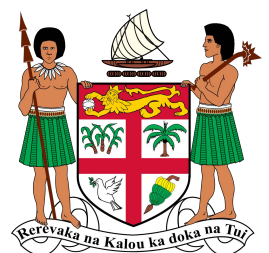




OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR GENERAL OF THE REPUBLIC OF FIJI

2017 Audit Report on Social Services 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 SOCIAL SERVICES 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 Social Services 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 which is required to be included in the whole of Government annual report for a financial year under the *Financial Management Act 2004*. The audit extends of 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 – Social Services 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 *Financial 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 Social Services Sector includes:

Section 21 and 26	Ministry of Education, Heritage and Arts /Higher Education Institutions
Section 22	Ministry of Health and Medical Services
Section 23	Department of Housing
Section 24	Ministry of Women, Children and Poverty Alleviation
Section 25	Ministry of Youth and Sports.

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 23 October 2018, we issued audit opinions on five agency financial statements of ministries and departments in the *Social Services 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 of good quality. We issued unmodified opinions on 4 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 Financial Management Act, Finance Instructions 2010, Finance (Amendment) Instruction 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.

Table 1: Independent Audit Reports issued for 2016-2017 financial year – Social Services Sector

	Unmodified Opinion	Modified Opinion
Number of audits	4	1
Percentage of total	80%	20%

Source: Office of the Auditor-General

Three out of the five ministries and departments in the *Social Services Sector* submitted the draft financial statements for 2017 well after the deadline of 16 October 2017 set by Ministry of Economy. Only two agencies submitted their draft financial statements on or before the deadline.

The draft financial statements for 2016-2017 of all ministries and departments in the *Social Services Sector* were not adjusted during our audit.

2.0 Types of audit opinions issued

In accordance with International Standard on Auditing, we express an *unmodified opinion* (unqualified) when the financial statements are prepared in accordance with the Financial Management Act 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 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 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, should be able to prepare high quality financial statements in a timely manner.

We assessed the quality and timeliness of financial statements prepared by five agencies in the *Social Services 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 five ministries and departments were audited under the Social Services Sector. Of these, unqualified audit reports were issued on four financial statements while audit report for one financial statement was qualified.

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

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 and to improve on timeliness of the financial statements submitted for audit.



Ajay Nand

AUDITOR-GENERAL

Date: 05/02/2019

3.0 Audit Opinion results

Table A summarizes 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
Social Services	4	1

Modified opinions

We issued modified opinion on only one 2017 agency financial statements out of the five which were completed for the Social Services Sector.

We issued a modified audit opinion for the Ministry of Health and Medical Services. This was due to an unreconciled variance of \$114,950 which exists between the bank reconciliation and the Cash at Bank general ledger balances. As a result, the accuracy and completeness of the closing balance of \$338,925 reflected in the Trust Fund Account Statement of Receipts and Payments could not be substantiated.

Unmodified opinions

We issued unmodified opinions on four or 80% of the 2017 financial statements. This means that material misstatements were not noted in majority of the agencies which were audited in this sector.

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.

All ministries and departments in this sector prepared good quality complete draft financial statements that did not require any adjustments during our audit.

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 the close of the financial year. The deadline set by Ministry of Economy for submission of draft financial statements was 16 October 2017.

Table 3: Agencies which met or did not meet the agreed timeline for submission of draft financial statements

Sector	Timeline Met	Timeline not Met
Social Services	2	3

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 timelines 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.

Table 4: Achievement of timelines for closing of accounts by agencies

Sector	Effective	Generally Effective	Ineffective
Social Services	0	3	2

Appendix A: Assessment of Financial Governance

This section evaluates the effectiveness of the internal controls maintained by 5 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 of 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 in the Social Services Sector.

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 daily 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 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.




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

Rating	Year-end close process assessment
 Ineffective	Less than five of 10 key processes completed within two weeks of due date

Quality of Draft Financial Statements by agencies



The extent of audit adjustments made to draft financial statements indicates the effectiveness of an agencies internal review process 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 *Social Services 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 *Social Services Sector* which were subject to our audit.

Ministry or Department	Internal controls					Financial Statement Preparation			Responses to OAG	
Social Services	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS
1. Ministry of Education, Heritage and Arts	✖	✔	✔	✔	✖	✖	✖	✔	✖	✖
2. Ministry of Health and Medical Services	✖	✖	✖	✖	✖	✖	✖	✔	✔	✖
3. Department of Housing	✖	✖	✖	✔	✔	✖	✖	✔	✖	✖
4. Ministry of Women, Children and Poverty Alleviation	✖	✖	✖	✖	✔	✖	✖	✔	✖	✔
5. Ministry of Youth and Sports	✔	✔	✖	✔	✔	✔	✖	✔	✔	✖

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 the 2016-2017 financial statements for ministries and departments in the Social Services Sector.

Ministry/Department	Date audit report signed	Audit opinion type
1. Ministry of Education, Heritage and Arts/Higher Education Institutions	15/10/18	Unmodified
2. Ministry of Health and Medical Services	14/08/18	Modified
3. Department of Housing	16/10/18	Unmodified
4. Ministry of Women, Children and Poverty Alleviation	23/05/18	Unmodified with Emphasis of Matter
5. Ministry of Youth and Sports	11/01/18	Unmodified

Section 21 and 26 Ministry of Education, Heritage and Arts /Higher Education Institutions

Roles and Responsibilities

Education is a basic human right that is critical for people to improve their social and economic standing and to ensure that the nation can meet the challenges of a modern society. When the people of a nation are educated, they will find ways to become self-sufficient and contribute to society. Government's commitment to elevate the quality of education in Fiji is reflected in the significant increase in the Education budget by 3 per cent in 2016 - 2017 compared to 2016. This is largely due to the increase in Capital Budget, which mainly caters for the rehabilitation of schools damaged by Tropical Cyclone Winston, Bus Fare Assistance, and Boat Assistance to schools inaccessible by roads and the printing of text books for schools.

The Ministry of Education's Strategic Development Plan for 2015-2018 clearly outlines the Ministry's nine outcome priorities. Maintaining and improving quality in education is paramount in the Education Sector and the Ministry will continue to devote its resources towards that end.

Most of the new initiatives introduced in 2016 will continue in 2016-2017. These include free tuition for children in the final year of kindergarten at accredited pre-schools, free Milk program for Year 1 students, free tuition for TVET students, the "topper's scheme" scholarships for the top 600 students leaving high school and the Tertiary Education Loans Scheme ("TELS") to provide loans to students who want to go on to university or technical colleges.

The Ministry is specifically tasked with delivering education services to pre-schools, primary schools, high schools, special education schools and technical and vocational centres. This includes the implementation of the curriculum frameworks and policy guidelines. Provision of human resources, budget, administrative, management and program support to controlling authorities and education stakeholders are also focus of the Ministry.

The Ministry will expand the Digital Literacy Program to secondary students and strengthen community library services by digitizing library systems so that Fiji can adopt modern library best practices and promote greater literacy among the Fijian people.

Government will continue to provide an improved learning environment by increasing access, retention and completion for all students and by upgrading and maintaining projects and programmes in schools.

Within the Ministry, the Department of Heritage and Arts is charged with strengthening the Government's efforts to safeguard Fiji's rich cultural and natural heritage. It is also responsible for policies and programs that promote cultural diversity and mutual understanding at the community level.

The Department will look into digitalization of Museum Collections and continue ongoing work, such as the upgrading of the Fiji Museum, Momi Historic Park, Levuka World Heritage structures and Thurston Garden.

The National Archives will continue to preserve and maintain Fiji's historical records so that they can easily be used and made available to the public.

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PART A: FINANCIAL STATEMENT**21.1 Audit Opinion**

Audit of the 2017 accounts of the Ministry of Education, Heritage and Arts resulted in an unqualified audit opinion.

21.2 Statement of Receipts and Expenditure – Head 21

The Ministry of Education, Heritage and Arts incurred expenditure totalling \$434,744,540 for the year ended 31 July 2017. Refer to Table 21.1 for details.

Table 21.1: Statement of Receipts and Expenditure - Head 21

Description	31 July 2017 (\$)	31 July 2016 (\$)
RECEIPTS		
State Revenue		
Fees Examination	59,695	11,148
Tuition Fees – Technical College	30,409	27,838
Fees Government Boarding Schools	387,927	258,131
Registration	215,281	141,985
Commission	116,981	61,267
OPR in Previous Years	10,325	3,550
Sale of School Farm Produce	4,319	2,168
Sale of Items from Technical College	15,108	3,044
Technical College Recovery	4,947,011	481,001
Total State Revenue	5,787,056	990,132
Agency Revenue		
Miscellaneous Revenue	76,162	32,768
Total Agency Revenue	76,162	32,768
TOTAL RECEIPTS	5,863,218	1,022,900
EXPENDITURE		
Operating Expenditure		
Established Staff	287,146,044	163,398,507
Government Wage Earners	5,701,305	2,877,716
Travel & Communications	1,728,767	1,254,633
Maintenance & Operation	2,355,133	1,219,118
Purchase of Goods & Services	19,849,477	8,834,503
Operating Grants & Transfers	103,854,737	63,829,554
Special Expenditure	4,770,176	5,453,344
Total Operating Expenditure	425,405,639	246,867,375
Capital Expenditure		
Construction	1,098,930	666,297
Purchases	1,240,795	764,924
Grants & Transfers	3,975,977	1,867,460
Total Capital Expenditure	6,315,702	3,298,681
Value Added Tax	3,023,199	1,318,220
TOTAL EXPENDITURE	434,744,540	251,484,276

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act 2004. 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 fees from Technical Colleges and Government Boarding Schools, registrations, commission, examination fees, proceeds sale of Items from Technical College and miscellaneous revenue.

21.3 Statement of Receipts and Expenditure – Head 26

Expenditure relating to Higher Education Institutions (University of South Pacific, Fiji National University, University of Fiji, Centre for Appropriate Technology & Development, Corpus Christi, Fulton College, Monfort Boys Town, Sangam Institute of Technology and Vivekananda Technical College) totalled \$80,091,713 for the year ended 31 July 2017. Refer to Table 21.2 for details.

Table 21.2: Statement of Receipts and Expenditure – Head 26

Description	31 July 2017 (\$)	31 July 2016 (\$)
RECEIPTS		
State Revenue	---	---
Total Agency Revenue	---	---
EXPENDITURE		
Operating Expenditure		
Operating Grants & Transfers	79,605,374	50,580,511
Total Operating Expenditure	79,605,374	50,580,511
Capital Expenditure		
Grants & Transfers	486,339	---
Total Capital Expenditure	486,339	---
TOTAL EXPENDITURE	80,091,713	50,580,511

21.4 Appropriation Statement – Head 21

The Ministry incurred expenditure totalling \$434,744,540 in 2017 against a revised budget of \$448,528,549 resulting in a savings of \$13,784,009 or 3% which was mostly from capital expenditures.

Savings from capital expenditure was due to the following:

- assistance from overseas government on rehabilitation of schools;
- construction of boarding schools was also being performed by Construction Implementation Unit (CIU) and the Minister's initiative, thus budgeted funds were not utilised;
- delay from suppliers on supply of furniture for damaged schools;
- the project was not carried out as the contractor was reassigned to another job and the contract expired;
- delay in the tender process;
- scoping of works and documentation could not be completed on time since Ministry of Infrastructure and Transport was engaged in other projects; and

- delay in vetting of Memorandum of Agreement and contractor had no building permit to commence work.

Details of expenditures against the budget estimates are provided in Table 21.3.

Table 21.3: Appropriation Statement for 2017 – Head 21

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	287,372,697	(226,652)	287,146,045	287,146,044	1
2	Government Wage Earners	3,978,010	1,723,296	5,701,306	5,701,305	1
3	Travel & Communications	1,942,880	(214,113)	1,728,767	1,728,767	---
4	Maintenance & Operations	2,764,773	(409,640)	2,355,133	2,355,133	---
5	Purchase of Goods & Services	23,301,061	(3,452,631)	19,848,430	19,849,477	(1,047)
6	Operating Grants & Transfers	103,322,370	532,048	103,854,418	103,854,737	(319)
7	Special Expenditures	2,203,600	2,620,666	4,824,266	4,770,176	54,090
	Total Operating Costs	424,885,391	572,974	425,458,365	425,405,639	52,726
	Capital Expenditure					
8	Capital Construction	4,992,952	(1,002,237)	3,990,715	1,098,930	2,891,785
9	Capital Purchases	4,593,541	(1,071,067)	3,522,474	1,240,795	2,281,679
10	Grants & Transfers	10,479,565	1,500,000	11,979,565	3,975,977	8,003,588
	Total Capital Expenditure	20,066,058	(573,304)	19,492,754	6,315,702	13,177,052
13	Value Added Tax	3,577,100	330	3,577,430	3,023,199	554,231
	TOTAL EXPENDITURE	448,528,549	---	448,528,549	434,744,540	13,784,009

21.5 Appropriation Statement – Head 26

The Higher Education Institution incurred expenditure totalling \$80,091,713 in 2017 against a revised budget of \$93,356,306 resulting in a savings of \$13,264,593 or 14% which was mostly from capital expenditures.

The savings in capital expenditures or capital grants and transfers was the result of the underutilisation of the Fiji National University (FNU) budget on capital projects. The delay in completion of projects was due to the re-tender of project works and absence of a Memorandum of Agreement between Fiji National University and Ministry of Education.

Details of expenditures against the budget estimates are provided in Table 21.4.

Table 21.4: Appropriation Statement for 2017 – Head 26

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	79,619,163	---	79,619,163	79,605,374	13,789
	Total Operating Costs	79,619,163	---	79,619,163	79,605,374	13,789
	Capital Expenditure					

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
10	Capital Grants & Transfers	13,737,143	---	13,737,143	486,339	13,250,804
	Total Capital Expenditure	13,737,143	---	13,737,143	486,339	13,250,804
	TOTAL EXPENDITURE	93,356,306	---	93,356,306	80,091,713	13,264,593

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE**21.6 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 the management of the entities 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 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 Ministry as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

21.7 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

21.8 Quality of draft financial statements by entities


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

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

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


21.9 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
 Generally Effective	Acceptable draft financial statements received before or on 16 October 2017


21.10 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

21.11 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
 Ineffective	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 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

21.12 Under-Utilization of Capital Expenditure Budget

A large proportion of the Ministry of Education expenditure will be on rehabilitation works for the 495 schools affected by TC Winston, especially in the Western division, which was the worst affected. A total amount of \$142.6 million (includes \$132 million under Miscellaneous Services) is allocated for the reconstruction and upgrading of existing schools, provision of school furniture and equipment, educational resources and other supporting services, including counselling.¹

Government will ensure that adequate learning facilities are available for proper learning and development. A sum of \$1 million is budgeted in the FY 2016-2017 to maintain and upgrade school buildings and institutional quarters.²

Government has allocated \$0.8 million for the Digital Literacy Programme (DLP), previously known as one learning device per child programme.³

Other major projects of the education sector in the 2016-2017 Budget include: Upgrading of Levuka World Heritage Site (\$0.6 million) and Rehabilitation of Thurston Garden (\$0.2 million).⁴

The Ministry was initially allocated a total of \$20,066,058 under Capital Expenditure in 2016-2017 for various capital works to be undertaken by the Ministry.

Our audit noted that the Ministry only utilised \$6,315,702 or 32% of the total revised budget of \$19,492,754, resulting in savings of \$13,177,052 or 68% at year end. Refer to Table 21.5 for examples of the projects for which funds remained unutilised as at 31 July 2017.

Table 21.5: Examples of Projects for Which Funds Remained Unutilised as at 31 July 2017

Description	SEG Description	Revised Budget (\$)	Actuals (\$)	Amount Unutilised (\$)	Percentage Unutilised (%)
Maintenance & Upgrading	Capital Construction	1,000,000	481,698	518,302	52
IT Infrastructure	Capital Construction	277,750	50,437	227,313	82

¹ Economic & Fiscal Update: Supplement to the 2016 – 2017 Budget Address, Section 6.8

² Economic & Fiscal Update: Supplement to the 2016 – 2017 Budget Address, Section 6.10

³ Economic & Fiscal Update: Supplement to the 2016 – 2017 Budget Address, Section 6.11

⁴ Economic & Fiscal Update: Supplement to the 2016 – 2017 Budget Address, Section 6.16

Description	SEG Description	Revised Budget (\$)	Actuals (\$)	Amount Unutilised (\$)	Percentage Unutilised (%)
Boarding facilities for Primary Schools	Capital Construction	1,915,202	---	1,915,202	100
Cyclone Rehab – Furniture for Damaged School	Capital Purchase	1,551,040	314,050	1,236,990	80
Digital Literacy Program	Capital Purchase	800,000	---	800,000	100
Building Grants for Nailou Infant School	Capital Grants	215,345	---	215,345	100
Building Grants – Early Childhood	Capital Grants	3,462,680	25,000	3,437,680	99
Building Grants – Non Government Primary School	Capital Grants	3,004,463	821,293	2,183,170	73
Boarding Facilities for Secondary School	Capital Grants	250,630	---	250,630	100
Building Grant Resilience School Program	Capital Grants	416,382	---	416,382	100
Levuka World Heritage Structures	Capital Grants	636,641	---	636,641	100
Rehabilitation of Thurston Garden	Capital Grants	150,000	75,000	75,000	50

Intended benefits from the capital projects could not be realised due to under-utilisation of capital budget. The under-utilisation of the budget were mainly due to the following reasons:

- assistance from overseas government on rehabilitation of schools;
- boarding schools construction was under Construction Implementation Unit (CIU) and Minister's initiative and budgeted funds were not utilised;
- delay from suppliers on supply of furniture for damaged schools;
- the project not carried out as the contractor was reassigned to another job and the contract expired;
- delay in the tender process;
- scoping of works and documentation could not be completed on time since Ministry of Infrastructure and Transport was engaged in other projects; and
- delay in vetting of Memorandum of Agreement and contractor had no building permit to commence works.

Recommendation

The Ministry should ensure that proper planning is carried out for the implementation of its capital projects.

Management Comments

Most of the Capital Projects which the Ministry facilitated during the 2016-2017 financial year was for Cyclone Rehabilitation. Looking at the small team which the Ministry has looking after the Capital Projects, it was hard to ensure 100% utilization of funds and 100% facilitation of projects.

The projects were delayed and some not implemented due to delays in Tender process, items such as School furniture's were not supplied on time. Ministry faced monitoring and implementation issues due to lack of skilled staff and also delayed assistance from MOIT. Ministry also faced delays in getting the MOA's vetted by SG's office as some contractors did not provide full requirements on time.

The School structures were built long ago and most of the Schools were initially built by the Committees and Communities. This did not have any standard plans or were not approved structures. Since the Ministry was

engaged in the rehab works, we had to ensure that the new structures complied with the approved building plans and structural works. Ministry had to ensure that proper geo-tech, scoping, surveys and engineering works were done so that the structures met the standards. Such due-diligence and verification took a lot of time as we did not have sufficient manpower and expert skills. We had to get assistance from MOIT officials who were also engaged with other Ministries capital projects.

21.13 Unbudgeted Expenditure

Subject to the Constitution and this Act, expenditure of money appropriated by an Appropriation Act from the Consolidated Fund or any other fund may be incurred only in accordance with the authorisation effected by the Appropriation Act as indicated in the Act and any applicable appropriation categories specified in relation to the head of appropriation.⁵

All capital expenditure submissions must be done through the Public Sector Investment Programme process.⁶

The Ministry recorded totalling expenditure \$2,763,596 in the FMIS general ledger allocation number 1-21101-91012-070299 namely Other Setup and Implementation for which funds were not allocated in the 2016-2017 budget estimates.

Funds totalling \$2,763,679 were vired from various allocations in SEG 5 and 6. These virement were approved by the Permanent Secretary of Education, Heritage and Arts. Details of the Virements are shown in Table 21.6 below.

Table 21.6: Details of Virements from Various Allocations

Virement No.	SEG Vired From	Amount (\$)	Approved By
DV 2101	5 & 6	1,200,000	Permanent Secretary for Education, Heritage & Arts
DV2104	6	667,000	
DV2105	5	290,679	
DV2116	5 & 6	606,000	
Total		2,763,679	

Our audit noted that expenditures incurred from this allocation included:

- building grant totalling \$2,553,251 awarded under the former Minister's Initiative Award to non-institutional and non – cyclone damaged schools. The former Minister's Initiative has been ongoing since 2015.

However, contrary to the section 6(5) of Finance Instructions 2010, these building grants were not submitted through the Public Sector Investment Programme process.

As a result, payments were made from the Special Expenditure and not the Capital budget allocations.

- accountable advances totalling \$79,065 and miscellaneous expenditures totalling \$131,280.

Utilisation of operating funds for capital projects is a breach of section 6(5) of Finance Instructions 2010.

⁵ Financial Management Act 2004 Section 14

⁶ Finance Instructions 2010 – Section 6(5)

Recommendations

The Ministry should:

- ensure that all capital projects submissions are done through Public Sector Investment Programme process ; and
- consider including the Minister's Initiatives allocation in their budget submissions.

Management Comments

This allocation was created back in 2015 and should have been named as Infrastructure Assistance for Schools. Since the code was available with FMIS, they activated the allocation and the name wasn't changed.

