective	Acceptable draft financial statements received before or on 16 October 2017

49.8 Timeliness of Management Comments


To assess the timeliness of management comments, we have compared the date agency financial statement draft management letter (DML) was issued and the date management comments was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
 Ineffective	Management comments received after 21 days from the date agency financial statement draft management letter (DML) was issued

49.9 Timeliness of Signed Accounts Received

To assess the timeliness of signed accounts received, we have compared the date financial statements were sent to ministries/departments for signing and the date signed financial statements was received.

Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
 Generally effective	Signed financial statements received within 15 days

PART C: OTHER SIGNIFICANT MATTERS

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 Mission 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 Mission. These have been included in this report as they impacted on the overall system of control of the Mission as at 31 July 2017.

49.10 Anomalies in Procurement of Winter Clothing

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.¹

The inventory bookkeeper should maintain the inventory register to record incoming and outgoing inventories. The inventory register shall provide the following information:

- i. Date of acquisition and order number reference;
- ii. Number of items received and cost price;
- iii. Supplier details;
- iv. Date of issue of inventory and nature of issue;
- v. Issue reference; and
- vi. Quantity issued.²

The Minister for Economy through a letter dated 4 February 2016 approved for the waiver of tender process for the purchase of winter clothing by Peacekeeping Missions from Vendor A based in Israel at a total cost of USD 231,282.50 or FJD 494,510.37.

Contrary to the Minister of Economy's approval, the Mission paid a sum of USD 253,796.02 for the purchase resulting in an additional payment of USD \$22,513.52 or 10% of the approved amount to the supplier. Refer to Table 49.3 for details.

Table 49.3: Payments to Vendor A

Date	Cheque No.	Payee	Particulars	Amount (USD)	Amount (FJD)
15/03/16	73980	Vendor A	50% advance payment for winter clothing	115,641.25	247,280.18
18/10/16	75191	Vendor A	Final payment for purchase of winter clothing	115,641.25	243,480.26
15/09/17	19602	Vendor A	Payment of VAT charges	22,513.52	46,544.39
Total				253,796.02	537,304.83

¹ RFMF Finance Manual 2014, Expenditure Introductory Paragraph

² RFMF Finance Manual 2014, Section 8.1.3

The Mission confirmed that approval for variation to the initial approved purchase amount was not obtained from the Minister.

Moreover, the stock cards maintained at RFMF Headquarter Nabua, for winter clothing were not updated.

In the absence of an updated stock card, we could not verify the quantities of winter uniform received by the Mission.

Recommendations

The Mission should:

- **Ensure that purchase of goods and services are made within the approved limits;**
- **Obtain retrospective approval from the Minister for variation to the initial approved purchase amount for winter clothing; and**
- **Update the inventory cards and maintain proper documents for items purchased from overseas.**

Mission's Comments

OAG findings and recommendations are noted.

It is to be noted that the first and second payment to Vendor A totalling FJD 490,760.44 which were paid vide Cheque Nos. 73980 and 75191 dated 15 Mar 16 and 18 Oct 16 respectively were for payments on the initial quotation supplied by the company thus the approval of waiver of tender was obtained from the Minister of Economy.

The total cost was computed on the initial agreement that the winter clothing will be delivered directly from the supplier to the respective missions i.e. UNDOF, MFO, UNIFIL and UNAMI through Jordan. When payments of the items were received by the company and for security reasons, the Customs of Jordan prohibited the supply of the items to the UNIFIL and UNAMI missions and only allowed the items for UNDOF and MFO missions.

Because the items had been fully paid and were really needed by the missions, arrangements were being made to sea freight items for UNIFIL and UNAMI from Israel to Fiji in time for the two missions' rotation. This was not part of the initial arrangements made.

However this did incur VAT cost by the Israel Customs to the company with total cost of FJD 46,544.39.

The Force on the understanding that this extra expenditure was below FJD 50,000 and was not part of the initial agreement made to the company, this extra cost of FJD 46,544.39 was paid vide Cheque No. 19602 dated 15 Mar 2017 on the approval of the Commander RFMF.

The staffs concerned had been advised to regularly update tally cards and maintain proper documentations for items purchased from overseas as recommended.