Schools were built years ago and proper renovations and maintenance were not done to the building over the years which led to urgent need for upgrade. Also the increase in number of students in schools also required additional classrooms to be built. Some Schools did not have proper ablution blocks, library and computer labs.

This is when the Ministry assisted the schools for Infrastructure Assistance to upgrade the school buildings and ensure that student had proper facilities available for their teaching and learning processes. Furthermore, the Ministry did not fully fund the projects, most of the projects were partly funded by the Ministry and the additional funds were sourced from Tuition Free Education Grant or other avenues which the school committee agreed to. The Ministry assisted Schools once a formal request was obtained from the School committee. The projects were monitored by the AMU section and the related expenses for the HQ staff for monitoring were paid as accountable advance from this allocation.

21.14 Building Grant

All applications for capital funding for the purpose of a new building, maintenance, or for purchasing farming office equipment, furniture or for purchasing materials for the provision of water or electricity should be made on the relevant Ministry of Education forms and lodged with the District Education Officer not later than the 31st of August each year to qualify for assistance the following year.⁷

The School management must fill in the appropriate section in the application form. With the application, the school must attach a building plan certified by the District Local Health Authority, three quotations are to be attached with the application also, the school building grant account must have at least 20% of the approved funding before the initial 80% is deposited into the building grant account, the school management should have secured a contract agreement if the project is constructed by someone outside the school and the school should have valid lease contract.⁸

The schools shall submit all relevant details such as Signed Deed Forms, Quotations of all materials, Contract Agreement and the schools Building Grant bank Account before 31st February of the year of implementation.⁹ After the relevant information and documents are received by the Research and Development Section, funds shall be deposited into the schools' Capital Grant Bank Account where the District Senior Education officer is the compulsory signatory.¹⁰

Contrary to the Capital Grants for Non-Government School Policy, the Ministry paid building grants to recipients in one instalment prior to receiving application forms and supporting documentation required for capital funding. Refer to Table 21.7 for examples.

⁷ Ministry of Education, Policy in Capital Grants for Non-Government Schools, 2004 - Section 2

⁸ Ministry of Education, Policy in Capital Grants for Non-Government Schools, 2004 - Section 8.1

⁹ Ministry of Education, Policy in Capital Grants for Non-Government Schools, 2004 - Section 4.8

¹⁰ Ministry of Education, Policy in Capital Grants for Non-Government Schools, 2004 - Section 5.1

Table 21.7: Details of Anomalies Noted for Building Grant Disbursed to Schools

School Registration No.	Date	Cheque No.	Amount Paid (\$)	Project	Anomalies
2041	29/06/17	131760	35,000	Construction of 1 teachers quarters	<ul style="list-style-type: none"> • No Application by the Schools • No Quotations • No certified building plan
2519	29/06/17	131616	35,000	Construction of 2 teachers quarters	<ul style="list-style-type: none"> • No Application by the Schools • No Quotations • No certified building plan
2591	28/06/17	131377	60,000	Construction of 4 new classrooms	<ul style="list-style-type: none"> • No Application by the School • No tender called, • No certified plan attached • Project Incomplete due to insufficient funding
2590	28/06/17	131266	50,000	Construction of 1 x 2 classroom	<ul style="list-style-type: none"> • No Application by the School • No Tender called
9257	21/06/17	130430	60,000	Construction of 1 x 2 classroom	<ul style="list-style-type: none"> • No Application by the School • No Tender called • No certified building plan attached
1886	21/06/17	130418	60,000	Construction of 3 bedroom teachers quarters	<ul style="list-style-type: none"> • No Tender called

The above findings indicate that the Ministry did not follow the Capital Grants for Non-Government Schools Policy when awarding the grants for school improvement works hence increasing the risk of poor scoping and incomplete capital projects due to insufficient funds.

In addition, the risk of unauthorised purchases and collusion with suppliers is high when proper procurement procedure are not complied with.

In the absence of tenders, schools may be engaging contractors who may not be most economical and who may not be certified to construct buildings to the required standard of the National Building Code.

Recommendation

The Ministry should only release building grants to schools which have fully complied with the Capital Grants for Non-Government Schools Policy.

Management Comments

The schools mentioned above were part of the capital infrastructure assistance to schools. The Ministry through the district office had conducted a survey in all schools and had noted serious

depletion of facilities in schools. As an immediate measure the ministry undertook budgetary savings from Head 21 and vired funds to assist the schools with urgent facility upgraded. It's also important to note that facility upgrades were the responsibility of school Management with the Ministry playing a pivotal role only after the introduction of FEG in schools.

21.15 Finalisation of Financial Statements

Each agency must prepare an annual report for submission to its Minister by 31 December in the following year.¹¹ Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.¹²

The audit of the financial statements of the Ministry of Education, Heritage and Arts for the year ended 31 July 2017 was finalised after the above deadline. The delay in the finalisation of the audit was due to the amendments made to the financial statements. Refer to Table 21.8 for dates for re-submission of financial statements.

Table 21.8: Re-submission of financial statements

Date of Submission of Financial Statements	Versions
27/10/17	1 st draft
01/12/17	2 nd draft
15/03/18	3 rd draft

There were also various virements made totalling \$2,546,644 which was approved by Minister of Economy on 2 February 2018. These virements were subsequently posted in the FMIS general ledger on 08 February 2018 to regularise over-expenditure in payroll resulting from Job Evaluation Exercise (JEE).

Delay in finalising the Ministry's financial statement will result in the delayed submission of the Ministry's Annual Report to Parliament.

Recommendations

The Ministry should ensure that:

- accurate financial statements are submitted by the due date ; and
- approved additional spending are regularised on a timely basis

Management Comments

Ministry would like to inform Audit that Ministry will ensure compliance in future.

¹¹ Finance Instruction 2016 – Section 69

¹² Finance Instruction 2016 – Section 70 (2)

Section 22

Ministry of Health & Medical Services

Roles and Responsibilities

The Ministry of Health and Medical Services is responsible for ensuring that every citizen of Fiji has access to a national health system that provides high quality health services that are affordable, efficient and strengthen community development and overall quality of life. With the growing population demand for health services, the Ministry, over the next five years, will identify the need for health services and begin infrastructure planning in which facilities are built, equipped, and maintained according to a common set of standards and clearly defined population needs. The Ministry's priorities will be reducing the burden of non-communicable diseases and the spread of communicable and emerging diseases; improving health for families and children and reducing illness and mortality among mothers, children and adolescents; improving mental health; and improving environmental health through safe water and sanitation. At the same time, the Ministry also plans to increase the health workforce through the implementation of a strategic needs-based approach to recruitment, deployment, training and retention.

As part of the Ministry's plan to improve efficiency through decentralization and the demarcation of curative and preventive budget allocations, the major hospitals will be allocated into separate activities to grant more transparency, ownership and accountability for individual hospital administration. Likewise, the four Divisions will be allocated separate funding for their sub divisional hospitals and preventative activities.

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PART A: FINANCIAL STATEMENTS

22.1 Audit Opinion

Audit of the 2017 accounts of the Ministry of Health & Medical Services resulted in a qualified audit opinion. The basis of the qualification is as follows:

An unreconciled variance of \$114,950 exists between the Bank Reconciliation and the Cash at Bank general ledger balances for the Sahyadri Trust Fund Account. As a result, I was unable to substantiate the accuracy and completeness of the closing balance of \$338,925 reflected in the Trust Fund Account Statement of Receipts and Payments.

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

- The Ministry did not prepare the board of survey report on the existence and condition of assets under its authority contrary to Section 49 of the Finance Instruction 2010.
- Internal controls over account reconciliations were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial loss in future.

22.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$7,017,690 and incurred a total expenditure of \$218,123,558 for the year ended 31 July 2017. Details are provided in Table 22.1.

Table 22.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State revenue	1,159,171	895,499
Agency revenue	5,858,519	3,104,263
Total Revenue	7,017,690	3,999,762
Established staff	90,048,506	67,588,298
Government wage earners	17,814,252	6,828,008
Travel and communications	5,156,722	2,322,153
Maintenance and operations	14,245,501	8,220,584
Purchase of goods and services	47,206,269	28,934,288
Operating grants and transfers	1,055,165	679,283
Special expenditures	8,061,130	4,604,767
Total Operating Expenditure	183,587,545	119,177,381
Capital construction	20,890,579	12,595,978
Capital purchases	5,423,459	10,713,110
Total Capital Expenditure	26,314,038	23,309,088
Value added tax	8,221,975	4,131,375
Total Expenditure	218,123,558	146,617,844

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act 2004. 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.

State miscellaneous revenue increased by \$231,620 or 27% in 2017 compared to 2016. State miscellaneous revenue consists of overpayment recovery, rental income from quarters and commission for various deductions from payroll to be paid to financial intermediaries.

Agency miscellaneous revenue increased by \$535,858 or 9,032% in 2017 compared to 2016 due to the increase in adjustments for bank lodgement clearance and stale cheques from drawings account.

Government Wage Earner's costs increased by \$10,986,244 or 161% in 2017 compared to 2016. The increase was mainly due to change in the financial year and payment of overtime to staff.

Travel and Communication expenditure increased by \$2,834,569 or 122% in 2017 compared to 2016. This was due to increase in expenditure for Overseas Medical and Consultancy Service by \$1,047,384 and increased expenditure by Overseas Visiting Medical Team by \$536,230 in 2017.

22.3 Appropriation Statement

The Ministry incurred expenditure totalling \$218.12 million in FY 2016-2017 against a revised budget of \$244.02 million, resulting in a saving of \$25.9 million or 10.6%.

Review of the FMIS General Ledger revealed that significant amount of savings were in the following areas such as Government Contribution - Global Fund (TB) (SEG 7) \$1,490,000, New Naulu Health Centre (SEG 8) \$2,179,423, Extension of CWM Hospital Maternity Unit (SEG 8) \$2,484,640, Construction of New Ba Hospital (SEG 8) \$3,692,853, Upgrade of Keiyasi Health Centre (SEG 8) \$3,901,075, Cyclone Rehab – Health Facilities (SEG 8) \$3,514,505.

Reasons for the savings include, funds were under "Requisition" and there was no request (to release funds) received from Global Fund to use its budget. The low utilisation of funds for capital works was due to the long processes followed (in each stage of construction) and delay noted on site due to unforeseen circumstances e.g. natural disasters.

Details of expenditure against the revised budget are provided in Table 22.2.

Table 22.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	87,647,194	2,429,413	90,076,607	90,048,506	28,101
2	Government Wage Earner	11,624,003	6,197,321	17,821,324	17,814,252	7,072
3	Travel & Communication	5,304,200	(93,520)	5,210,680	5,156,722	53,958
4	Maintenance & Operations	15,036,763	(711,337)	14,325,426	14,245,501	79,925

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
5	Purchase of Goods & Services	50,130,080	(2,456,724)	47,673,356	47,206,269	467,087
6	Operating Grant & Transfers	1,472,520	---	1,472,520	1,055,165	417,355
7	Special Expenditure	10,519,253	---	10,519,253	8,061,130	2,458,123
	Total Operating Expenditure	181,734,013	5,365,153	187,099,166	183,587,545	3,511,621
8	Capital construction	42,992,752	---	42,992,752	20,890,579	22,102,173
9	Capital purchases	7,650,000	(1,960,748)	5,689,252	5,423,459	265,793
	Total Capital Expenditure	50,642,752	(1,960,748)	48,682,004	26,314,038	22,367,966
13	Value Added Tax	11,638,500	(3,404,405)	8,234,095	8,221,975	12,120
	Total Expenditure	244,015,265	---	244,015,265	218,123,558	25,891,707

22.4 Trading and Manufacturing Account (TMA)

The Bulk Purchase Scheme (BPS) is the commercial arm of the Fiji Pharmaceutical and Biomedical Services. The BPS started operations in 1981. It was set up by government to ensure customers are able to procure directly from Fiji Pharmaceutical & Biomedical Services (FPBS) Bulk Purchase Scheme and also enable greater access to a variety of medicines by the public at an affordable price.

BPS today remains the commercial arm of FPBS with a revolving fund of \$500,000 which it uses to buy and sell pharmaceutical products to more than 500 customers such as private practitioners, individual patients, retail chemists, government departments' tertiary institutes. Having the Ministry of Health and Medical Services prescribed medicine in private pharmacies through FPBS TMA assists patients in obtaining medication at affordable prices. BPS also allows patient care at home with diabetic kits and small dressings. The private doctors having injectable also assists patients at odd hours of the day

Table 22.3: TMA - Bulk Purchase Scheme Trading Account

Description	31 July 2017 (\$)	31 July 2016 (\$)
Sales	373,754	229,464
Total Revenue	375,754	229,464
Opening Stock of Finished Goods (01/08/16)	34,773	---
Add: Purchases	258,188	153,499
Goods available for sale	292,961	153,499
Less: Stock of Finished Goods (31/07/17)	5,975	34,773
Cost of Finished Goods Sold	286,986	118,726

Description	31 July 2017 (\$)	31 July 2016 (\$)
Gross Profit Transferred to Profit and Loss Statement	86,768	110,738

Table 22.4 TMA - Bulk Purchase Scheme Profit and Loss Statement

Description	31 July 2017 (\$)	31 July 2016 (\$)
Income		
Gross Profit transferred from Trading Account	86,768	110,738
Expenses		
Salaries and Related Payments	43,737	25,674
Travel Domestic & Communication	1,934	1,286
Maintenance & Operations	16,913	10,392
Special Fees and Charges	601	2,909
Total Expenses	63,185	40,261
Net Profit	23,583	70,477

Table 22.5 TMA - Bulk Purchase Scheme Balance Sheet

Description	31 July 2017 (\$)	31 July 2016 (\$)
Assets		
Cash at Bank	563,089	576,736
Account Receivables	---	601
Finished Goods	5,975	34,773
VAT Receivable	10,766	8,712
Total Assets	579,830	620,822
Liabilities		
Accounts Payable	---	---
Total Liabilities	---	---
Net Assets	579,830	620,822
Equity		
Accumulated TMA Surplus	1,045,664	975,188
TMA Surplus Capital Retained to CFA	(489,417)	(424,843)
Net Profit	23,583	70,477
Total Equity	579,830	620,822
Net Assets	579,830	620,822

22.5 Trust Fund Account - CWM Hospital Staff Amenities

This fund was set up for the emergency purchase of medicines, consumables or other medical items that staff members urgently require activities for patient care.

Table 22.6: Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts	12,376	3,860
Total Receipts	12,376	3,860
Payments	3,799	4,013
Total Payments	3,799	4,013
Net Surplus/(Deficit)	8,577	(153)
Opening Balance as at 01/08/2016	25,316	25,469
Closing Balance as at 31/07/2017	33,893	25,316

22.6 Trust Fund Account - Cardiac Taskforce Trust Account

This trust account was set up to assist in the catering of annual visit by SDA Open Heart Cardiac Surgery. Cash donations from sponsors and supporting companies are deposited into this account. The fund is used for registration fees for doctors and nurses and farewell functions for the team at the end of the visit.

Table 22.7: Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts	---	19
Total Receipts	---	19
Payments	96	163
Total Payments	96	163
Net Deficit	(96)	(144)
Opening Balance as at 01/08/2016	1,024	1,168
Closing Balance as at 31/07/2017	928	1,024

22.7 Trust Fund Account - Fiji Children Overseas Treatment Fund

The Children's Overseas Treatment Trust Fund was initially established in the 1990's to assist in sending children overseas for operations and treatments not available in Fiji before the Ministry of Health and Medical Services had established its overseas treatment funding and guidelines. The source of funds for this account has been donations from local and overseas donors, sponsors and supporting companies. Over the years, with the Ministry providing more overseas treatment plus other CSO/NGOs assisting, the fund has been used to procure medicines, consumables, assist families with passports/visa preparation. Funds are used to purchase treatments, medications and consumables related to treatment of children not available through government funding.

Table 22.8: Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts	117,479	31,574
Total Receipts	117,479	31,574
Payments	83,181	16,796
Total Payments	83,181	16,796
Net Surplus	34,298	14,778
Opening Balance as at 01/08/2016	228,434	213,656
Closing Balance as at 31/07/2017	262,732	228,434

22.8 Trust Fund Account - Cardiology Services Fund

The trust fund was set up for the purpose of purchase of expensive cardiology investigation consumables. These consumables are used for diagnostic and therapeutic angiography. The source of funds for this account is the fees charged for cardiology investigations offered.

Table 22.9: Statement of Receipts and Payments

Description	31 July 2017 (\$)	31 July 2016 (\$)
Receipts	393,921	284,335
Total Receipts	393,921	284,335
Payments	466,631	414
Total Payments	466,631	414
Net (Deficit)/Surplus	(72,710)	283,921
Opening Balance as at 01/08/2016	888,768	(270,730)
<i>add Prior year adjustments</i>	<i>---</i>	<i>875,577</i>
Closing Balance as at 31/07/2017	816,058	888,768

22.9 Trust Fund Account - Sahyadri Trust Fund

The Sahyadri Trust Fund was established following the Joint Venture agreement entered into between the Republic of Fiji through the Ministry of Health and Sahyadri Speciality Pacific Hospital Ltd (SSPHL) in July 2012 to provide various services in cardiology, neurology and joint replacements as well as providing expert doctors, trained paramedical staff, technicians and other health related speciality services to the general public of Fiji.

Receipts reflect contributions from patients and government assistance to approved patients. The payments are for services provided by Sahyadri Speciality Pacific Hospital Ltd.

The Joint Venture agreement dated 12 July 2012 between the Government and Sahyadri Specialty Pacific Hospital Ltd expired on 16 September 2017. Ministry of Health and Medical Services has called for tenders for the service which is yet to be awarded.

Table 22.10: Statement of Receipts and Payments

Description	31 July 2017	31 July 2016
	(\$)	(\$)
Receipts	2,133,771	731,797
Total Receipts	2,133,771	731,797
Payments	1,860,993	724,653
Total Payments	1,860,993	724,653
Net Surplus	272,778	7,144
Opening Balance as at 01/08/2016	66,147	59,010
<i>add</i> Prior year adjustments of receipts	---	323,309
<i>less</i> Prior year adjustments of payments	---	323,316
Closing Balance as at 31/07/2017	338,925	66,147

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE**22.10 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 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 Ministry as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

22.11 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	5 of 10 key processes completed within two weeks of due date

22.12 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


22.13 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

22.14 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 management responses
 Effective	Management comments received within 14 days from the date agency financial statement draft management letter (DML) was issued

Rating	Timeliness of signed financial statements
 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 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.

22.15 Absence of Risk Management Policy

Each agency must have in place a cost effective system of internal controls which safeguards money and property against loss, avoids or detects accounting errors; and avoids unfavourable audit reports. The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.¹

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

Audit 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 and guidelines to manage the risks associated with the following:

- Fraud control and anti-corruption;
- Disaster recovery and business continuity; and
- Assessment of potential conflict of interest

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

The above finding 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 establishing a governance and accountability function that support the operations of the Ministry by providing financial and operational risk management of external reporting obligations.**

¹ Finance Instructions 2010 – Section 59

- Following the establishment of the governance and accountability function, a risk management framework should be developed and continuously used.

Ministry's Comments

The audit findings and recommendations is acknowledged. The Ministry does not have a Risk Management Policy at the moment. However, we are in the process of establishing one, with the draft policy planned to be completed at the end of July 2018.

22.16 Finalisation of Financial Statements

The draft financial statements must be submitted to the Auditor-General by 31 October in the following year, or within such other time as agreed by the Permanent Secretary with the Auditor-General.²

All agencies are required to prepare their respective agency accounts and submit to the Office of the Auditor General two months after closing of accounts.³

Permanent Secretaries of Ministries and Departments are requested to ensure that agency financial accounts for the financial year ending 31 July 2017 are properly closed off and be ready in time for audit by the Office of the Auditor General by 31 August 2017.⁴

Table 22.11 Finalisation of Financial Statements

Due Date	Process to be Completed
16 October	Agency Financial Statement to be sent to Auditor General
31 October	Agency Annual Report to be submitted to Minister

Each agency must prepare an annual report for submission to its Minister by 31st December in the following year.⁵ Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.⁶

The draft financial statements of the Ministry of Health and Medical Services for the year ended 31 July 2017 was received on 18 January 2018 for audit purposes; a delay of more than two months.

The delay was also contributed to the processing of virement on 17 April 2018 and re-submission of the draft financial statements for audit on 25 April 2018. Refer to Table 22.12 for details.

Table 22.12: Details of Virement No. V22003 approved on 17 April 2018

Virement Number	From	Amount (\$)	To	Amount (\$)
V22003	SEG 1	6,264,072	SEG 1	8,693,485
	SEG 2	638,333	SEG 2	6,835,654
	SEG 3	195,120		
	SEG 4	451,732		

² Finance (Amendment) Instructions 2016 – Section 70(3)

³ 2016-2017 Closing of Accounts Procedures – Section 18.1

⁴ 2016-2017 Closing of Accounts Procedures – Section 18.2

⁵ Finance (Amendment) Instructions 2016 – Section 69

⁶ Finance Instructions 2016 – Section 70(2)

Virement Number	From	Amount (\$)	To	Amount (\$)
	SEG 5	2,614,729		
	SEG 9	1,960,748		
	SEG 13	3,404,405		
Total		15,529,139		15,529,139

In addition, the delay in the finalisation of the audit was due to the delay in submission of documents required for audit purposes.

Recommendation

The Ministry should ensure that documents are provided on a timely manner for audit review and financial statements are submitted by the due date.

Ministry's Comments

The audit findings and recommendation is acknowledged. The Annual Financial Statement (2016-2017) was finalised late. There were certain factors which contributed to this. This includes the inaccuracies noted in the three drawings accounts as a result of mass cancellation of vouchers, the inter drawings account numbers and the late clearance of open payables.

As a way forward, the Ministry will ensure that financial statement are submitted on time.

22.17 Internal Control Assessment not carried out

Within 1 week of the end of each month, the Principal Accounts Officer shall submit to the PSHMS the internal control report.⁷ The report shall provide the following information:

- i. whether all reconciliations are up to date;
- ii. whether financial information required by the Ministry of Economy has been submitted on time;
- iii. whether stock takes of physical assets, inventory and money have been carried out as and when required;
- iv. the status of unresolved audit issues;
- v. improvements in internal control, such as rotation of duties between staff, that have been implemented or are proposed.⁸

Our audit noted that the Ministry did not carry out the internal control assessment for the financial year ended 31 July 2017.

In the absence of the internal control assessment report, the management of the Ministry will not be able to monitor whether all reconciliations are up to date, physical stock take of assets, inventory and money has been carried out, the status of unresolved audit issues and whether improvements to internal controls have been implemented.

The above findings indicate non-compliance with established policies and procedures pertaining to internal controls of the Ministry.

⁷ MOHMS Finance Manual 2014 Section 17.1.10

⁸ MOHMS Finance Manual 2014 Section 17.1.11

Recommendations

The Ministry should ensure that:

- internal control assessment are carried out on a monthly basis; and
- internal control assessment report are submitted to the Permanent Secretary as stipulated under Section 17.1.10 of the Ministry's finance manual.

Ministry's Comments

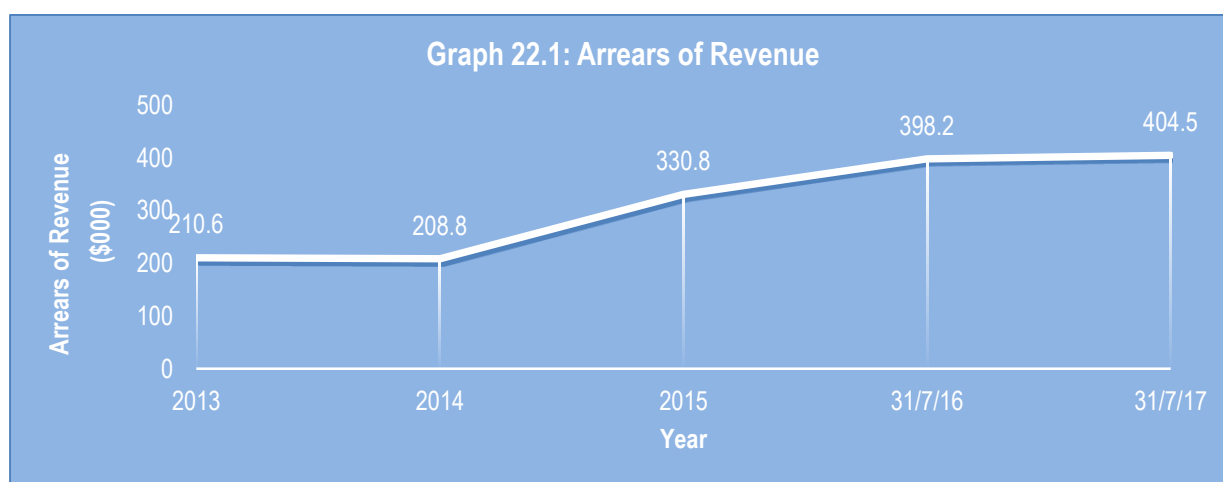
The audit findings and recommendation is acknowledged. An internal control assessment was carried out and the Report was prepared in 2017. However, the submission was not consistent due to misunderstanding, since it was not factored in the Business Plan of the Finance Unit nor the Job Description of the appropriate officer who supposed to be responsible for it.

However, as a way forward as recommended, the Ministry will commence with the monthly assessment of internal control in the next financial year (August 2018), and appropriate submission of the Report (Internal Control Report as stipulated in the Ministry's Finance Manual) will be made accordingly.

22.18 Arrears of Revenue

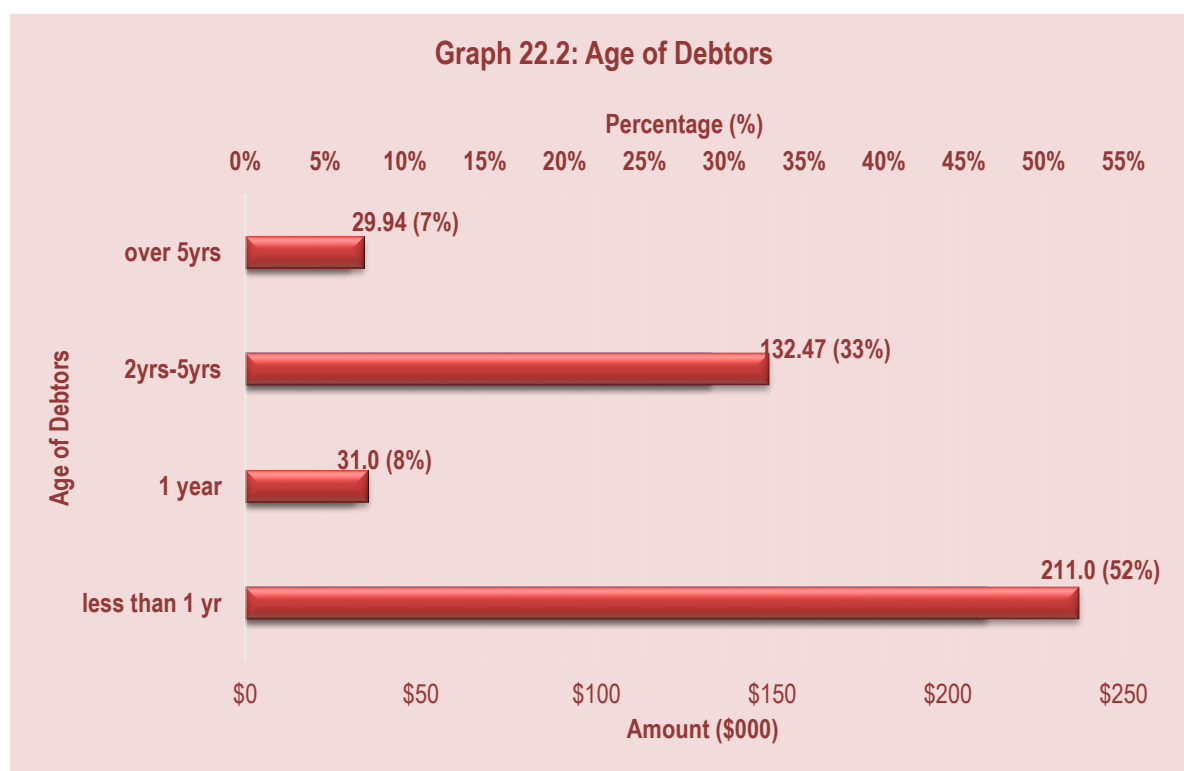
Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the finance manual.⁹

Our audit noted that the Ministry recorded arrears of revenue amounting to \$404,452 as at 31 July 2017. The arrears of revenue which were in respect of quarantine fees owed by airlines and shipping companies and hospital fees due from insurance companies continue to increase over the years and have almost doubled in 2017 when compared to 2014.



It was noted that 40% of the debtors totalling \$162,407 were more than 2 years old. Refer to Graph 22.2 for details.

⁹ Finance Instructions Section 41



Due to delays in recovery of arrears of revenue, there is high risk of revenues becoming irrecoverable and written-off resulting in loss of government revenue.

Recommendation

The Ministry should take appropriate steps to reduce the arrears of revenue.

Ministry's Comments

The audit findings and recommendation is acknowledged.

The highest arrears of revenue was recorded from the Western Division. Lautoka/Yasawa have the significant number of debtors which are stuck in a state of 'limbo', as there was no collection activity undertaken at all, due to the loss of invoices in a cyclone in 2012. Retrieving information is proving futile because of lack of man power.

As a way forward, the Ministry will continue to follow up on the arrears which are more than 3 years. The Ministry is also proposing for write off of arrears which are more than 3 years since the debt is irrecoverable.

22.19 Board of Survey Report Not Completed

All Permanent Secretaries shall appoint a Board of Survey annually to determine whether government plant, equipment and inventories under his or her control are in working condition or serviceable; unserviceable or obsolete; or surplus to the requirements of that agency.¹⁰

¹⁰ Procurement Regulations 2010 – Clause 24 (1)

Annual Boards of Survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.¹¹

Our audit noted that Ministry's Board of Survey report was not completed for the year ended 31 July 2017. Instead, The Ministry submitted asset disposal forms only.

In the absence of a Board of Survey, there is high risk of theft and misuse of fixed assets without detection on a timely basis.

Recommendations

- **The Ministry should ensure that the Board of Survey Report for all Divisions are carried out annually in accordance with Section 49 of the Finance Instruction and Section 24 of the Procurement Regulations 2010.**
- **The Board of Survey team must also submit Asset and Inventory Verification Form to ascertain the physical balance and book balance of assets.**

Ministry's Comments

The audit findings and recommendation is acknowledged.

With MOHMS being one of the largest Ministries, it has proved very difficult to complete all BOS within a year. Further, staff at divisional level are usually assigned to do BOS while holding duties for other posts. The Asset Register update was also being done by the Ministry and therefore this had affected follow-up from HQ on BOS. Upon completion of this Asset Register it will become earlier to monitor BOS at divisions and hold them accountable for any works not done.

22.20 Conflict of Interest

An employee must disclose, and take reasonable steps to avoid, any conflict of interest (real or apparent) in connection with employment in the public service.¹²

The Public Service has the highest ethical standards, particularly for integrity and honesty.¹³

Our audit noted instances of conflict of interest in the awarding of contracts by the Ministry to Company X. Review of the FMIS general ledger revealed payments totalling \$234,660 were made to Company X from 22 December 2017 to 31 July 2017. We further noted that the Managing Director of Company X was the father of the Executive Officer (EDP No. 90785) employed by Ministry.

Review of a sample of contract documents revealed that the Ministry engaged Company X for the following contracts:

- Maintenance of Nukulau Nursing Station – Contract sum of \$20,800
- Maintenance at Balevuto Health Centre - Contract sum of \$43,920
- Maintenance at Tuvu Nursing Station - Contract sum of \$29,200

¹¹ Finance Instructions 2010 – Section 49(2)

¹² The Public Service Code of Conduct, Section 7

¹³ Public Service Values Section 10

The officer was suspended on 21 February 2018 and the matter has been referred to FICAC.

Recommendations

The Ministry should ensure:

- all employees strictly adhere to the Public Service Code of Conduct;
- its procurement process is strengthened to avoid breaching of code of conduct; and
- that the requirements of Code of Ethics is emphasised to employees and any conflict of interest should be declared on a timely basis.

Ministry's Comments

The audit findings and recommendation is acknowledged.

The Procurement Procedures (RFQ Processes) within the Ministry is been strengthen further due to this issue. The processes have been through a continued improvement process on previous audit findings. The recent inclusion is a declaration to be filled in by individual staff involved in the evaluation of RFQ similar to tender whereby interest in any particular bidder is to be declared.

22.21 Non-Clearance of Balances in Revolving Fund Account (RFA)

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Senior Accounts Officer Ledgers shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.¹⁴ Upon clearance of the advance, the Accounts Officer shall update the debtors register, offset the advance account and debit the appropriate expenditure account.¹⁵

As at 31 July 2017, the Ministry's Revolving Fund Account (RFA) had an outstanding balance of \$60,255. Refer to Table 22.13 for details.

Table 22.13: Revolving Fund Account

Year	Amount (\$)	Audit Comments
2013	5,054	Balances carried forward from prior years
2014	1,904	
2015	4,110	
2016	33,154	
2017	16,033	Current year balance
Total	60,255	

In addition, our audit noted that FMIS general ledger shows balance of \$9¹⁶ and \$3,722¹⁷ as prepaid expenses and dishonoured cheques which was not cleared at the end of the year. We were not provided with the RFA reconciliation for prepaid expenses account which had the closing balance of \$9 at the year end.

¹⁴ Ministry of Health and Medical Services Finance Manual – Section 16.3.3

¹⁵ Ministry of Health and Medical Services Finance Manual – Section 10.1.15

¹⁶ 1-22101-22999-570101

¹⁷ 1-22101-22999-570302

As a result, expenditures in the Statement of Receipts and Expenditures as at 31 July 2017 is understated by \$16,033 as payments made through the Revolving Fund account are yet to be recorded as expenditures in the financial statements.

Recommendations

The Ministry should:

- ensure that the advance account balance is reconciled and recovery procedures instigated against officers who failed to retire advances; and
- provide adequate training, supervision and monitoring to staff at Accounts section.

Ministry's Comments

The audit findings and recommendation is acknowledged.

The RFA balances highlighted in the audit were appearing from previous years. We have offset majority of these balances, based on the receipts issued to officers when they paid, however for some reasons these amounts are still appearing in the reconciliation till to date. The Ministry is currently liaising with Ministry of Economy seeking advice on how to clear these balances.

22.22 Payroll Variance between FMIS and Person to Post Listing

The need to improve record management in all agencies is vital for promoting Good Governance, Transparency and Accountability in the Public Sector.¹⁸

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.¹⁹

The PSHMS, shall keep and maintain a current lists of all MOHMS employees (P2P, HRIS) reflecting the date of each employee's first appointment to MOHMS and date of appointment to the current substantive grade.²⁰

Our audit noted that a variance exists between the Financial Management Information System (FMIS) and the Person to Post (P2P) listing for Established Staff and Government Wage Earners (GWE's). Refer to Table 22.14 for details:

Table 22.14 Variance between FMIS and P2P

P2P Analysis	Established Staff (\$)	Government Wage Earners (\$)
FMIS Personal Emoluments as at 31/07/17	74,544,396	15,001,823
Add: Relieving Staff	1,237,061	24,016
FMIS Total	75,781,457	15,025,839

¹⁸ Finance Instructions 2010 – Section 59

¹⁹ Ministry of Health and Medical Services Finance Manual 2014 Part 4, Introductory paragraph

²⁰ Ministry of Health and Medical Services Human Resources for Health Management Manual – Section 10.1.2

P2P Analysis	Established Staff (\$)	Government Wage Earners (\$)
Less P2P as at 31/07/17	72,965,825	10,098,218
Variance between FMIS and P2P	2,815,632	4,927,621

It was further established that the Person-to-Post listing submitted to audit was not updated as at 31 July 2017 which could have attributed to variance totalling \$1,900,767 between Ministry's payroll report balance and FMIS general ledger balance. Refer to Table 22.15 for details.

Table 22.15: Variance in FMIS and Payroll Summary Report

Payroll Summary Analysis	Amount (\$)
FMIS Salaries PE as at 31/07/17	74,544,396
Add Overtime	3,858,595
Add Allowances	2,378,965
Add Relieving Staff	1,237,062
Total	82,019,018
Less Payroll Summary Report as at 31/07/17	80,118,251
Variance	1,900,767

Placing reliance on incomplete P2P could result in the Ministry not being able to accurately ascertain the vacancies which exist contributing to vacant positions not being filled in a timely manner.

Recommendations

The Ministry should ensure that:

- person to post listing for Established Staff and GWE are updated at all times.
- salaries and wages reconciliation are thoroughly checked before a copy is sent to Ministry of Economy;
- monthly reconciliations between FMIS general ledger and Payroll Report are accurately carried out; and
- any variance noted should be investigated and adjusted accordingly.

Ministry Comments

The audit findings and recommendation is acknowledged. All the Payroll expenses are posted by Ministry of Economy (MOE), FMIS. The Ministry had requested explanation from the Salaries section (at MOE) and they have advised that they are liaising with the consultants with relation to the variances noted.

22.23 Procurement Anomalies

Competitive quotes (at least three where possible), instead of public tenders, may be called for procurements below \$50,001 unless the PSHMS has approved an exemption.²¹

²¹ Ministry of Health and Medical Services Finance Manual 2014 – Section 2.3.2

The accounts officer preparing 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 Accounting Head or accounts supervisor for certification.²²

The Accounting Head or accounts supervisor must not certify a payment as correct unless they are satisfied that:

- i. it is in accordance with the 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 accounts is not fraudulent and has not been previously paid;
- v. the expenditure it is charged to be correct.²³

Immediately after payment has been effected, the accounts clerk must stamp “paid” on all vouchers and supporting documentation to avoid any double payments.²⁴

From the sample selected, audit noted the following anomalies when procuring goods and services from vendors. Refer to Table 22.16 for details.

Table 22.16: Record Keeping Anomalies

Date	Payment ID	Amount (\$)	Particulars
No payment voucher raised			
18/08/16	1594	10,728	Purchase of fuel for West Wing
09/09/16	2135	12,661	Repair of vinyl tiles
14/02/17	7524	8,899	Payment of diamond tip stainless steel sewer line rod
18/05/17	3448	5,914	Purchase of TV antenna with cables, booster, distribution AMP-CWM
15/02/17	4772	3,183	Purchase of Fire extinguisher & Fire Hose Reel-CWM
16/06/17	10	671,350	Payment of surgery were done to the list of patients at CWM Hospital for the month of June(Main Trust Fund Account)
Supporting Documents Not Stamped Paid			
22/05/17	12672	22,565	Payment of aluminium stainless steel sink
24/03/17	5	189,200	Payment of surgery were done to the list of patients at CWM Hospital(Main Trust Fund Account)
16/06/17	10	671,350	Payment of surgery were done to the list of patients at CWM Hospital for the month of June(Main trust Fund Account)

The findings indicate that proper procedures were not complied with by the Ministry.

Failure to implement internal control increases the risk of double payment, unauthorised and fraudulent payments which allows for corrupt practices.

Recommendation

The Ministry should strengthen internal control for payments and ensure procurement process is strictly followed to avoid the above anomalies.

²² Ministry of Health and Medical Services Finance Manual – Section 2.8.4

²³ Ministry of Health and Medical Services Finance Manual 2014 – Section 2.8.5

²⁴ Ministry of Health and Medical Services Finance Manual 2014 – Section 2.8.7

Ministry's Comments

The audit findings and recommendation is acknowledged. Due to the significant number of transactions that is processed at the Ministry, there is a high risk that record keeping anomalies will arise. However, it does not indicate that internal control processes are lacking. The Ministry is and will continue to improve on internal control processes for payments and vigilant monitoring.

22.24 Expenditure Charged to Wrong Allocation

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes –

- (a) the correct tax code;
- (b) the ledger account it is charged to.²⁵

Audit review of payment vouchers noted that the Ministry charged expenditures to wrong allocations.

Refer Table 22.17 for details of mispostings.

Table 22.17: Expenditures Charged to Wrong Allocations

Date	Payment ID	VEP Amount (\$)	Posted To	Correct Allocation
05/07/17	14815	62,983	SEG 3	SEG 7
19/07/17	15494	74,757	SEG 5	SEG 7
05/05/17	11757	85,445	SEG 4	SEG 5
13/04/17	11106	111,016	SEG 4	SEG 5
13/04/17	11106	58,052	SEG 4	SEG 5
13/04/17	11106	45,550	SEG 4	SEG 5
08/02/17	04A055	36,201	SEG 5	SEG 9
Total		474,004		

We further noted that the Ministry incorrectly posted expenditures totalling \$3.1 million which related to vaccines, alliances drugs, consumables, expansion in drugs and medical supplies, laboratories and dental prosthetic materials to the Free Medicine Scheme allocation. Refer to **Appendix 22.1** for details.

Moreover, the Ministry had incurred negative expenditure of \$10,385 for the Primary Eye Care vote²⁶ for the financial year ended 31 July 2017.

The above findings indicate that Ministry did not regularise the incorrect postings during the closing of accounts process. This has resulted in misstatement of expenditures at SEG Level for the year ended 31 July 2017.

²⁵ Financial Instruction 2010 s14 (1) part (e) and (g) p8

²⁶ 1-22203-22102-071216

Recommendations**The Ministry should ensure:**

- that all transactions are posted to the correct allocations in the FMIS General Ledger; and
- identify the incorrect entries and correct them through the virement process on a timely manner.

Ministry's Comments

The audit findings and recommendation is acknowledged. Due to the nature of urgency to procure the drugs, we had utilised these allocations and wanted to formalise it with Virement. However, the RIE (MD21/2016) was not approved and we had no option but to leave it to the allocation it was initially charged to.