The unit's QM and staffs are updating clothing cards where all incoming stores are recorded, obsolete stores are boarded prior to disposal before the replacements are being ordered.

49.11 Prior Year Payments & Misallocation of Expenditure

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. No officer may incur expenditure which results in the agency's appropriation being exceeded without the authorisation of the Ministry of Economy, pending approval by Cabinet.³

Our audit noted that the Mission paid a sum of \$242,789 Value Added Tax (VAT) arrears on Fringe Benefit Tax for the years 2012 to 2016 to Fiji Revenue & Customs Service. The VAT on fringe benefit tax was related to Appropriation Head 19 (RFMF). Discussion with the officer-in-charge revealed that due to unavailability of funds in the RFMF budget, the payment was sourced from the Peacekeeping Missions budget allocation. Refer to Table 49.4 for details.

Table 49.4: Details of VAT Payment on Fringe Benefit Tax

Date	Cheque No.	Particulars	Amount (\$)
20/07/2017	76467	Payment of VAT on Fringe Benefit	242,789.43

The above expenditure has resulted in the overstatement of the Peacekeeping Missions expenditure for the year ended 31 July 2017.

Recommendation

The Mission should ensure that expenditures are charged to the correct Appropriation Head.

Mission's Comments

OAG findings and recommendations are acknowledged.

Arrears of FBT were paid from Head 49 due to the unavailability of funds in Head 19.

49.12 Board of Survey not conducted

The Accounting Head shall nominate two board of survey officers to undertake an annual board of survey of fixed assets and expandable items at a specified date as required by Procurement Regulations 24-(1)-(4).⁴

The board of survey officers shall physically identify each item, note its working condition and verify its existence to the fixed assets register and expandable items register. Details of the board of survey must be entered on the appropriate board of survey sheets and signed by the board of survey officers.⁵

We noted that the last Board of Survey for the Mission was carried for the financial year ended 31 December 2015.

Without a Board of Survey report for the year, the existence and condition of assets of the Mission could not be substantiated.

³ RFMF Finance Manual 2014, Section 2.1.2

⁴ RFMF Finance Manual 2014, Section 11.4.1

⁵ RFMF Finance Manual 2014, Section 11.4.2

Recommendations

The Mission should ensure that:

- Board of Survey is carried out in accordance with its Finance Manual Policies Section 11.4 and Finance Instruction Section 49; and
- a copy is made available for audit verification.

Mission's Comments

OAG findings and recommendations are noted.

It is to be noted that the Force's fixed asset register is maintained, monitored and updated by the Force Inventory Management Cell (IMC) at the Strategic Headquarter.

It also to be noted that the Unit do not have proper storeroom for storage of stores. The stores are ordered as and when a rotation is due and all items received are issued accordingly.

49.13 Variance between Payroll Report and FMIS

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.⁶

Our audit noted variances totalling \$117,756 between Mission's payroll report balance and FMIS general ledger. Refer to the Table 49.5 below for details.

Table 49.5: Revised Variance in Payroll Report and FMIS after Reconciliation

SEG 1 Breakdown	Payroll Report (\$)	FMIS General Ledger Balance (\$)	Variance (\$)
Personal Emoluments	17,238,475	17,286,403	(47,928)
Location Allowance	38,500,320	38,554,390	(54,070)
Lodging Allowance	2,138,991	2,145,127	(6,136)
Service Allowance	1,218,009	1,227,631	(9,622)
Total	59,095,795	59,213,551	(117,756)

Variances in the above records indicate non-reconciliation and inadequate supervisory checks which increases the risk of errors and omissions in the accounting of payroll for Peacekeeping Missions.

Recommendation

The Mission should ensure that regular reconciliation is carried out between the payroll report and the FMIS general ledger and the variances noted are investigated and rectified by supervising officers on a timely basis.

Mission's Comments

After reconciliation of SEG 1 the variance amount reported of \$919,484 was reduced to \$117,755.91. RFMF will endeavour to attain zero variance in the next financial year.

⁶ Republic of Fiji Military Forces, Finance Manual 2014 – Part 4 Payroll



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