22.25 Variance in Pharmaceutical Stock

The PSHMS/DMO's shall appoint two stock take officers, one of whom is independent of the inventory function, to undertake a stock take of all inventories at least once a year. The stock take officers shall count the stock and verify it to the inventory register. The stock take officers shall prepare their stock take report noting any surplus, damaged, obsolete or unaccounted stock and their recommendations.²⁷

The stocktaking officers must ensure that:

- stocks are properly stored;
- actual stock corresponds to supporting records;
- records are properly maintained and up to date²⁸.

Fiji Pharmaceutical & Biomedical Services uses EPICOR system to record inventory movements.

Audit review of Fiji Pharmaceutical & Biomedical Services stocktake report as at 31 July 2017 revealed variances in the stock value from the amount recorded in the EPICOR system and in the stocktake report following physical count. Refer to the Table 22.18 for details of the variance.

Table 22.18: Variance in stock figures

Pharmaceutical Items	Total Value of the System Quantity (\$)	Total Value of Physical Quantity (\$)	(Deficit)/ Surplus (\$)
Family Planning	293,350	163,044	(130,306)
Vaccines	2,570,954	2,550,993	(19,961)
X-ray	470,630	367,323	(103,307)
Beddings	111,711	109,454	(2,257)
Appliance	161,199	116,656	(44,543)
Dressing	658,863	677,163	18,300
Lab	2,548,739	3,047,072	498,333
Dental	786,418	800,879	14,461
Consumables	4,450,942	4,701,750	250,808

²⁷ Ministry of Health and Medical Services Finance Manual 2014 – Section 8.3.1, 8.3.2 & 8.3.3

²⁸ Ministry of Health and Medical Services Finance Manual 2014 – Section 6.3.2

Pharmaceutical Items	Total Value of the System Quantity (\$)	Total Value of Physical Quantity (\$)	(Deficit)/ Surplus (\$)
Drugs	6,351,211	6,809,640	458,428
TOTAL			939,956

Failure to timely update the value of stock has resulted in the above variances.

Recommendations

The Ministry should:

- ensure that stocks are updated in the EPICOR system when received and despatched; and
- investigate the variance and take appropriate action.

Ministry's Comments

The audit findings and recommendation is acknowledged.

The major contributing factors to the variance includes:

- Picking of items without closing in the Orders in the EPICOR System
- Picking of wrong quantities and send to facilities and wrong quantities closed in the EPICOR System
- Picking of wrong products and closing the Orders in the system
- Manual picking of Orders without entering in the System
- Opening of Orders in the system commits the items even though it's not picked

As a way forward, FPBS will ensure that stocks are updated accordingly in the EPICOR system when they are received and despatched. Furthermore, we will investigate the variance and take appropriate action accordingly.

22.26 Vehicle Quarterly Reports Not Prepared

The Transport Officer shall prepare a quarterly vehicle report on all agency vehicles. The vehicle report must be prepared no later than one week after the end of the quarter.²⁹ The Transport Officer must sign and date the vehicle report before forwarding it to the Accounting Head for inclusion into the quarterly management report.³⁰ A copy of the report shall be forwarded to the Ministry of Economy no later than two weeks after the end of the quarter.³¹

The Ministry of Health was assigned a total of 287 vehicles of which 174 were leased and 113 were government-owned. Repairs and maintenance costs paid for the period amounted to \$823,354.

Our audit noted that the Ministry did not prepare the Vehicle Quarterly Report for the financial year 2016 – 2017.

²⁹ MOHMS Finance Manual 2014 Section 12.7.1

³⁰ MOHMS Finance Manual 2014 Section 12.7.3

³¹ MOHMS Finance Manual 2014 Section 12.7.4

In the absence of the Vehicle Quarterly Report, the management of the Ministry will not be able monitor the location and age of the vehicles, mileage at the beginning and end of the quarter, accident dates and cost of repairs, fuel and general maintenance and recommend improvements for cost effectiveness.

The above finding indicates non-compliance by the Ministry with established policies and procedures pertaining to proper management and control of motor vehicles.

Recommendations

The Ministry should ensure that:

- **quarterly vehicle reports are prepared and submitted to the Accounting Head to be included in the Quarterly Management Report; and**
- **quarterly vehicle reports are submitted to the Ministry of Economy.**

Ministry's Comments

The audit findings and recommendation is acknowledged.

This has been an on-going issue for the Ministry as returns have not been provided by the respective divisions and stations. Furthermore, transport team (SAS-Fleet and EO-Transport) had been transferred to CWMH to undertake transport centralization exercise whereby returns were not followed up on time. The EO has since been recalled to HQ (although no letter issued to officer) to attend to this and other issues with transport including facilitation of replacement and new vehicles which has been a priority.

22.27 Purchases Made Without Tender Board Approval

Public tenders must be called for any procurement of goods, services or works valued at \$50,001 or more, unless a Tender Board has approved an exemption in accordance with Procurement Regulation 30-(1).³² The Board may approve that tenders procedures be waived where there is only one supplier capable of supplying the goods, services or works.³³

Audit review of the Ministry's cashbook revealed that payments exceeding \$50,000 was made to Company A without tender board approval for the financial year ended 31 July 2017. Review of payment records noted that payment was to refill oxygen. Refer to the **Appendix 22.2** for details of payment made.

Proper procurement procedures were not followed by the Ministry in procuring goods from the company. There is a high risk of unauthorised purchases being made without tender board approval.

The risk of unauthorised purchases and collusion with suppliers is high when proper procurement procedures are not complied with.

³² MOHMS Finance Manual 2014 Section 2.3.1

³³ Procurement Regulations Section 48(1)

Recommendation

The Ministry should ensure that Tender Board approval is sought for the procurement of goods and services valued more than \$50,000 as required under Section 2.3.1 of the Department's Finance Manual.

Management Comments

The audit findings and recommendation is acknowledged.

The company is the sole supplier of such product in the country, and this has been the previous practice in the past. However, if Audit feels that there is a need for the contract, then the tender needs to be advertised and the vendor contracted.

22.28 Fixed Asset Register Not Updated

All assets acquired with a cost in excess of \$2,000, shall be recorded in the assets module of the Financial Management Information System (FMIS) or a fixed assets register for those without the FMIS.³⁴

All agencies must maintain a Fixed Asset Register (FAR) until the asset module of the financial management information system is implemented. Details to be recorded in the asset register should include, at a minimum – description; cost or fair value; date of acquisition (where known); make, model and identification number, where applicable; and location.³⁵

Our audit noted that Ministry's Fixed Asset Register was not updated as at 31 July 2017. Review of the payment records revealed that a number of fixed assets purchased during the year were not included in the Fixed Assets Register. Please refer to Table 22.19 for details.

Table 22.19: Fixed Asset Not Updated in FAR

Date	Payment ID	Item	Cost Price (\$)
09/05/17	11839	Generator	7,706
18/05/17	3448	TV antenna with cables, & booster	5,914
14/03/17	10070	Ceiling suspended AC	6,899
29/07/17	16118	Medical equipment- phase 3	1,509,603
3/05/17	11689	Medical equipment- phase 2	1,017,938
Total			2,548,060

The above finding indicates inadequate control over recording of fixed assets which could result in inability of the Ministry to identify items, which are unservicable or missing. Moreover, it would be difficult to identify officers responsible for discrepancies in the fixed assets records.

In the absence of complete Fixed Asset Register, the risk of theft and misappropriation of fixed assets is high.

³⁴ Finance Instructions 2010 – Section 46 (1)

³⁵ Finance Instructions 2010 – Section 46 (2)

Recommendation

The Ministry should ensure compliance with Section 46 of the Finance Instructions 2010.

Ministry's Comments

The audit findings and recommendation is acknowledged.

This is noted and is one of the areas that Ministry is trying to improve on. The Asset register is currently being updated into the excel format provided by consultants engaged by MOE. They had stressed that this is an issue with all ministries whereby items purchased and not enter on time or not entered. Once this register has been updated, it will become earlier for HQ to monitor assets through BOS. This register is currently being updated with facilities such as CWMH and Central Division being completed.

22.29 Lack of Monitoring in the Administration of Grant

The recipient will provide to the Ministry an annual audit report in accordance with this clause, not later than five months after the period that is under the audit.^{36 37}

Our audit noted that grant recipients did not always submit the audited accounts to the Ministry of Health and Medical Services for the year ended 31 July 2017. Refer to Table 22.20 for details.

Table 22.20: Audited Accounts not provided

Grant Recipients	Grant Amount (\$)
St John Ambulance	100,000
Chanel Home of Compassion	18,000
Total	118,000

In the absence of the audited financial statements, the Ministry cannot substantiate whether grants were used for the intended purpose.

Recommendation

The Ministry should ensure that audited accounts are submitted to ensure grant monies are utilised for the purpose it was given.

Ministry's Comments

The audit findings and recommendation is acknowledged. There is a difference in the financial year for the Fijian Government and the Non- Governmental Organisations who are the Grant Recipients. Thus, the financial reports are not prepared.

However, the Ministry have advised the NGOs of the requirements that they should follow and we will closely monitor this in future.

³⁶ Grant Agreement between MOHMS and ST John Ambulance – Clause 6.5

³⁷ Grant Agreement between MOHMS and Home of Compassion - Clause 8.3

22.30 Anomalies in Sahyadri Trust Fund Account

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.³⁸

All revenue receipted to be updated at Hospital and Division Level in the FMIS on a daily basis for reporting and audit purposes.³⁹

That the parties mutually agree that for every patient treated by the Sahyadri Specialty Pacific Hospital Limited (SSPHL) team, a base figure \$1,350. (One Thousand Three Hundred and Fifty Dollars) of the total cost of the patient treatment cost will be directed to the Ministry.⁴⁰

Audit review of the Sahyadri Trust Account revealed the following anomalies:

- A variance of \$114,950 was noted between closing bank statement balance and FMIS general ledger balance. Refer to Table 22.21 for details.

Table 22.21: Variance between bank statement and FMIS general ledger

Allocation	FMIS General Ledger Amount as at 31/07/17 (\$)	Bank Statement Balance as at 31/07/17 (\$)	Variance (\$)
9-22101-22003-520401	338,925	453,875	114,950

- Receipts amounting to \$297,032 received in the 2016 financial year (prior year) were posted in the FMIS general ledger on 30 November 2016 (current year). This has resulted in current year receipts being overstated by \$297,032. Refer to **Appendix 22.3** for details.
- The Ministry did not maintain a list of the patients who were treated by the Sahyadri Specialty Pacific Hospital Limited (SSPHL) team. As a result, we were not able to determine the total amount of government revenue to be received from the Sahyadri Trust Fund Account.
- The cashbook was not maintained for the period from January to July 2017.

The above anomalies were due to lack of accurate and timely reconciliation of the Sahyadri Trust account.

Recommendations

The Ministry should:

- **reconcile and investigate the variance between the closing bank statement balance and FMIS general ledger;**
- **ensure that trust receipts are posted in the correct financial period;**
- **maintain a listing of patients under the Sahyadri Trust; and**
- **maintain a cash book to record receipts and payments for each main trust fund account.**

³⁸ Finance Instructions 2011 Section 58 (3)

³⁹ Ministry of Health and Medical Services Finance Manual 2014 section 5.5.10

⁴⁰ Supplementary Agreement between the Ministry and SSPHL Section 3 Fees and Charges – Clause b

Ministry's Comments

The audit findings and recommendation is acknowledged.

Sahyadri trust accounts had some adjustments for previous year) which was posted in 2016-2017 FY. The vendor account is now reconciled and the vendor is paid for the patients treated. The reconciliation is a work in progress and the GL will be adjusted and adjustments posted after reconciliation in the current financial year (2017 – 2018).

This account will be closed and any funds in the bank will be posted to consolidated revenue.

APPENDIX 22.1: INCORRECT POSTING WITHIN SEG'S

Date	Payment ID.	VEP Amount (\$)	Correct Allocation	Posted to Free Medicine Program
26/04/17	37642	3,676	1-22401-85101-059129 – Vaccines	1-22401-85101-059130
	98809	418,466	1-22401-85101-059129 – Vaccines	
	98816	1,438	1-22401-85101-059199 – Appliances	
	97943	12,771	1-22401-85101-059199 – Appliances	
	98821	13,667	1-22401-85101-059199 – Appliances	
	98816	2,779	1-22401-85101-059121 – Drugs	
	98835	12,854	1-22401-85101-059121 – Drugs	
	98100	13,246	1-22401-85101-059121 – Drugs	
	98798	8,347	1-22401-85101-059121 – Drugs	
	97982	10,213	1-22401-85101-059121 – Drugs	
	98102	73,064	1-22401-85101-059121 – Drugs	
	98104	20,429	1-22401-85101-059121 – Drugs	
	96715	94,663	1-22401-85101-059121 – Drugs	
	97978	99,482	1-22401-85101-059121 – Drugs	
	98205	118,915	1-22401-85101-059121 – Drugs	
	96939	69,987	1-22401-85101-059121 – Drugs	
	98087	143,074	1-22401-85101-059121 – Drugs	
	97922	144,556	1-22401-85101-059121 – Drugs	
	98052	161,303	1-22401-85101-059121 – Drugs	
	96702	167,398	1-22401-85101-059121 – Drugs	
	96836	187,435	1-22401-85101-059121 – Drugs	
	96487	241,123	1-22401-85101-059121 – Drugs	
	96456	354,740	1-22401-85101-059121 – Drugs	
	96453	362,703	1-22401-85101-059121 – Drugs	
	98806	11,369	1-22401-85101-059126 – Consumables	
	97848	93,782	1-22401-85101-059126 – Consumables	
	96839	119,964	1-22401-85101-059126 – Consumables	
	97918	7,262	1-22401-85101-059125 – Expansion in Drugs and Medical Supplies	
	97351	77,743	1-22401-85101-059119 – Laboratories	
	96536	85,011	1-22401-85101-059123 – Dental Prosthetic Materials	
Total		3,131,460		

**APPENDIX 22.2: PURCHASES MADE
WITHOUT TENDER BOARD APPROVAL
– COMPANY A**

Date	Payment ID.	Amount (\$)
23/08/16	1623	232
23/08/16	1629	12,150
23/08/16	1635	2,058
24/08/16	1659	383
02/09/16	1925	1,453
05/09/16	1990	577
05/09/16	1212	864
12/09/16	2181	938
13/09/16	2279	10,970
16/09/16	2378	185
22/09/16	2539	106,156
06/01/17	5929	967
06/01/17	5960	901
10/01/17	6033	74,926
10/01/17	6043	418
11/01/17	6092	7,570
13/01/17	6148	864
18/01/17	6319	1,116
20/01/17	6415	1,323
20/01/17	6423	5,027
23/01/17	6455	345
26/01/17	6549	192
26/01/17	6552	48
26/01/17	6559	104
31/01/17	6659	662
3/02/17	6703	992
3/02/17	6705	687
3/02/17	6762	1,801
6/02/17	6788	672
6/02/17	6790	1,372

Date	Payment ID.	Amount (\$)
14/02/17	7061	102,548
14/02/17	7345	1,452
14/02/17	7429	1,196
14/02/17	7534	16,920
14/02/17	7654	3,842
14/02/17	7796	23,314
14/02/17	7951	4,126
14/02/17	8140	3,832
14/02/17	8246	3,993
14/02/17	8359	33,757
15/02/17	8504	45,588
15/02/17	8647	1,128
15/02/17	8798	53,143
15/02/17	8923	23,990
16/02/17	9100	2,177
16/02/17	9115	923
20/02/17	9292	12,191
21/02/17	9326	301
23/02/17	9457	1,000
01/03/17	9622	657
01/03/17	9624	103,845
07/03/17	9787	405
07/03/17	9803	2,384
07/03/17	9815	1,047
09/03/17	9927	860
14/03/17	10071	3,548
16/03/17	10149	928
16/03/17	10183	93,368
20/03/17	10247	221
28/03/17	10557	44,400
29/03/17	10594	1,109
31/03/17	10715	498
06/04/17	10869	1,278
06/04/17	10879	1,058
24/04/17	11273	14,641
24/04/17	11282	1,289

Date	Payment ID.	Amount (\$)
27/04/17	11418	150
28/04/17	11512	2,598
01/05/17	11527	1,101
02/05/17	11611	1,053
08/05/17	11783	15,201
08/05/17	11786	979
08/05/17	11789	1,256
8/05/17	11792	14,130
08/05/17	11793	22,922
09/05/17	11814	2,478
09/05/17	11819	20,771
10/05/17	11884	21,846
12/05/17	12009	190
15/05/17	12053	304
15/05/17	12097	924
15/05/17	12140	1,786
16/05/17	12181	70
16/05/17	12200	1,853
16/05/17	12213	279
18/05/17	12326	593
18/05/17	12349	901
18/05/17	12446	104,601
19/05/17	12617	1,583
23/05/17	12753	372
24/05/17	12770	10,388
24/05/17	12785	1,739
25/05/17	12801	1,902
29/05/17	12979	11,049
29/05/17	12995	25,360
30/05/17	13044	441
01/06/17	13119	81
02/06/17	13167	1,300
06/06/17	13314	31,718
06/06/17	13320	41,894
07/06/17	13369	220
07/06/17	13391	195

Date	Payment ID.	Amount (\$)
08/06/17	13481	10,846
08/06/17	13492	16,481
09/06/17	13530	366
13/06/17	13658	235
13/06/17	13685	70
14/06/17	13719	929
14/06/17	13725	70
15/06/17	13790	972
15/06/17	13811	87
15/06/17	13819	204
15/06/17	13841	104
19/06/17	13935	7,238
20/06/17	13977	5,920
20/06/17	13979	8,386
21/06/17	14006	64
22/06/17	14135	11,002
22/06/17	14158	927
23/06/17	14228	1,284
27/06/17	14336	1,047
28/06/17	14449	70
29/06/17	14543	16,655
29/06/17	14566	18,602
3/07/17	14603	248
4/07/17	14648	14,971
6/07/17	14839	37,311
7/07/17	14928	441
11/07/17	15006	364
14/07/17	15260	137
18/07/17	15374	279
19/07/17	15418	1,245
20/07/17	15526	279
20/07/17	15548	916
24/07/17	15681	10,767
24/07/17	15700	7,397
24/07/17	15723	8,708
24/07/17	15731	1,454

Date	Payment ID.	Amount (\$)
25/07/17	15789	64,316
26/07/17	15791	1,381
26/07/17	15818	928
26/07/17	15865	7,027
27/07/17	15894	2,052
27/07/17	15945	1,524
29/07/17	16130	93,351
29/07/17	16138	2,179
31/07/17	16200	583
31/07/17	16223	698
31/07/17	16258	591
31/07/17	16276	1,638
31/07/17	16295	1,126
18/08/16	990000007920	638
08/09/16	990000008017	1,675
13/09/16	990000008055	2,689
22/09/16	990000008127	2,487
22/09/16	990000008128	2,021
29/09/16	990000008198	13,447
13/10/16	990000008309	2,286
14/10/16	990000008310	4,166
14/10/16	990000008311	3,149
14/10/16	990000008312	5,260
14/10/16	990000008313	2,016
19/10/16	990000008325	19,182
19/10/16	990000008326	32,249
25/10/16	990000008411	2,561
25/10/16	990000008412	5,214
25/10/16	990000008413	2,933
27/10/16	990000008438	2,568
28/10/16	990000008470	8,677
09/11/16	990000008537	637
09/11/16	990000008538	3,888
11/11/16	990000008553	4,312
11/11/16	990000008554	3,546
16/11/16	990000008571	47,811

Date	Payment ID.	Amount (\$)
16/11/16	990000008576	14,874
22/11/16	990000008612	854
24/11/16	990000008638	1,334
24/11/16	990000008639	1,916
24/11/16	990000008641	4,022
29/11/16	990000008681	2,903
29/11/16	990000008683	3,846
29/11/16	990000008701	27,193
02/12/16	990000008728	4,004
07/12/16	990000008757	374
16/12/16	990000008825	2,160
21/12/16	990000008893	13,996
22/12/16	990000008940	729
23/12/16	990000008946	4,821
11/01/17	990000009080	3,560
11/01/17	990000009100	3,113
13/01/17	990000009107	19,282
13/01/17	990000009110	23,346
17/01/17	990000009145	4,926
27/01/17	990000009240	4,866
7/02/17	990000009323	3,270
7/02/17	990000009324	14,665
7/02/17	990000009350	6,696
10/02/17	990000009375	3,827
15/02/17	990000009412	23,278
15/02/17	990000009417	6,189
17/02/17	990000009440	2,409
17/02/17	990000009441	3,290
17/02/17	990000009442	3,244
24/02/17	990000009511	2,972
24/02/17	990000009513	3,860
02/03/17	990000009544	62,165
08/03/17	990000009584	4,585
08/03/17	990000009590	1,778
08/03/17	990000009591	4,847
08/03/17	990000009592	2,250

Date	Payment ID.	Amount (\$)
08/03/17	990000009597	10,002
10/03/17	990000009632	1,779
20/03/17	990000009694	2,541
20/03/17	990000009725	3,270
24/03/17	990000009738	3,999
24/03/17	990000009753	318
30/03/17	990000009783	12,371
11/04/17	990000009868	6,649
11/04/17	990000009892	3,270
20/04/17	990000009977	5,029
21/04/17	990000009979	104,930
26/04/17	990000009992	2,293
01/05/17	990000010044	5,405
01/05/17	990000010045	2,318
05/05/17	990000010125	11,690
16/05/17	990000010216	1,786
16/05/17	990000010217	3,230
16/05/17	990000010218	3,027
23/05/17	990000010265	2,313
23/05/17	990000010267	2,705
24/05/17	990000010284	4,681
24/05/17	990000010285	5,642
31/05/17	990000010337	2,401
31/05/17	990000010380	3,103
31/05/17	990000010393	48,784
1/06/17	990000010407	34,540
1/06/17	990000010408	8,350
2/06/17	990000010428	2,016
6/06/17	990000010471	916
9/06/17	990000010504	1,830
9/06/17	990000010523	10,986
13/06/17	990000010586	682
14/06/17	990000010606	26,702
19/06/17	990000010624	1,488
19/06/17	990000010638	4,839
19/06/17	990000010642	3,283

Date	Payment ID.	Amount (\$)
27/06/17	990000010741	1,232
27/06/17	990000010770	43,281
27/06/17	990000010771	10,799
28/06/17	990000010832	846
3/07/17	990000010890	1,933
7/07/17	990000010954	2,072
7/07/17	990000010958	3,191
7/07/17	990000010970	952
13/07/17	990000011023	15,135
19/07/17	990000011090	2,450
19/07/17	990000011099	13,869
21/07/17	990000011110	1,609
25/07/17	990000011133	83,787
27/07/17	990000011149	5,879
27/07/17	990000011160	3,495
28/07/17	990000011197	29,089
18/10/16	56	6,806
18/10/16	57	11,296
20/10/16	85	544
20/10/16	100	330
21/10/16	116	9,268
21/10/16	117	12,239
03/11/16	216	1,281
03/11/16	218	261
03/11/16	232	410
11/11/16	273	1,280
11/11/16	282	389
18/11/16	329	1,513
22/11/16	366	545
22/11/16	376	1,081
28/11/16	421	29,053
30/11/16	438	25,984
05/12/16	464	389
05/12/16	467	987
05/12/16	468	261
14/12/16	515	11,621

Date	Payment ID.	Amount (\$)
29/12/16	582	9,812
11/01/17	637	140
11/01/17	640	1,417
13/01/17	687	150
13/01/17	711	976
27/01/17	000000000811	7,345
15/02/17	000000000897	453
22/02/17	000000000963	777
23/02/17	000000000972	521
24/02/17	000000001003	1,252
24/02/17	000000001011	1,923
28/02/17	000000001066	1,360
28/02/17	000000001080	37,615
06/03/17	000000001145	261
8/03/17	000000001174	11,386
21/03/17	000000001254	620
21/03/17	000000001265	389
28/03/17	000000001348	987
30/03/17	000000001430	388
04/04/17	000000001469	29,739
07/04/17	000000001504	520
07/04/17	000000001508	186
07/04/17	000000001509	1,394
19/04/2017	000000001556	9,101
19/04/17	000000001562	261
20/04/17	000000001592	2,038
20/04/17	000000001601	833
21/04/17	000000001614	220
25/04/17	000000001642	331
25/04/17	000000001655	389
08/05/17	000000001720	17,088
09/05/17	000000001731	220
16/05/17	000000001831	15,754
25/05/17	000000001935	494
25/05/17	000000001944	1,197
26/05/17	000000001947	1,364

Date	Payment ID.	Amount (\$)
26/05/17	000000001954	1,481
29/05/17	000000001972	21,439
02/06/17	000000002015	1,465
02/06/17	000000002020	1,123
06/06/17	000000002033	14,544
07/06/17	000000002063	833
08/06/17	000000002101	987
12/06/17	000000002162	2,038
15/06/17	000000002197	527
20/06/17	000000002228	844
22/06/17	000000002247	389
26/06/17	000000002272	987
28/06/17	000000002295	432
29/06/17	000000002339	8,402
29/06/17	000000002340	4,347
04/07/17	000000002344	13,087
05/07/17	000000002356	941
06/07/17	000000002368	1,123
07/07/17	000000002383	1,912
10/07/17	000000002413	1,017
12/07/17	000000002467	1,123
13/07/17	000000002511	7,177
14/07/17	000000002582	987
14/07/17	000000002586	6,606
17/07/17	000000002589	6,558
18/07/17	000000002611	1,661
25/07/17	000000002721	2,349
26/07/17	000000002731	476
26/07/17	000000002742	6,485
28/07/17	000000002786	3,080
28/07/17	000000002802	44,314
01/12/16	000000004872	13,503
TOTAL		3,030,927

APPENDIX 22.3: PRIOR YEARS REVENUE POSTED TO CURRENT YEAR

Date of Receipt	Receipt No.	Amount in Bank (\$)	Date Posted to FMIS GL
8/06/16	707139		
9/06/16	707140		
10/06/16	707141		
10/06/16	707142		
14/06/16	707143		
13/06/16	707144	214,150	30/11/16
13/06/16	707145		
15/06/16	707146		
15/06/16	707147		
15/06/16	707148		
19/06/16	707149		
22/03/16	707127		
23/03/16	707128		
23/03/16	707129		
04/05/16	707130		
04/05/16	707131		
04/05/16	707132		
04/05/16	707133	82,882	30/11/16
29/05/16	707134		
29/05/16	707135		
29/05/16	707136		
08/06/16	707137		
08/06/16	707138		
Total		297,032	

Section 23**Department of Housing****Role and Responsibilities**

The Department of Housing is responsible for providing access to adequate, quality and affordable accommodation for all citizens and especially the low-income groups and the poor. The Department plays an important role in the Government's effort to combat poverty through the effective administration of the National Housing Policy, which has a specific emphasis on upgrading and resettlement programs for the less fortunate in Fiji.

The Department is also responsible for administering Government grants to social housing providers such as the Public Rental Board, the Housing Authority and the Housing Assistance Relief Fund.

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PART A: FINANCIAL STATEMENT

23.1 Audit Opinion

Audit of the 2017 accounts of the Department of Housing resulted in an unqualified audit opinion.

23.2 Statement of Receipts and Expenditure

The Department of Housing incurred expenditure totalling \$15,543,028 for the year ended 31 July 2017. Details are provided in Table 23.1.

Table 23.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
RECEIPTS		
Miscellaneous Revenue	---	12,904
Total Revenue	---	12,904
EXPENDITURE		
Operating Expenditure		
Established Staff	336,167	197,297
Government Wage Earners	23,267	12,095
Travel & Communications	52,941	25,816
Maintenance & Operations	36,192	21,044
Purchase of Goods & Services	20,826	5,608
Operating Grants & Transfers	1,000,000	457,327
Special Expenditure	(8,275)	22,401
Total Operating Expenditure	1,461,118	741,588
Capital Expenditure		
Capital Construction	5,365,174	1,513,049
Capital Grants & Operations	8,355,155	4,408,600
Total Capital Expenditure	13,720,329	5,921,649
Value Added Tax	361,581	143,431
TOTAL EXPENDITURE	15,543,028	6,806,668

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management Act 2004. 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.

23.3 Appropriation Statement

The Department of Housing incurred expenditure totalling \$15,543,028 in 2017 against a revised budget of \$25,372,629 resulting in a saving of \$9,829,601 or 39%.

Review of the FMIS General Ledger revealed that significant savings were made under SEG 7 - Special Expenditures by \$182,275 and SEG 10 – Capital Grants and Transfers by \$8,355,155. Specifically, savings were in the following areas:

- Government Contribution – National Housing Implementation Plan (SEG 7) \$182,275;
- HART (SEG 10) \$212,500;
- HA Social Housing Policy (SEG 10) \$500,000;
- Sustainable Income Generating Project (SEG 10) \$133,387;
- First Home Buyers (SEG 10) \$3,406,198;
- Housing Assistance to Fire Victims (SEG 10) \$255,000;
- City Wide (SEG 10) \$3,474,399; and
- PRB Simla Development Project (SEG 10) \$1,299,109.

Savings were due to some funds which were under “R” not released through RIE application. In addition, contractual payments were released based on terms and conditions of the contracts. The huge savings from the National Housing Implementation Plan as a result of a reversal journal made into the SEG 7 expenditures resulted in negative expenditure of \$8,275.

Details of expenditure against the revised budget are provided in Table 23.2.

Table 23.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	352,898	(1,806)	351,092	336,167	14,925
2	Government Wage Earners	22,053	1,806	23,859	23,267	592
3	Travel & Communications	56,000	---	56,000	52,941	3,059
4	Maintenance & Operations	60,000	---	60,000	36,192	23,808
5	Purchase of Goods & Services	24,000	---	24,000	20,826	3,174
6	Operating Grants & Transfers	1,000,000	---	1,000,000	1,000,000	---
7	Special Expenditure	174,000	---	174,000	(8,275)	182,275
	Total Operating Expenditure	1,688,951	---	1,688,951	1,461,118	227,833
	Capital Expenditure					
8	Capital Construction	2,537,528	2,985,139	5,522,667	5,365,174	157,493
10	Capital Grants & Transfers	20,889,550	(3,253,802)	17,635,748	8,355,155	9,280,593
	Total Capital Expenditure	23,427,078	(268,663)	23,158,415	13,720,329	9,438,086
13	Value Added Tax	256,600	268,663	525,263	361,581	163,682
	TOTAL EXPENDITURE	25,372,629	---	25,372,629	15,543,028	9,829,601

23.4 Statement of Losses

There was no loss of fixed assets recorded for the financial year ended 31 July 2017. However, items worth \$1,960 were written off by the Permanent Secretary for Economy, following the Ministry's board of survey conducted for the period ended 31 July 2017.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

23.5 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 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

23.6 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
 Ineffective	Less than five of 10 key processes completed within two weeks of due date

23.7 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


23.8 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

23.9 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 draft financial statements assessment
 Ineffective	Management comments received after 21 days from the date agency financial statement draft management letter (DML) was issued

Rating	Timeliness of draft financial statements assessment
 Ineffective	Signed financial statements received after 15 days

Payment vouchers and other related documents to support expenditures totalling \$1,410,747 were not provided at the time of the audit and were stated to be missing. However, these documents were provided when the draft auditor's report was qualified and issued for signing on 1 August 2018.

The delay in provision of documents required for audit, significantly delayed the audit process.

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.

23.10 Internal Controls and Governance Systems

Permanent Secretaries and Heads of Departments are required to submit Annual Reports by the 31st of January of the following year and for tabling in Cabinet. Annual Reports must be prepared by all Ministries and Departments and submitted to their respective Ministers.¹

Each month, the Accounting Head must provide a signed and dated report to the Permanent Secretary to advise whether all reconciliations and checks required have been carried out and the current status of any unresolved external or internal audit issue.²

Our audit noted that the Department has yet to prepare and submit its Annual Report for 2014, 2015 and 2016 to the Minister. The monthly signed reports required under section 60 of the Finance Instructions were also not provided to the Permanent Secretary.

As such, the following internal controls were neither checked regularly nor in place for the financial year ended 31 July 2017:

- The following administrative internal controls were absent:
 - Assessment of internal controls report was not available contrary to section 67 (1) of the Finance Instructions 2010 and section 17.3 of the Department's Finance Manual;
 - Payment vouchers tested were not always stamped "paid" contrary to Part 2.8.9 of the Finance Manual.³
- Local Purchase Orders were not issued when procuring goods, services or works from an organisation within Fiji.

¹ General Order No 1108

² Finance Instructions 2010 - Section 60

³ Cheque Numbers 44069, 44068, 44062, 43727, 43816, 43757, 44319, 44318, 44168, 44171, 43728, 43729, 43730, 44039, 647, 43516, 646, 44322, 43817, 44321.

- Monthly retirement of accountable advance was not carried out resulting in a high closing balance of \$178,999. Total outstanding accountable advance balance brought forward from July 2016 amounted to \$177,399 while two additional advances totalling \$1,600 were taken in February and June 2017, respectively. In addition, interest on advances owed (12% interest) was not applied contrary to section 10.1.15 of the Finance manual.

The above findings indicate non-compliance by the Department with the various requirements.

Recommendation

The Department must ensure that internal controls and governance systems in place are properly carried out and monitored by Senior Management to ensure that such anomalies do not occur.

Management Comments

The Department of Housing noted and agreed with the Auditor General's comments on the absence of internal control and governance system in place especially the non-preparation of the Department of Housing Annual Report 2014, 2015 & 2016.

The Department of Housing management could not properly carry out its internal control and governance system as mentioned in this audit report because of the suspension of Senior Accountant and Acting Accounts during this audit period. Furthermore, the Accounts section managed by Deputy Secretary, who was carrying out the role of Senior Accountant and was supported by two temporary relieving clerical officers who were not carrying out the specified activity as per the requirement of Section 67 (10) of the Finance Instructions 2010 and Section 17.3 of the Department of Housing Finance Manual and Part 2.8.9 of the Finance Manual.

As a remedial measure, the Ministry has just recruited a Principal Accountant, Senior Accountant, Assistant Accountant and three (3) clerical officers to carry out the specified duties of the of Finance Division in strict compliance with the Finance Instruction 2010 and the Finance Manual. The team is completing the remedial process and bring the accounts up to date.

23.11 Anomalies in the Recruitment of Senior Consultant Engineer

Open merit-based recruitment and selection is defined as the system of appointing employees based on their ability to do the job, assessed against objective selection criteria which do not discriminate against or give preference to any group or individual.⁴

All vacant positions (both substantive and temporary) will be advertised for a minimum period of one week, through the means deemed appropriate with regard to the term of the position and the skills, knowledge and abilities required to perform the duties of the position:

- a) A vacant position is one in which an appointment is to be made for a duration of more than one month;
- b) All advertisements must clearly state whether the position is of an ongoing nature or short term/temporary;
- c) The advertisement will clearly state the closing date and tie for applications, late applications are not to be accepted.⁵

⁴ PSC Approved Open Merit Based Recruitment and Selection Guideline dated 22 January 2016, Section 2.3

⁵ PSC Approved Open Merit Based Recruitment and Selection Guideline dated 22 January 2016, Section 3.3

The Department had contracted a Senior Consultant Engineer from India for the period 12 June 2017 to 12 September 2017.

Our audit noted that the Senior Consultant Engineer was not recruited through an open merit system as the vacancy was not identified, job description was not prepared prior to recruitment, there was no assessment for the need for the position and there was no advertisement for the position.

As a result, the recruitment of the Senior Consultant Engineer was not made against an objective selection criteria.

Recommendation

The Department must ensure that the Open Merit Recruitment System is adhered to when filling all positions.

Management Comments

The Department had responded stating that proper interviews were done through Skype where Director Housing and Local Government were panelists. However, this could not be substantiated.

23.12 Incorrect posting of Expenditures

The expenditure of money appropriated by an Appropriation Act from the consolidated fund or any other fund may be incurred only in accordance with the authorisation effected by the Appropriation Act as indicated in the Act and any applicable appropriation categories specified in relation to the head of appropriation.⁶

The appropriation for Squatter Upgrade and Resettlement (\$2,137,528) and Value Added Tax (\$256,600) was appropriated for the year 2016-2017 accordingly.⁷

Audit scrutiny noted that expenditures incurred for Squatter Upgrade and Resettlement totalling \$1,566,181 was recorded at the VAT inclusive price in the SEG 8 allocation for Squatter Upgrade 1-23101-23999-080429.

The VAT portion of these payments were not posted separately to SEG 13. Details are in Table 23.3 below.

Table 23.3: Details of Payment Charged at VIP to SEG 8

FMIS ID/ Chq No.	VIP Amount (\$)	VAT Amount (\$)
AP8469	416,361	34,378
AP8528	195,270	16,123
AP8529	14,352	1,185
AP2725	118,787	9,808

⁶ Financial Management Act 2004 – Division 2 – Activity 1 – General Administration - Section 14 (1)

⁷ 2016-2017 Budget Estimate – Department of Housing – Page 172 and Page 173

FMIS ID/ Chq No.	VIP Amount (\$)	VAT Amount (\$)
AP3118	108,449	8,955
AP0770	186,104	15,366
AP2899	263,429	21,751
710	263,429	25,466

The main contributing factor to the above was the engagement of inexperienced staffs in the Accounts Section.

As a result, Squatter Upgrade and Resettlement expenditures was overstated by \$133,032 while VAT expenditure for the year was understated by the same amount.

Recommendation

The Department should ensure that capable and competent officers are employed at Accounts Section to address these mis-postings.

Management Comments

The Department of Housing noted the Auditor General's comments.

As temporary remedial measures to correct the mis-posting in the Department of Housing 2016-17 Financial Report, the Ministry had sought assistance from Ministry of Labour & Employment Relation and Ministry of Infrastructure and Transport carrying out the sequential sorting and filling of payment vouchers and cheque in order from August 2017 to January 2018.

The suspension of Senior Accountant and Acting Accounts and the temporary appointment of two Relieving Clerical officers had resulted in the mis-postings in SEG 8 allocation for Squatter Settlement Upgrading and Resettlement allocations.

The Ministry has just recruited a Principal Accountant, Senior Accountant, Assistant Accountant and three (3) clerical officers to carry out the specified duties of Finance Division in strict compliance with the Finance Instruction 2010 and the Finance Manual.

23.13 Full payment for incomplete Work on Lagilagi Housing Development Project

For the purpose of the Project, People's Community Network (PCN) was granted a lease of 1.3949 hectare of land on Certificate Title 27907 for a period of 99 years and initiated the Lagilagi Housing Project at Jittu Estate, Raiwaqa to build 152 homes together with a community hall and kindergarten.⁸

Notwithstanding the terms of the agreement, the Parties agree that the balance of payment to PCN will made depending on the successful completion of the Project and such payment shall be made in accordance with the payment schedule below:⁹

⁸ Addendum to the Agreement between the Ministry of Local Government, Housing and Environment & Recipient signed on 30/1/2017 for continuation of grant agreement – Schedule 1 paragraph no. 2

⁹ Addendum to the Agreement between the Ministry of Local Government, Housing and Environment & Recipient signed on 30/1/2017 for continuation of grant agreement – paragraph 3.1

Payments	Amount (\$)
1 st Payment to be made upon the signing of the Addendum for Lagilagi Housing Development Project	800,000
2 nd Payment to be made on or after 31 January 2017 upon submission of satisfactory completion reports and verification by the Ministry for Lagilagi Housing Development Project building works.	1,104,211
3 rd Payment to be made on or after 31 March 2017 upon submission of satisfactory completion reports and verification by the Ministry for Lagilagi Housing Development Project building works.	1,104,211
Final payment to be made on 30 September 2017 upon completion of the defects liability period and verification by the Ministry of the rectification works	245,380

The Permanent Secretary approved the final payment¹⁰ dated 05/07/17 made to PCN totalling \$1,349,591 consisting of the amounts due on the 3rd payment of \$1,104,211 and final payment of \$245,380 even though the project was only 67% complete. PCN was yet to construct a community hall and kindergarten.

Contrary to the payment schedule in the signed agreement, final payment of \$245,380 was made well before the expiry of the defect liability period.

The above findings indicate that the Ministry did not comply with the conditions of the agreement by making payments that were not due and the delay in the completion of the project by the Contractor. This increases the risk of loss where Government may not be able to recover any money should there be defects discovered after the completion of the project.

Recommendation

The Department should ensure that contractual obligations are always complied with and that proper planning is done to avoid non-compliance

Management Comment

The Department of Housing noted the Auditor General's comment that contractual compliance to be always complied with. It will comply with future subdivision and building contractual obligation.

¹⁰ Receipt No.9820

23.14 Waiver of Tender

A procuring Ministry or Department must inform the Fiji Procurement Office of their intention to conduct negotiations and seek representation from their Office before the commencement of any negotiations.¹¹

The Board may approve that tender's procedures be waived where there is only one supplier capable of supplying the goods, services or works; and a supplier has been nominated by an aid agency which is fully funding the procurement.¹²

Subject to provisions of Regulations 48, approval of the Board is required before a contract is awarded to the successful bidder.¹³

The Government Tender Board approved the waiver of tender for the electricity reticulation at Ledrusasa Squatter Upgrading Residential Project on 12th June 2017.

The Department entered into an agreement with the contractor on 19th May 2017 prior to the approval of the Government Tender Board. A total of \$186,104¹⁴ was paid to the contractor following the approval of the Government Tender Board.

The request for the waiver of tender was made to regularise the procurement process and facilitate the payments to the contractor.

Recommendation

The Department should ensure that the Procurement Regulations are complied with.

Management Comment

The Department of Housing will ensure that the Fiji Procurement Office's approval is sought for waiver of tender for electricity reticulation before entering into Agreement with Fiji Electricity Authority for electricity.

23.15 Late Submission of Draft Agency Financial Statement

Each agency must prepare an annual report for submission to its Minister by 31st December in the following year.¹⁵ Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.¹⁶

All agencies are required to prepare their respective agency accounts and submit to the Office of the Auditor General two months after closing of accounts.¹⁷ Permanent Secretaries of Ministries and Departments are requested to ensure that financial accounts for the financial year ending 31

¹¹ Procurement Regulations 2010, Section 43 (3).

¹² Procurement Regulations 2010, Section 48 (1)(a) and (b)

¹³ Procurement Regulations 2010, Section 44.

¹⁴ Cheque No: 44324 – Dated 25th July 2017

¹⁵ Finance (Amendment) Instruction 2016 – Section 69

¹⁶ Finance Instruction 2016 – Section 70 (2)

¹⁷ Ministry of Economy Circular 04/2017 - 2016-2017 Closing of Accounts Procedures – Section 18.1

July 2017 are properly closed off and be ready in time for audit by the Office of the Auditor General by 31 August 2017.¹⁸

- The Department submitted the financial statement for audit on 19th January 2018 which was six months after the due date of submission.
- The audit noted errors in the financial statement submitted for which the Department confirmed for audit to make amendments on 6th March 2018.
- The audit of the Ministry was delayed due to the request by the Ministry to the Office of the Auditor General for the audit to commence on 20 February to allow the Ministry to complete all the pending reconciliations for the period.¹⁹

Failure to submit the draft financial statements on time would delay the finalisation of the audit and the submission of audit reports to Parliament.

Recommendation

The Department should comply with the Ministry of Economy's Closing of Accounts Procedure and ensure that the draft financial statement is submitted to the Auditor General's Office.

Managements Comment

We have noted your comments; the Ministry submitted the 2016-2017 Draft Agency Financial Statement (AFS) in late due to staff constraints and backlog works for the said year was completed before the AFS was prepared and submitted to Office of the Auditor General for auditing.

The Ministry will ensure to strictly adhere to set out dates as per Closing of Accounts Circular issued by Ministry of Economy before the end of each accounting period.

23.16 Withholding Tax Account

When invoices or claims for payments are received, the Clerical Officer Account Payable (CO/AP) shall record details in an accounts payable ledger. The accounts payable ledger shall record all claims for payment except for procurement invoices, which shall be recorded in the commitment ledger.²⁰

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Assistant Accountant shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.²¹ Any errors or misallocations must be immediately adjusted by way of journal vouchers.²²

The Assistant Accountant must reconcile all accounts to be submitted to Ministry of Economy within two weeks after the closing of each monthly account.²³

¹⁸ Ministry of Economy Circular 04/2017 - 2016-2017 Closing of Accounts Procedures – Section 18.2

¹⁹ Ministry of Local Government, Housing and Environment Request Letter to Audit

²⁰ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 13.1.1

²¹ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 16.3.3

²² Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 16.3.4

²³ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 16.3.4

Our audit noted the following anomalies in the Withholding Tax account:

- Contrary to the nature of the account, the Withholding tax allocation (1-23101-23999-840602) has a debit balance of \$46,040 at the financial year ending 31/07/17. Transactions posted in FMIS general ledger was mostly for payment of provisional tax;
- The opening balance on 1 August 2018 also had a debit balance of \$10,555;
- The opening balance of \$10,555 debit cannot be relied upon since no reconciliations were prepared for this account prior to August 2016; and
- The Department prepared only one Withholding tax reconciliation for the financial year August 2016 to July 2017 dated 20 February 2018.

The above anomalies could have been avoided if proper and timely reconciliations were carried out and errors and omissions adjusted accordingly.

Recommendations

The Department should ensure that:

- **adequate training, supervision and monitoring is provided by Senior Officers to their subordinates;**
- **the Withholding tax account is reconciled monthly and errors or misallocations noted investigated and adjusted accordingly; and**
- **Withholding tax account balances are accurately reflected in the FMIS general ledgers**

Management Comments

We have noted your comments; with the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that underline accounts reconciliation (Withholding Tax Account) are prepared accurately and any variance to be cleared via journal voucher with relevant accounting records are endorsed by the Accounting Head before journals are processed in FMIS.

Also, monthly payment of Withholding Tax to be remitted to Fiji Revenue & Customs Authority.

In relation to the anomalies raised for Withholding Tax, the Ministry has taken active role in getting the variance rectified and clear with the assistance from FMIS before the closure of 2017-2018 accounts.

Measures taken to avoid the issue raised again;

1. *Provision of training on Maintenance of Records & Registers and journals for Accounts Personnel*
2. *In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.*
3. *Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times.*

23.17 Absence of Underline Accounts Reconciliations

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Assistant Accountant shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.²⁴

Our audit noted that the Department did not prepare and submit its monthly reconciliations for Drawings account and RFA for the year ending 31 July 2017. Refer to Table 23.4 for details.

Table 23.4: Details of General Ledger Accounts Balances without Reconciliations

FMIS General Ledger Account No	Account Description	Amount as at 31/07/2017 (\$)	Comment
1-23101-23999-530301	Drawings BSP Suva	(98,919)	No reconciliations were provided as at date of audit.
1-23101-23999-560203	AR Individuals	(46,036)	This balance was carried forward from previous year and there no transaction in 2016/2017

Weak supervision and monitoring by the supervisors has resulted in the non-preparation of reconciliations.

Without the preparation of reconciliations, errors and omissions cannot be detected and corrected in a timely manner.

Recommendations**The Department should:**

- provide adequate training, supervision and monitoring to staff at Accounts section; and
- ensure that all reconciliations are up to date and provided for audit review.

Management Comments

We have noted your comments; with the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that underline accounts reconciliation is prepared accurately on a monthly basis and any variance to be cleared via journal voucher with relevant accounting records and are endorsed by the Accounting Head before journals are processed in FMIS.

In relation to the Drawings and Revolving Fund reconciliation is concerned the Ministry has taken active role in getting the variance rectified and clear with the assistance from FMIS before the closure of 2017-2018 accounts.

Measures taken to avoid the issue raised again;

1. Provision of training on Maintenance of Records & Registers and journals for Accounts Personnel
2. In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.
3. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times.

²⁴ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual, Section 16.3.3

23.18 Expenditure Balance Recorded Contrary to the Nature of the Account

Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Assistant Accountant shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.²⁵ Any errors or misallocations must be immediately adjusted by way of journal vouchers.²⁶

Our audit noted that contrary to the nature of the account, Special Expenditures (SEG 7) allocation namely National Housing Implementation Plan allocation number 1-23101-23999-070203 had a credit balance of \$8,275 in FMIS general ledger as at 31 July 2017.

The Department posted an adjustment of misposting amounting to \$97,861 in period 10 to the FMIS general ledger resulting in the credit balance in this expenditure allocation as at 31 July 2017.

As a result, Special Expenditures (SEG 7) was not accurately reflected in the Statement of Receipts and Payments at year end.

Recommendation

The Department should ensure that Special Expenditures are accurately reflected in the FMIS general ledger.

Management Comments

We have noted your comments; with the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry will ensure that underline accounts reconciliation are prepared accurately on a monthly basis and any variance to be cleared via journal voucher with relevant accounting records and are endorsed by the Accounting Head before journals are processed in FMIS.

In relation to the underline reconciliation the Ministry has taken active role in getting the variance rectified and clear with the assistance from FMIS before the closure of 2017-2018 accounts.

Measures taken to avoid the issue raised again;

- 1. Provision of training on Maintenance of Records & Registers and journals for Accounts Personnel*
- 2. In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.*
- 3. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times.*

²⁵ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual, Section 16.3.3

²⁶ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual, Section 16.3.4

Section 24

Ministry of Women, Children and Poverty Alleviation

Roles and Responsibilities

The Ministry of Women, Children and Poverty Alleviation oversees the three departments: Department of Social Welfare and Department of Women and Children and Poverty Monitoring Unit.

Government is committed to reducing poverty to a negligible level and these Departments further that cause by breaking down barriers erected by gender, age, disability and economic standing.

The Department of Social Welfare administers Fiji's recently-reformed social welfare programs, which include the Poverty Benefit Scheme, the Child Protection Allowance, the Food Voucher Program, the Social Pension Scheme and the Bus Fare Subsidy. In managing these programs, the Department is responsible for ensuring that aid flows to those who need it the most, while stamping out corruption and fraud in the system.

The Department is equally committed to ensuring that these programs do not create a culture of dependency, focusing efforts and energy on graduating individuals and families from "welfare to workfare."

The Department also has the statutory responsibility to ensure the protection and wellbeing of children, which includes managing juvenile centres.

The Department of Women is responsible for providing Fijian women and girls, particularly those in rural communities, with the skills and education they need to participate as equal members in society. It works to provide the necessary support to enable them to bring about positive changes for themselves, for their families and for their communities.

This mission is underscored in the National Women's Plan of Action, which is aimed at boosting women's employment opportunities, increasing women's participation in decision making, eliminating violence against women, improving women's access to basic services, and addressing women's issues in new legislation. The Department works with other Ministries to ensure that gender perspectives are addressed in all Government policies and initiatives and to promote gender equality.

The Poverty Monitoring Unit evaluates Government's poverty related programmes and makes policy recommendation to the Ministry and Cabinet.

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PART A: FINANCIAL STATEMENTS

24.1 Audit Opinion

Audit of the 2017 accounts of the Ministry of Women, Children and Poverty Alleviation resulted in an unqualified audit opinion. However, attention was drawn to the following:

- The Ministry 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.
- Internal controls over procurement and account reconciliations were generally found to be weak and if not addressed promptly may result material misstatements and possible financial losses in the near future.

24.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$9,322 and incurred a total expenditure of \$62,370,233 for the year ended 31 July 2017. Details are provided in Table 24.1.

Table 24.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State revenue	6,915	3,405
Agency revenue	2,407	365,677
Total Revenue	9,322	369,082
Established staff	5,473,831	2,432,201
Government wage earners	1,574,668	692,879
Travel and communications	375,953	208,514
Maintenance and operations	756,193	473,516
Purchase of goods and services	1,269,507	972,395
Operating grants and transfers	49,393,442	29,760,494
Special expenditures	2,258,398	809,725
Total Operating Expenditure	61,101,992	35,349,724
Capital purchase	88,116	34,483
Capital grants & transfers	952,817	164,621
Total Capital Expenditure	1,040,933	199,104
Value added tax	227,308	103,863
Total Expenditure	62,370,233	35,652,691

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.

Miscellaneous revenue decreased by \$363,270 or 99% in 2017 compared to 2016 due to decline in refund of allowances for Social Protection Program recipients as a result of closed or invalid bank accounts.

Special expenditure increased by \$1,448,673 or 179% in 2017 compared to 2016. The increase was mainly due to new expenditure of \$495,881 relating to Fiji National Women's Expo in 2017 and increased expenditure of \$584,290 for Child Protection Program in 2017.

There was no budgetary allocation provided for Capital Purchase in 2017. The Ministry vired a sum of \$89,910 in 2017 to procure two boats for the maritime areas of Bua and Lomaiviti provinces.

Capital Grants & Transfers increased by \$788,196 or 479% in 2017 compared to 2016. The major increase was due to increase in expenditure for Welfare Graduation Program by \$553,771 and increased expenditure for Capital Grant to Voluntary Organizations by \$144,432 in 2017.

24.3 Appropriation Statement

The Ministry incurred expenditure totalling \$62.37 million in 2016-2017 against a revised budget of \$64.12 million resulting in a saving of \$1.75 million or 3%.

Details of expenditure against the revised budget are provided in Table 24.2.

Table 24.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	5,370,059	117,133	5,487,192	5,473,831	13,361
2	Government wage earners	995,247	585,594	1,580,841	1,574,668	6,173
3	Travel & communication	330,000	59,394	389,394	375,953	13,441
4	Maintenance & operations	790,200	9,520	799,720	756,193	43,527
5	Purchase of goods & services	1,086,730	208,682	1,295,412	1,269,507	25,905
6	Operating grant & transfers	43,130,000	7,597,207	50,727,207	49,393,442	1,333,765
7	Special expenditure	2,544,620	(142,110)	2,402,510	2,258,398	144,112
	Total Operating Expenditure	54,246,856	8,435,420	62,682,276	61,101,992	1,580,284
8	Capital purchase	---	89,910	89,910	88,116	1,794
9	Capital grants & transfers	1,350,000	---	1,350,000	952,817	397,183
	Total Capital Expenditure	1,350,000	89,910	1,439,910	1,040,933	398,977
13	Value added tax	422,100	21,896	443,996	227,308	216,688
	Total Expenditure	56,018,956	8,547,226	64,566,182	62,370,233	2,195,949

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

24.4 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 and 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 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 Ministry as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

24.5 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
 Ineffective	Less than five of 10 key processes completed within two weeks of due date

24.6 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


24.7 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

24.8 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 draft financial statements assessment
 Ineffective	Management comments received after 21 days from the date agency financial statement draft management letter (DML) was issued

Rating	Timeliness of draft financial statements assessment
 Effective	Signed financial statements 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 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.

24.9 Annual Board of Survey not conducted

All Permanent Secretaries shall appoint a Board of Survey annually to determine whether government plant, equipment and inventories under his or her control are in working condition or serviceable; unserviceable or obsolete; or surplus to the requirements of that agency.¹

Annual Boards of Survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.²

Our audit noted that the Ministry did not carry out an Annual Board of Survey (BoS) of its plant, equipment and inventories for the year ending 31 July 2017.

This indicates the inadequate system of controls in the management of fixed assets of the Ministry.

In the absence of the BoS, there is high risk of theft and misuse of fixed assets without detection as the controls are lacking. Thus the audit was not able to determine the existence and working condition of plant, equipment and inventory under the control of the Ministry.

Recommendation

The Ministry should ensure that the Board of Survey for all Divisions are carried out annually in accordance with Section 49 of the Finance Instruction 2010 and Section 24 of the Procurement Regulations 2010.

Ministry's Comments

The Board of Survey was not fully carried out however for this financial year, the Ministry is putting in measures to ensure that Board of Survey is carried out in all its location in Fiji.

¹ Procurement Regulations 2010 Section 24 (1)

² Finance Instruction 2010 – Section 49 (2)

24.10 Internal controls not implemented resulting in payment anomalies

The quotation process is intended to ensure that the agencies receive value for money based on fair competition and ethical dealing.³ Quotations may be received verbally for the purchase of goods or services estimated to cost less than \$1,000. A minimum of three competitive quotes must be obtained for the procurement of goods, services or works valued at \$1,000 and more but \$50,000 and less.⁴

Upon receipt of the goods, services or works, the **receiving officer** shall verify that their receipt in good order and that the invoice is in accordance with the LPO and the receiving officer must be an officer other than the officer authorizing the LPO.⁵

Our audit noted the following anomalies upon the review of payment records maintained by the Ministry:

- (i) Competitive quotations were not obtained from suppliers for purchases over \$1,000 and instances were noted where verbal quotations were obtained for purchases costing more than \$1,000; and
- (ii) Local Purchase Orders were not issued prior to making payments and invoices were not attached to the payment voucher; and

Refer to Appendix 24.1 for details of the above anomalies.

The audit findings indicate that proper procurement procedures were not followed by the Ministry.

Recommendation

The Ministry should strengthen compliance with internal controls over procurement of goods and services.

Ministry's Comment

The comments are noted, however for some of the vendors e.g. Fiji Directory, they are the sole vendor that does the printing of the directory and thus no PO was raised and payment was made based on the invoice received.

24.11 Missing Payment Voucher and Other Records

The *Senior Accountant Officer* is responsible for the safekeeping and proper maintenance of all accounting records or documents.⁶

The presence of an audit trail is an indicator of good internal controls. Records provide evidence of transactions and should be securely maintained for audit or other scrutiny.

³ Guide to Procurement Process for Purchases up to \$50,000 Procurement, Section 4

⁴ Ministry of Economy Procurement Regulations 2010, Section 29 (1)

⁵ Ministry of Social Welfare, Women & Poverty Alleviation Finance Manual 2013, section 2.5.9 and 2.5.10

⁶ Ministry of Social Welfare, Women & Poverty Alleviation Finance Manual 2013, Section 19.2.1

We were not provided payment vouchers for expenditures totalling \$28,824 incurred by the Ministry. Refer Table 24.3 below for details.

Table 24.3: List of Missing Payment Vouchers

Date	Cheque/ EFT No	Allocation	Particulars	Amount (\$)
31/08/16	11276	1-24203-95011-040201	Supply of dryer	2,413
31/08/16	11277	1-24203-95011-059101	Supply of food items	311
08/05/17	63080	1-24301-75999-060151	Accommodation for 30 guest for Gender Training	16,200
08/05/17	63080	1-24301-75999-060151	Conference Package Option 4 BR	9,900
Total				28,824

In the absence of the payment vouchers, we were not able to substantiate the authenticity of the payments totalling \$28,824 made by the Ministry.

In addition, requisite approval for overtime for which payments totalling \$120,706 was made in pay 19 of 2016 was also not provided for audit review. Hence correctness of the overtime payments could not be ascertained during our audit.

Recommendations

The Ministry should:

- **locate the above missing documents and produce them for audit purposes; and**
- **ensure proper and systematic storage of payment vouchers for easy identification and retrieval.**

Ministry Comments

As discussed in the meeting with the Audit team and email query sent in regards to the issue, the ministry could not locate the documents as it was misplaced while in the process of obtaining PS's endorsement on the original request.

The Ministry is ensuring that all documents are filed in a systematic way and all kept in the cabinet storage for easy identification and retrieval. A single officer is solely responsible for filing and ensuring all documents are in place

24.12 Fixed Asset and Expendable Items Register not maintained up-to-date

Physical assets provide a vital resource base that supports the delivery of outputs by the agency. Therefore it is important to ensure that: assets are safeguarded and properly maintained; assets are used for official purposes only; and, all assets held by the agency are used efficiently.⁷

The Executive Officer/Cost Centre Manager Assets (EO/CCMA) shall be responsible for maintaining the fixed assets register. The fixed assets register shall provide the following details: date of acquisition (including if asset was acquired by transfer, gift or second-hand) and cost;

⁷ Ministry of Social Welfare, Women & Poverty Alleviation Finance Manual 2013, Part 11

description; serial number and model; location, and other relevant information (e.g. if asset is sold or written off). The EO/CCMA must ensure that the fixed assets register is kept updated.⁸

Expendable items must only be used for official purposes and is subject to stocktakes in the same manner as fixed assets.⁹

We noted that the Fixed Assets Register (FAR) and expendable items register maintained by the Ministry was not updated during the financial year 2016-2017. Refer to Table 24.4 for examples of items not taken on charge in the register.

Table 24.4: Items not recorded in the Fixed Assets/ Expendable Items Register

Date	Cheque/ EFT No	Particulars	Amount (\$)
31/08/16	62276	Being payment for an industrial photocopier printer scanner	5,727
31/08/16	61831	Payment for the supply of stationeries	2,172
10/11/16	62166	Payment for the supply of printer	2,110
06/12/16	12485	Being for the supply of toner	2,615
19/12/16	12594	Being payment for the supply of office furniture	6,191
27/02/17	13488	Payment for toners	13,310
23/03/17	13805	Supply of laptop computers	4,930
06/04/17	62888	Being for the supply of Dji phantom for professional	5,275
20/07/17	63457	Being payment for I5 desktop	15,039
20/07/17	63457	Being payment for I7 desktop	17,658
26/05/17	14721	Being payment for 5*5 42" TV	4,583
TOTAL			79,610

The audit findings indicate inadequate control over fixed assets and expendable items. There is also a high risk of loss of these items through theft. In the absence of proper recording of assets, the Ministry may not be able to accurately carry out the annual board of survey or identify missing and damaged items.

Recommendation

The Ministry should ensure that all fixed assets and expendable items are promptly recorded in the Fixed Assets and Expendable Items Registers when purchased.

Ministry's Comments

A National Board of Survey Team will be deployed in the month of March or April to board the assets of the Ministry across the divisions and HQ. The Ministry will ensure that in future there will be stringent internal control measures for Registry.

24.13 Anomalies in the Social Welfare Programmes

The Department of Social Welfare administers Fiji's recently-reformed social welfare programmes, which include the Poverty Benefit Scheme, Child Protection Allowance, Food Voucher Program and Social Pension Scheme. In managing these programmes, the Department

⁸ Ministry of Social Welfare, Women & Poverty Alleviation Finance Manual 2013, Section 11.2.1 and 11.2.2

⁹ Ministry of Social Welfare, Women & Poverty Alleviation Finance Manual 2013, Section 11.2.7

is responsible for ensuring that assistance targets those most in need and eliminating corruption and fraud in the system.¹⁰

SPS is targeted at elderly persons at the age of seventy (70) and above years who have no source of income and are not beneficiaries of any superannuation payments such as FNPF Pension Scheme, Ex-Serviceman or After Care Funds, Government Pension or Insurance. Likewise, recipients of social welfare assistance such as the Care & Protection (C&P) Allowance and Poverty Benefit Scheme (PBS) will not be eligible for this assistance.¹¹ All case files must be properly labelled with name of applicant, address and case number and securely kept and be made easily available when required.¹²

Assistance will be terminated if it is discovered that recipient is receiving, pension or other superannuation such as FNPF or after care.¹³ After the Senior Welfare officer's decision on these special cases, application forms with evidence will be forwarded to Director's (DSW) office where a Panel will make a final decision after taking into consideration the circumstances of the case and the evidence provided.¹⁴ The required documents for applicants to submit is birth certificates for all household members.¹⁵

The Ministry paid a sum of \$42.3 million and \$47.1 million for Social Pension Scheme (SPS), Poverty Benefit Scheme (PBS) and Care & Protection Allowance (C & P) in 2016 and 2017, respectively. Refer to Table 24.5 below for details.

Table 24.5: Payments for SPS, PBS and C&P in 2016 and 2017

Welfare Programs Programme 2 SEG 06	Amount paid 31/07/17 (\$)	Amount paid 31/07/16 (\$)
Social Pension Scheme (SPS)	13,361,513	8,150,208
Poverty Benefit Scheme (PBS)	28,994,584	30,145,834
Care & Protection Allowance (C&P)	4,724,376	3,997,406
Total Expenditure	47,080,473	42,293,448

Review of the recipients' records showed that confirmation was not obtained from Fiji National Provident Fund to ascertain that the recipients were not beneficiaries of FNPF Pension Scheme. In addition, individual case files were not maintained by the Ministry to file all required documents for the applicants. Refer to Appendix 24.2 for details.

Furthermore, review of the PBS case files revealed instances where special consideration cases were approved by the Social Welfare officers but no evidence was provided that applications were forwarded to Director's (DSW) office where a panel made the final decision. Refer to Appendix 24.3 for details.

As such, current procedures applied with regards to the welfare programs affects the efficiency of output and uniformity of performance by the Ministry.

¹⁰ Republic of Fiji Budget Estimates 2016 – 2017, Page 175

¹¹ Social Pension Scheme Standard Operating Procedure Section 1.3

¹² Social Pension Scheme Standard Operating Procedure Section 8.2

¹³ Poverty Benefit Scheme Standard Operating Procedure Section 13.1

¹⁴ Poverty Benefit Scheme Standard Operating Procedure Section 4.10

¹⁵ Poverty Benefit Scheme Standard Operating Procedure Section 4.4

Recommendations

- The Ministry should comply with the Standard Operating Procedures for the Social Welfare Programmes; and
- Refresher training to be held for Social Welfare Officers to emphasize the importance of complying with the Standard Operating Procedures while processing the applications.

Ministry's Comment

Appendix 24.2

The Ministry has provided data for verification with FNPF however the information provided did not find much matches and required more information.

At the meantime the application form continues to incorporate a declaration and a confirmation of information by a community person and the Ministry continues through its IEC materials, basic interview processes, community information sessions and the REACH programs to iterate the criteria and implications of providing false information under the False Information Act.

Appendix 24.3

The Ministry had implemented 4.10 discretion, as per Memorandum issued from the Directors Office to the SWO's that they may use discretion for persons with disabilities whose family cannot support and persons living at the Housing Assistance Relief Trust.

24.14 Pending Applications

For Social Pension Scheme (SPS) applications the whole process should not take not more than thirty (30) days.¹⁶

For Poverty Benefit Scheme (PBS) application the process should take less than 30 days minimum (1 month) and within the maximum of 90 days (three months) if more time is needed.¹⁷

For Care & Protection (C&P) Allowance applications the process should take less than 30 days minimum (1 month) and within the maximum of 90 days (3 months) if more time is needed, especially in maritime cases.¹⁸

Our audit noted that the Ministry had a total of 6,633¹⁹ applications pending as at 31 July 2017 for PBS, C&P and SPS. Refer to Table 24.6 below for details:

¹⁶ Ministry of Women, Children & Poverty Alleviation - Social Pension Scheme Procedures – Section 3.17

¹⁷ Ministry of Women, Children & Poverty Alleviation - Poverty Benefit Scheme Procedures – Section 4.11

¹⁸ Ministry of Women, Children & Poverty Alleviation – Care & Protection Allowance Procedures, Section 3.15

¹⁹ Extracted from August 2016 – July 2017 Report from the Ministry

Table 24.6: Number of Pending Applications as at 31 July 2017

Social Welfare Programs	Processing Period	Total Pending Applications as at 31/07/17	No. of New Recipients As at 31/07/17	Percentage pending to new applicants
Poverty Benefit Scheme	Minimum 30 days Maximum 90 days	4,889	10,795	45%
Care & Protection Allowance	Minimum 30 days Maximum 90 days	856	1,800	48%
Social Pension Scheme	Maximum 30 days	888	1,141	78%
Total Applications		6,633	13,736	48%

Our audit further established that the root-cause of the pending applications was due to the following:

- (i) Family members not present during home visits;
- (ii) Engagement of the staff at the Ministry with the Help for Homes Initiative (HFHI) post Tropical Cyclone Winston in 2016; and
- (iii) High number of applications received after the change in allowance amount from August 2017.

This has resulted in the delay of government assistance to the applicants.

Recommendation

The Ministry should develop strategies to ensure that applications are processed in a timely manner.

Ministry's Comments

This is an ongoing challenge within the Department, especially with the competing priorities and additional responsibilities that are added every year and with the same HR. In the last financial year the Ministry was heavily engaged in the Help for Home Exercise TC Winston Rehabilitation program and this required the engagement of our staff at all levels across the country to help implement the program.

However, the Ministry is making every effort to ensure that the issue of pending cases is minimized.

- 1. The strategies include the use of the REACH Program to reach out, especially to the rural communities through the REACH Buses where services could be taken to these unreachable communities. In places where the REACH buses could go, especially the maritime islands, officers are now spending more time in these communities, sometimes up to 2 to 3 weeks to ensure that all cases are attended to and completed before they return to the District office.*
- 2. Cases attended to in these trips are recorded and then monitored by the office of the Director and the Executive Service Unit to ensure that cases are completed on time and the responses are forwarded to the applicants on the status of their applications.*
- 3. The Ministry has relooked at its SOPs and has made amendments where relevant to ensure that processes are streamlined to avoid the delays to applications. For example, previously, for the C&P*

applications a home visit is required for the assessment of each case, however, after much deliberation, home visits are no longer a requirement for the assessment. This is to ensure the quick processing of applications.

24.15 Anomalies in hire of vehicles

Vehicles must only be used for official purposes.²⁰

In the event of an accident involving a government vehicle, the driver must immediately report the accident to the Police and inform the Executive Officer. Details of the accident shall not be given anyone other than the Police or agency staff. If permitted by the Police, the driver shall drive the vehicle to the official garage. Within 24 hours after the accident, the driver shall prepare an accident report. The report must outline the following information;

- i. time and date of accident;
- ii. driver's name and vehicle registration number;
- iii. extent of damage and physical injuries suffered;
- iv. description of how accident occurred;
- v. details of other vehicle involved (as in i-iv above);
- vi. names and contact addressed of witnesses;
- vii. any other relevant information.²¹

The accident report shall be submitted to the *Executive Officer*. The *Executive Officer* shall scrutinize the report, interview the driver and contact the other driver or witness if necessary, before recommending a course of action.²²

A surcharge must be imposed on an officer who is directly or indirectly responsible for destruction, damage, theft or other loss of property.²³

The Ministry paid an amount of \$23,332 to Company X in relation to repairs for damages to hired vehicles. Refer Table 24.7 below for details.

Table 24.7: Damages to Hired Vehicle

Date	Cheque No.	Amount (\$)	Payment for
02/06/17	63191	6,395	Damages.
02/06/17	63191	5,567	Damages.
17/07/17	63433	11,370	Cost of Excess & Adjustment fee incurred from the hired vehicle involved in an accident at Kubulau area in Bua, during the HFH Phase 3 Exercise.
TOTAL		23,332	

Our audit noted the following anomalies:

- i. No accident report was prepared for the accidents to the above hired vehicles;
- ii. Police reports was not obtained by the Ministry;
- iii. Interview of the driver and the record of damages assessed by the Transport Officer was not carried out;

²⁰ Finance Instruction 2010, Section 52(2)

²¹ Ministry of Women, Children and Poverty Alleviation, Finance Manual 2013, Section 12.6.1-12.6.4

²² Ministry of Women, Children and Poverty Alleviation, Finance Manual 2013, Section 12.6.5

²³ Finance Instructions 2010 – Section 63 (1) (b)

- iv. The Ministry did not take insurance cover on the vehicles hired from Company X. As a result, the Ministry had to pay the full repair costs. Total payment made to Company X in relation to hire of vehicles from February 2017 to July 2017 totalled \$86,750.24
- v. Vehicle hire agreement was not provided for hired vehicles: LR436, LR35, LR37; and
- vi. The vehicles were taken out on hire under a person's name who is not an employee of the Ministry.

Failure to implement robust internal controls on hired vehicles will result in misuse of vehicles and loss of tax payer's funds.

Recommendations

The Ministry should:

- ensure that accident report is prepared for vehicles involved in accidents used by the Ministry in accordance with section 12.6 of the Finance Manual;
- consider taking insurance while hiring rental vehicles;
- provide explanation as to why a non-employee was used to take out hired vehicles on behalf of the Ministry; and
- ensure that drivers maintain running sheets for hired vehicles and vehicles are used for official purposes only.

Ministry Comments

No reports were obtained as the drivers claimed that it wasn't their fault. Internal control measures will be in place to ensure that all operations pertaining to vehicles will be in line to the Finance Manual.

Three competitive quotes were obtained and there was more emphasis placed on the "Cheapest Quote" available. Consideration was done to hire Company A since they were providing the cheapest with an understanding that they will not be adding the \$36 per day for the excessive liability in the Rental Hire. The actual is \$226.00 (which is \$190 for Hire and \$36 per day for Excessive Liability). With much emphasis placed on the cheapest quote, we had to forego the excessive liability. The transport unit has noted the importance of the excessive liability or insurance cover and currently all hired vehicles are rented with insurance cover.

The non – employee of the Ministry named as "Employee M" was first employed in the Ministry as a temporary driver for the Poverty Monitoring Unit – INPEP Programme in the central division. After 2 weeks of driving he was sent home. The issue where the non – employee was used to take out the hired vehicle was during the intense (Help for Homes) HFH exercise. Accordingly all the drivers were fully engaged on the field for the HFH exercise. An additional vehicle was required to be on standby for the daily operation in HQ despite all the vehicles being fully engaged.

During the intense National Exercise of the HFH only one officer was dealing with the vehicles for the Ministry and the extra Hired Vehicles. There was inconsistency of the running sheets as drivers tend to change in between shifts and no proper documentation control to secure all the running sheets.

24.16 Maintenance of Running Sheets for rented vehicle

Each driver must keep daily running sheets, in the form approved by the **PS**, to record details of each run undertaken in any of the agency's vehicles. The running sheet shall document:

²⁴ Cheque No's: 62639, 62807, 63191, 63192, 63330, 63440

- i. vehicle registration number;
- ii. date and mileage at the start of the day;
- iii. runs during the day and reasons for each run;
- iv. arrival and departure times including mileage during each separate run;
- v. fuel details if vehicle is filled during the day.²⁵

Separate running sheets must be kept for each vehicle.²⁶ All drivers must ensure that their running sheets are properly filled in before signing and submitting them to the Executive Officer the end of the day. Vehicle keys must also be handed over to the Executive Officer.²⁷

The audit noted that the Ministry did not maintain running sheets for a hired Land cruiser. The vehicle was rented out on Christmas Eve, Saturday 24th December 2016, at 4.33pm. However, review of the minute dated 28/02/17 on which the request for rental charges was made stated that the hiring charges was for the duration 03/01/17 to 28/02/17.²⁸ Refer to Table 24.8 below for payment details.

Table 24.8: Details of payments

Date	Cheque No.	Amount (\$)	Rental Charges
20/05/17	62807	9,304	The period from 4.33pm of 24/12/16 to 21/02/17 at 5.00pm (59 days)

Since no running sheets were maintained for the duration of the vehicle hire, we could not verify the whereabouts of the vehicle from 4.30pm on 24/12/16 to 8.00am on 03/01/17 (9 days).

The above can be an indication of abuse by the staff concerned where a hired vehicle can be driven for personal use for up to nine days with costs to the Ministry totalling \$1,419.

In the absence of the hired vehicles running sheets, the basis on which payments were made could not be determined.

Recommendations

The Ministry should:

- further investigate this matter and take appropriate action; and
- ensure that running sheets are maintained for all vehicles used by the Ministry.

Ministry Comments

With the recommendations, the Ministry will investigate on the missing running sheets and if appropriate allow the driver to recover the amount of \$1,419 which was paid by the Ministry.

²⁵ Ministry of Women, Children and Poverty Alleviation, Finance Manual 2013, Section 12.3.9

²⁶ Ministry of Women, Children and Poverty Alleviation, Finance Manual 2013, Section 12.3.10

²⁷ Ministry of Women, Children and Poverty Alleviation, Finance Manual 2013, Section 12.3.14.

²⁸ MWCPA Payment Voucher 2017 for Cheque No. 62807 dated 20/05/17

24.17 Anomalies noted in SLG 84 Accounts

All funds released from agencies and recorded on SLG84, shall be reconciled on a monthly basis and a report sent to the paying agency.²⁹ 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.³⁰

The SAO or AO must check that:

- a) all relevant details are included on the voucher;
- b) balances are adequately supported;
- c) the correct accounts have been debited or credited.³¹

Once the journal voucher has been approved, it shall be posted into the appropriate ledger and the general ledger system.³²

Only the Senior Accounts Officer or Accounts Officer shall approve journal adjustments.³³

Our audit noted the following anomalies:

- The Ministry did not prepare monthly SLG84 reconciliations in a timely manner. Of the seven (7) SLG 84 accounts used by the Ministry during the year, only one reconciliation was prepared on 8 February 2018 for the year ended 31 July 2017. Refer to Table 24.9 for details.

Table 24.9: SLG 84 Reconciliations prepared on 08 February 2018

Allocation	Description
1-24101-24999-840101	Replacement of Photocopier
1-24101-24999-840101-001	Help for Homes Government Initiatives
1-24101-24999-840102-003	Pacific Risk Resilience Programme
1-24101-24999-840102-004	World Food Programme
1-24101-24999-840102-005	UN Women
1-24101-24999-840102-006	UNICEF Fund
1-24301-75999-840602	Withholding Tax Payable

- Prior year balances carried forward since 2015 totalling \$248 were yet to be cleared. Refer to Table 24.10 for details.

Table 24.10: Prior Year balance carried forward

Allocation	Description	31/12/15 (\$)	31/07/16 (\$)	31/07/17 (\$)
1-24301-75999-840602	Withholding Tax Payable	248	248	248

- The Ministry could not provide evidence that acquittals totalling \$3,366,766 were prepared and submitted to Ministry of Economy. Refer to Table 24.11 below for details.

²⁹ SLG 84 Reporting Guide – Section 5.1

³⁰ SLG 84 Reporting Guide – Section 9.5

³¹ Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013 section 16.1.4

³² Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013 Section 16.1.5

³³ Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013 Section 16.1.2

Table 24.11: SLG 84 Acquittals not provided for audit review

Description	JV Number	Amount Disbursed (\$)	Acquittal Provided To audit (\$)	Pending Acquittals (\$)
Replacement of Photocopier	MSW001	34,000	---	34,000
	MSW008	670,049	131,900	538,149
UNICEF Fund	MSW002	163,950	---	163,950
	MSW004	163,950	---	163,950
Pacific Risk Resilience Programme	MSW006	14,245	---	14,245
Help for Homes Govt Initiative	MSW001	2,452,472	---	2,452,472
Total				3,366,766

- The Ministry prepared and posted journals in the FMIS general ledger without supporting documents. Refer to Table 24.12 below for details.

Table 24.12: Journal Vouchers Passed without supporting documents

Journal Number	Description	Amount (\$)
JV46/10	Adjustment to transfer from SLG 84 to WPA-Women Plan for Actions	8,815
JV117/12, JV119/12, JV121/12, JV131/12, JV132/12, JV133/12, JV141/12, JV142/12, JV143/12, JV145/12, JV146/12, JV147/12-2017	Posting for lodgement of funds returned on Acquittal of advance for various workshops and allowances.	17,431

- Journal vouchers were not always approved by the Senior Accounts Officer or Accounts Officer. Refer to Table 24.13 for details.

Table 24.13: Journal Vouchers not approved

Journal Number	Description	Amount (\$)
JV 8/6, JV10/6, JV13/6, JV14/6, JV15/6-2017	Being adjustment for HFH Meals and the unforeseen expense	5,000

The above findings indicate inadequate controls and supervision in the administration of the SLG 84 account which is a high risk for the Ministry.

Recommendations

The Ministry should ensure that:

- monthly reconciliations and acquittals are prepared and submitted to Ministry of Economy;
- carry forward balances from prior years is verified and rectified; and
- journal vouchers passed in the FMIS general ledger are adequately supported and approved by the Senior Accounts Officer or the Accounts Officer.

Ministry's Comments

The Ministry has noted the recommendations. However the reason for delay in the reconciliations is due to shortage of staff in the unit to carry out reconciliations and effort is made to clear the pending reconciliation.

Carry forward balances from prior years will be verified for in the system and will seek advice from Ministry of Economy on clearance.

Auditor's recommendations are noted for and necessary actions have been taken to be passed by the Senior Accounts Officer.

Ministry is ensuring that this won't be repeated for in the future.

24.18 Stale Cheques not journalised from Drawings Account

The Accounting Head must make all attempts to issue stop notices for all cheques that have remained un-presented for more than 6 months. Stale cheques (those which are at least 6 months old) must be reviewed each month to determine the need for replacement cheque. Where a replacement cheque is not required, action should be taken to clear it.³⁴

The audit review of the Drawings Account revealed the following anomalies:

- (i) Stale cheques totalling \$15,212 were still appearing in the un-presented cheque listing as at 31/07/17. Refer to Appendix 24.4 for details; and
- (ii) During our audit, we performed subsequent testing of the un-presented cheques listing and noted that cheques totalling \$12,247 were not presented to the bank and have become stale cheques as at date of audit.³⁵ Refer to Appendix 24.5 for details.

The Ministry was not able to confirm if any replacement cheques were issued for the stale cheques.

Non- reversal of stale cheques has resulted in the overstatement of total expenditure of the Ministry for the year ended 31 July 2017.

Recommendation

The Ministry should ensure that stale cheques are reviewed monthly and appropriate action taken in accordance with Section 33 (2) of Finance Instruction 2010.

Ministry's Comments

The Ministry also notes the recommendations for the stale cheques and will ensure to clear the stale cheques as per Financial Instructions procedures.

³⁴ Finance Instruction 2010 Section 33, Subsection 2

³⁵ 14/3/2018

24.19 Anomalies in the Revolving Fund Account (RFA)

Upon clearance of the advance, the accounts officer shall update the debtors register, offset the advance account and debit the appropriate expenditure account.³⁶

The Ministry's RFA which records Accountable Advance, had an outstanding balance of \$19,049 as at 31 July 2017.

Our review of the 2017 July RFA reconciliation revealed that the accountable advances were reduced through journal entries totalling \$111,236 which could not be substantiated. Refer Appendix 24.6 for details.

The contributing factor to the issue above is that the Ministry did not identify the officers retiring the Accountable Advance.

The above anomalies could have been avoided if proper reconciliations were carried out by the Ministry.

Recommendations

The Ministry should:

- **provide adequate training, supervision and monitoring of staffs in Accounts section;**
- **investigate and rectify credit entries in the RFA reconciliation;**
- **ensure that the outstanding accountable advances is reconciled and recovery procedures instigated against officers who did not retire advances; and**
- **ensure that all journal adjustments are supported and reviewed by the Principal Accounts Officer before posting to the general ledger.**

Ministry's Comments

The auditor's recommendation has been noted, however the format of RFA reconciliation was done following the old format given by Ministry of Economy but officer responsible will need to enquire with Ministry of Economy on new format to be followed.

Now journal raised for clearance of accountable advance will be posted and identified in the system with corresponding names of advance holder.

Recovery procedures are now instigated to officers who have outstanding accountable advances.

24.20 Unsubstantiated Operating Trust balances

The ledger reconciliation statement shall be forwarded to the SAO. The SAO must ensure that all balances are accurate and adequately supported and any misallocations or outstanding balances from previous month have been dealt with.³⁷

The Operating Trust Account³⁸ for the Ministry had a credit balance of \$115,733 as at 31 July 2017.

³⁶ Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013 Section 10.1.16

³⁷ Ministry of Social Welfare, Women and Poverty Alleviation Finance Manual 2013 section 16.3.2

³⁸ 1-24000-00000-860000

Our audit was not able to substantiate the operating trust account balances totalling \$74,723 after performing subsequent payment testing on 19/02/18 on the outstanding operating trust balances as at 31 July 2017. Refer to Table 24.14 for details.

Table 24.14: Unsubstantiated balances

Description	Balance as at 31/7/17 (\$) A	Paid Date	Cheque Number	Subsequent Amount Paid (\$) B	Unsubstantiated Balance (\$) A+B
388 PD PSC SCHOLARSHIP LOAN	(11,470)	No payment done			(11,470)
201 PD TAX ARREARS/PAYE	(10,175)	No payment done			(10,175)
501 PD EMPLOYEES FNPF	(78,669)	30/8/17	63667	28,817	(49,852)
PAYROLL DEDUCTION (UNIFORM)	(159)	No payment done			(159)
201 PD Tax Arrears/PAYE	(2,080)	No payment done			(2,080)
501 PD Employees FNPF	(13,180)	30/8/17	63665	12,193	(987)
Total	(115,733)				Total (74,723)

Moreover, we noted that the Operating Trust Account balances have been increasing in the past four years. Refer to Table 24.15 below for details.

Table 24.15: Operating Trust Fund Account balances at year end

Year Ending	Amount (\$)	Increase Amount (\$)
31/12/14	24,637	---
31/12/15	46,756	22,119
31/07/16	87,221	40,465
31/07/17	115,733	28,512

Inability to settle liabilities and rectify variances on time will result in overstatement of government liabilities at Whole Government level and can also result in write-offs in the future.

Recommendations

The Ministry should:

- investigate and rectify carry forward balances from prior years; and
- improve its reconciliation process to include detailed listing of closing balance on a monthly basis.

Ministry's Comments

The recommendations are noted for rectifying of forward balances from previous years.

The Ministry will ensure to check and liaise with Ministry of Economy on how best this balances to be cleared, however the balances does not affect the normal monthly pay-out to FNPF.

Responsible officers have been advised of the importance of reconciling of trust account where manual payments are done and not updated in the system which may have caused the credits sitting in the respective trust account.

24.21 Absence of Risk Management Policy

Each agency must have in place a cost effective system of internal controls which safeguards money and property against loss, avoids or detects accounting errors; and avoids unfavourable audit reports. The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.³⁹

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

Audit 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 and guidelines to manage the risks associated with the following:

- Fraud control and anti-corruption;
- Disaster recovery and business continuity; and
- Assessment of potential conflict of interest

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

Recommendation

The Ministry should work towards establishing a governance and accountability function that support the operations of the Ministry by providing financial and operational risk management of external reporting obligations.

Ministry's Comments

There is no Risk Management Policy maintained. The Ministry will be developing the Risk Management Policy at the earliest.

24.22 Finalisation of Financial Statements

Each agency must prepare an annual report for submission to its Minister by 31st December in the following year.⁴⁰ Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.⁴¹

³⁹ Finance Instruction 2010 – Section 59

⁴⁰ Finance (Amendment) Instructions 2016 – Section 69

⁴¹ Finance (Amendment) Instructions 2016 – Section 70 (2)

All agencies are required to prepare their respective agency accounts and submit to the Office of the Auditor General two months after closing of accounts.⁴² Permanent Secretaries of Ministries and Departments are requested to ensure that financial accounts for the financial year ending 31 July 2017 are properly closed off and be ready in time for audit by the Office of the Auditor General by 31 August 2017.⁴³

The audit of the financial statements of the Ministry of Women, Children and Poverty Alleviation for the year ended 31 July 2017 was finalised after the above deadline. Details of the submission of the financial statements is shown in Table 7.1 below.

Table 24.16: Finalisation of Financial Statement

Submission of Financial Statement (FS)			
1 st Draft Submission Date	2 nd Draft Submission Date	Reason for Amendments	
12 February 2018	12 March 2018	Changes were made to the notes to the draft financial statements and the Ministry, through the Ministry of Economy, posted a virement of \$280,046 on 18 April 2018 to transfer the budget from SEG 1 to SEG 2	
Draft Management Letter (DML)			
Date DML sent for Management Comments		Date Management Comments Received	
Interim DML sent on 5 January 2018		20 March 2018	
FS DML sent on 27 March 2018		16 May 2018	
Supplementary DML sent on 16 April 2018		16 May 2018	
Audit Report			
Date FS sent for signing		Date FS signed by the Ministry	
17 May 2018		18 May 2018	

The delay in finalization of our audit was due to the following:

- delayed submission of draft financial statements due to delay in finalisation of the Ministry's drawings account reconciliation;
- delayed submission of management comments to the draft management letter; and
- delays in amendment to the financial statements.

Recommendation

The Ministry should ensure that accurate financial statement is submitted before due date and timely responses are provided for management letters issued.

Ministry's Comments

Recommendation is acknowledged. Please note that the late finalisation of the Agency Financial Statements was due to the late finalization of the drawings reconciliation and adjustments.

In future we will ensure that the above is not repeated.

⁴² Ministry of Economy Circular 04/2017 - 2016-2017 Closing of Accounts Procedures – Section 18.1

⁴³ Ministry of Economy Circular 04/2017 - 2016-2017 Closing of Accounts Procedures – Section 18.2

APPENDIX 24.1: PAYMENT ANOMALIES

Date	Cheque/ EFT Number	Particulars	Amount (\$)	Anomalies Noted
09/12/16	12555	Being payment for Catering and Venue for Senior Management Meeting.	5,955	No competitive quotes obtained.
13/12/16	12557	Being payment for portfolio and address publication in the Directory.	9,842	No purchase order raised.
10/02/17	62626	Payment for training package.	13,160	No competitive quotation
23/02/17	62683	Payment to the Air Ticket.	11,337	No competitive quotation
09/03/17	13641	Payment for T-shirts.	15,000	No competitive quote
22/03/17	62806	Being payment for billboard advertisement.	23,217	No purchase order raised. No competitive quotations obtained.
25/05/17	14774	Being payment for portfolio and address publication in the Directory.	8,801	No purchase order raised.
12/07/17	15430	Being payment for portfolio and address publication in the Directory.	10,677	No purchase order raised.

APPENDIX 24.2: ANOMALIES IN SOCIAL PENSION SCHEME (SPS)

- No evidence to verify applicant of the FNPF Pension Scheme contrary to section 1.3.⁴⁴
- Form filled but no case file maintained contrary to Section 8.2 of Social Pension Scheme Standard Operating Procedures.⁴⁵

Case Number	Date of Birth	Age as at 31/07/17
SU/SPS/2603/17	14/09/45	72
SU/SPS/2637/17	20/12/45	72
SU/SPS/2665/17	12/11/46	71
SU/SPS/2622/17	19/12/50	67
SU/SPS/2617/17	20/08/36	81
SU/SPS/2690/17	01/03/51	66
SU/SPS/2691/17	15/08/41	76
SU/SPS/2703/17	04/02/49	68
SU/SPS/2706/17	21/07/50	67
SU/SPS/2732/17	02/05/46	71

⁴⁴ SPS is targeted at elderly persons at the age of seventy (70) and above years who have no source of income and are not beneficiaries of any superannuation payments such as FNPF Pension Scheme, Ex-Serviceman or After Care Funds, Government Pension or Insurance. Likewise, recipients of social welfare assistance such as the Care & Protection (C&P) Allowance and Poverty Benefit Scheme (PBS) will not be eligible for this assistance. Section 1.3

⁴⁵ All case files must be properly labelled with name of applicant, address and case number and securely kept and be made easily available when required. Section 8.2

APPENDIX 24.3: ANOMALIES IN POVERTY BENEFIT SCHEME (PBS)

Case Number	Date of Birth	Age as at 31/07/17	Anomalies - Noted in contrary to the Poverty Benefit Scheme Standard Operating Procedure.
SU/PBS/AD/27/17	27/01/77	40	<ul style="list-style-type: none"> No evidence to verify applicant is beneficiary of FNPF Pension Scheme contrary to section 13.1⁴⁶. Special consideration. Approved by Senior Welfare Officer on 01/05/17 but cannot verify approval from a panel at Director Social Welfare's office contrary to section 4.10.
SU/PBS/AD/114/17	25/03/65	52	<ul style="list-style-type: none"> No evidence to verify applicant is beneficiary of FNPF Pension Scheme contrary to section 13.1. Special consideration. Approved by Senior Welfare Officer on 25/05/17 but cannot verify approval from a panel at Director Social Welfare's office contrary to section 4.10⁴⁷.
SU/PBS/AD/201/17	13/03/56	61	<ul style="list-style-type: none"> No evidence to verify applicant is beneficiary of FNPF Pension Scheme contrary to section 13.1. Special consideration. Approved by Senior Welfare Officer on 09/05/17 but cannot verify approval from a panel at Director Social Welfare's office contrary to section 4.10. No birth certificate in contrary to section 4.4⁴⁸
SU/PBS/AD/71/17	05/03/53	64	<ul style="list-style-type: none"> No evidence to verify applicant is beneficiary of FNPF Pension Scheme contrary to section 13.1.
SU/PBS/707/17	29/09/66	51	<ul style="list-style-type: none"> No evidence to verify applicant is beneficiary of FNPF Pension Scheme contrary to section 13.1.
SU/PBS/667/17	04/06/62	55	<ul style="list-style-type: none"> No evidence to verify applicant is beneficiary of FNPF Pension Scheme contrary to section 13.1.
SU/PBS/716/17	22/02/74	43	<ul style="list-style-type: none"> No evidence to verify applicant is beneficiary of FNPF Pension Scheme contrary to section 13.1.
SU/PBS/464/16	20/07/54	63	<ul style="list-style-type: none"> No evidence to verify applicant is beneficiary of FNPF Pension Scheme contrary to section 13.1.
SU/PBS/532/16	15/05/74	43	<ul style="list-style-type: none"> No evidence to verify applicant is beneficiary of FNPF Pension Scheme contrary to section 13.1.

⁴⁶ Assistance will be terminated if it is discovered that recipient is receiving, pension or other superannuation such as FNPF or after care. Section 13.1

⁴⁷ After the Senior Welfare officer's decision on these special cases, application forms with evidence will be forwarded to Director's (DSW) office where a Panel will make a final decision after taking into consideration the circumstances of the case and the evidence provided. [Section 4.10 of Poverty Benefit Scheme SOP]

⁴⁸ The required documents for applicants to submit is birth certificates for all household members. Section 4.4

APPENDIX 24.4: DETAILS OF STALE CHEQUES NOT JOURNALISED FOR DRAWINGS ACCOUNT

Cheque Number	Date	Amount (\$)
60891	01/07/16	2,280
60924	15/01/16	36
60949	22/01/16	195
60950	22/01/16	756
61007	09/02/16	418
61011	09/02/16	1,080
61030	15/02/16	1,000
61050	26/02/16	720
61072	3/01/16	495
61099	08/03/16	2,323
61235	22/04/16	1,000
61255	02/04/16	60
61273	05/02/16	125
61327	12/05/16	720
61506	27/06/16	379
61556	06/07/16	285
61558	06/07/16	997
Financial Year 2016-2017		
61749	16/08/16	190
61768	16/08/16	1,000
61828	31/08/16	66
61835	31/08/16	98
62104	28/10/16	200
62105	28/10/16	120
62283	29/11/16	237
62281	29/11/16	200
62295	12/05/16	52
62553	26/01/17	180
Total		15,212

APPENDIX 24.5: CHEQUES NOT PRESENTED SUBSEQUENTLY TO THE BANK AFTER 31 JULY 2017

Cheque Number	Date	Amount (\$)
63504	270/7/17	1,300
63484	26/07/17	89
63398	10/07/17	75
63352	29/06/17	300
63236	09/06/17	180
63226	08/06/17	4,360
63223	08/06/17	1,000
62919	10/04/17	1,000
62902	07/04/17	125
62829	23/03/17	720
62831	23/03/17	1,200
62653	16/02/17	1,008
62639	14/02/17	890
Total		12,247

APPENDIX 24.6: DETAILS OF CREDIT ENTRIES TO REVOLVING FUND ACCOUNT

Date	Description	Amount (\$)
3/29/16	JV36/03	(718)
3/31/16	JV38/03	(630)
3/31/16	JV38/03	(500)
7/15/16	JV06/07	(210)
7/31/16	Journal Update	(2,019)
7/31/16	Journal Update	(1,556)
7/31/16	Journal Update	(1,575)
7/31/16	Journal Update	(5,391)
7/31/16	Journal Update	(285)
7/31/16	Journal Update	(1,000)
8/30/16	JV03/01	(500)
8/30/16	JV05/01	(1,250)
9/30/16	S/AGO	(130)
10/18/16	JV36/03	(100)
10/21/16	JV50/03	(1,000)
10/28/16	JV59/03	(2,216)
10/31/16	S/AGO	(130)
10/31/16	S/AGO	(160)
11/30/16	JV04/04	(1,400)
11/30/16	S/AGO	(160)
11/30/16	S/AGO	(160)
11/30/16	JV30/04	(1,143)
12/30/16	JV03/05	(464)
12/30/16	JV16/05	(4,000)
12/30/16	JV17/05	(957)
12/30/16	S/AGO	(160)
12/30/16	S/AGO	(160)
01/31/17	JV31/07	(1,890)
01/31/17	JV32/06	(252)
01/31/17	JV34/06	(1,000)
01/31/17	S/AGO	(130)
1/31/17	S/AGO	(69)
2/15/17	JV03/07	(120)
2/15/17	JV05/07	(180)
2/15/17	JV12/07	(700)
2/15/17	JV16/07	(54)
2/15/17	JV17/07	(108)
2/15/17	JV19/07	(100)
2/15/17	JV21/07	(108)
2/23/17	JV23/07	(392)
2/23/17	JV24/07	(568)
2/28/17	S/AGO	(150)
2/28/17	S/AGO	(150)
3/31/17	S/AGO	(150)
3/31/17	S/AGO	(130)

Date	Description	Amount (\$)
4/28/17	JV01/09	(3,979)
4/28/17	JV02/09	(669)
4/30/17	S/AGO	(130)
4/30/17	S/AGO	(118)
5/24/17	JV04/10	(2,510)
5/24/17	JV05/10	(278)
5/24/17	JV07/10	(11,601)
5/24/17	JV09/10	(349)
5/24/17	JV14/10	(300)
5/24/17	JV18/10	(60)
5/26/17	JV24/10	(772)
5/26/17	JV25/10	(108)
5/26/17	JV26/10	(60)
5/31/17	JV35/10	(2,719)
5/31/17	JV37/10	(200)
5/31/17	JV40/10	(590)
5/31/17	JV41/10	(966)
5/31/17	JV42/10	(369)
5/31/17	S/AGO	(87)
5/31/17	S/AGO	(80)
6/29/17	S/AGO	(80)
6/29/17	S/AGO	(80)
6/29/17	S/AGO	(80)
07/5/17	JV06/12	(108)
7/10/17	JV23/12	(200)
7/11/17	JV34/12	(1,510)
7/15/17	JV45/12	(3,230)
7/17/17	JV50/12	(100)
7/24/17	JV63/12	(4,150)
7/24/17	JV65/12	(327)
7/26/17	JV70/12	(100)
7/26/17	JV71/12	(49)
7/26/17	JV75/12	(2,813)
7/26/17	JV76/12	(3,949)
7/26/17	JV77/12	(100)
7/26/17	JV86/12	(7,800)
7/26/17	JV94/12	(4,171)
7/26/17	JV99/12	(5,400)
7/31/17	JV116/12	(11,600)
7/31/17	JV179/12	(345)
7/31/17	JV211/12	(4,751)
7/31/17	S/AGO	(80)
7/31/17	S/AGO	(43)
Total		(111,236)

Section 25

Ministry of Youth and Sports

Roles and Responsibilities

The Ministry of Youth and Sports equips youth who are not enrolled in school or actively employed and who are aged 15-35 with basic skills to empower them to find employment. Skills training is offered through five Youth Training Centres around Fiji and through mobile training in villages and urban centres. The training is run in close cooperation with other Ministries, particularly Agriculture, iTaukei Affairs and Fisheries and Forests.

In the area of sports, the Ministry's focus is on developing rural sports fields and supporting National Sports Organizations (NSOs) through skills and organizational development, often times through memorandum of understandings (MoUs) signed with other countries.

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PART A: FINANCIAL STATEMENTS**25.1 Audit Opinion**

Audit of the 2017 accounts of the Ministry of Youth and Sports resulted in an unqualified audit opinion.

25.2 Statement of Receipts and Expenditure

The Ministry collected agency revenue totalling \$94,518 and incurred a total expenditure of \$20.32million for the year ended 31 July 2017. Details are provided in Table 25.1.

Table 25.1: Statement of Receipts and Expenditure for 2017

Description	31 July 2017 (\$)	31 July 2016 (\$)
State revenue	1,864	2,999
Agency revenue	92,654	36,308
Total Revenue	94,518	39,307
Established staff	1,809,214	1,085,738
Government wage earners	261,057	123,104
Travel and communications	318,623	137,596
Maintenance & operations	356,920	125,373
Purchase of goods and services	1,210,826	527,540
Operating grants and transfers	6,753,553	7,454,528
Special expenditures	1,472,394	1,643,674
Total Operating Expenditure	12,182,587	11,097,553
Capital grants and transfers	7,934,687	1,799,303
Total Capital Expenditure	7,934,687	1,799,303
Value Added Tax	202,270	164,981
Total Expenditure	20,319,544	13,061,837

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 totalling \$94,518 in 2017 mainly comprised of sale of farm produce from Nasau, sale of pigs, chicken, vegetables, hire of mattresses, national youth dance, brass bands and portable tents.

The Capital Grant and Transfers expenditure increased significantly after the redeployment of \$5million from the Ministry of Economy through Cabinet decision CP (17) 181 which was approved on 31 July 2017 for the upgrade and maintenance of the Vodafone Arena by the Fiji Sports Council.

25.3 Appropriation Statement

The Ministry incurred expenditure totalling \$20.32million in 2016-2017 against a revised budget of \$21.38million, resulting in a saving of \$1.06 million or 4.96%.

Details of expenditure against the revised budget are provided in Table 25.2.

Table 25.2: Appropriation Statement for 2017

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	1,912,717	(98,901)	1,813,816	1,809,214	4,602
2	Government Wage Earner	208,003	54,351	262,354	261,057	1,297
3	Travel & Communication	278,350	42,392	320,742	318,623	2,119
4	Maintenance & Operations	299,550	58,263	357,813	356,920	893
5	Purchase of Goods & Services	1,290,900	(54,738)	1,236,162	1,210,826	25,336
6	Operating Grant & Transfers	7,220,968	(4,216)	7,216,752	6,753,553	463,199
7	Special Expenditure	1,820,000	51,248	1,871,248	1,472,394	398,854
	Total Operating Expenditure	13,030,488	48,399	13,078,887	12,182,587	896,300
10	Capital Grant & Transfer	3,054,000	5,000,000	8,054,000	7,934,687	119,313
	Total Capital Expenditure	3,054,000	5,000,000	8,054,000	7,934,687	119,313
13	Value Added Tax	295,200	(48,399)	246,801	202,270	44,531
	Total Expenditure	16,379,688	5,000,000	21,379,688	20,319,544	1,060,144

PART B ASSESSMENT OF FINANCIAL GOVERNANCE

25.4 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 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 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 Ministry as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

25.5 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 9 key processes completed within two weeks of due date

25.6 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

25.7 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
🌿 Effective	Acceptable draft financial statements received before or on 01 October 2017

25.8 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 draft financial statements assessment
🌿 Effective	Management comments received within 14 days from the date agency financial statement draft management letter (DML) was issued

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 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.

25.9 Operating Trust Account Anomalies

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 and any misallocations or outstanding balances from previous month have been dealt with.¹

The Operating Trust Account² of the Ministry had a credit balance of \$59,799 as at 31 July 2017.

The audit noted that of this amount, \$25,495 or 43% was carried forward from prior years for which details were not available with the Ministry. Refer to Table 25.3 for details.

Table 25.3: Details of Operating Account Balances carried forward from Prior Years

Account Allocation	Description	Amount (\$)
1-25101-25101-861901	201 PD TAX ARREARS / PAYE	2,899
1-25101-25101-861920	501 P D EMPLOYEES FNPf	4,946
1-25101-25101-863201	VAT ON REVENUE	3,687
1-25101-25101-899999	MISCELLANEOUS FUND OTHERS	13,963
Total		25,495

The above findings indicate inadequate controls and supervisory checks in the administration of the operating trust account.

Delays in clearing funds held in trust may lead to deductions from employee salaries and wages not being remitted to relevant authorities on time.

Recommendations

The Ministry should:

- investigate and rectify carry forward balances from prior years; and

¹ Ministry of Youth & Sports Finance Manual 2016 Section 16.3.6

² Account No: 1-25000-00000-860000

- **ensure that controls and supervisory checks in the Accounts Section are strengthened to avoid such discrepancies from recurring.**

Ministry's Comments

The Ministry concurs with the audit findings on the operating account balances carried forward from prior years being accumulated due to ineffective controls and supervisory checks in the administration of the operating trust account.

Due to staff turnover in 2011, officers had to share additional duties and the officer responsible for ledger posting also had to prepare reconciliations and filing of vouchers, thus resulted in non-timely reconciliation of balance and adjustments of general ledger accounts as reflected in related operating trust accounts.

The Ministry has, upon internal verification and investigation of negative accountable advance balances and further providing information required to Ministry of Economy's Internal Audit, now commenced with a similar exercise on operating Trust account anomalies as noted for financial period ending 31 July 2017.

With the appointment of a new ledgers clerk within the Finance Section effective October 2017, we have now commenced verification of these balances brought forward for further discussion with the Ministry of Economy on a way forward which may include adjustments.

The reconciliation controls and supervisory checks in the Finance Section are now further strengthened to avoid such discrepancies from occurring in future through the development of Finance standard operating procedures (SOPs), which set imperative procedures in substantiating balances and punctual reconciliation of all ledger accounts as well as a revision of the Ministry's Finance Manual in October 2017 to ensure effective compliance.

The Ministry aims to verify and investigate these balances from prior years within operating trust accounts by the end January 2018 and further resolve with support from the Ministry of Economy on the way forward for a fresh start upon closing of the accounts for the 2017-2018 financial year

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