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CHAIRPERSON'S FOREWORD

I am pleased to present the review report on the Consolidated Volume 1 – 4 Audit Report and the Supplementary to the Audit Report on the Whole of Government Financial Statements and Annual Appropriation Statements. This audit report is for the period of seven (7) months from 1 January to 31 July, 2016. This report has been majority contributed by the previous Public Accounts Standing Committee and reviewed and endorsed by the current Public Accounts Committee. This is my fifth (5) report, consisting of 4 volumes as Chairman of the Standing Committee on Public Accounts and a Supplementary to the Audit Report on the Whole of Government Financial Statements.

The Parliament of the Republic of Fiji's authority pursuant to Standing Order (SO) 110 (1) (c) and as directed by the Speaker of the House for the Standing Committee on Public Accounts is to examine and thereafter submit the findings to Parliament of the Office of the Auditor General 2015 Annual Report.

This report was thoroughly examined by the present Committee in accordance with the directives of the Speaker of Parliament on Wednesday 13th February, 2019¹.

I wish to extend my appreciation to all the Honourable Members of the Committee who were part of the successful compilation of the bipartisan report namely the Hon. Joseph Nitya Nand, Hon. Vijendra Prakash, Hon. Aseri Radrodro, and Hon. Ratu Naiqama Lalabalavu.

The Committee also wish to acknowledge the members of the previous Public Accounts Committee for their tremendous effort.

On behalf of the Committee I also extend my appreciation to the Secretariat Staff, namely Ms. Priya Chand, Mr. Mateo Lagimiri and Mr. Savenaca Koro for their dedication and commitment.

I commend this report to the Parliament.


.....
Hon. Alvick Maharaj
Chairperson

¹ Hansard report on Wednesday 13 February, 2019, page 426.

THE COMMITTEES RECOMMENDATIONS

The Committee recommends that Ministries and Departments:

1. Strengthen the controls in the receipts and payment of trust monies and prepare Standard Operating Procedures for operation of all Trust Fund Accounts.
2. Properly plan their expenditures in order to avoid the accumulation of unrepresented cheques at year end.
3. Conduct daily reconciliations and strengthen internal controls in terms of separation of duties and supervisory checks.
4. Ensure that all capital projects are properly planned and adequate arrangements are made to implement the projects as quickly as possible when funds are provided.
5. Ensure that assets with a value in excess of \$2,000 are recorded in the fixed asset register which must be maintained and kept up to date.
6. Ensure that all accountable advance accounts are cleared within the 7 days deadline. Outstanding balances for which acquittals are not provided should be recovered from officers concerned through salary deduction.
7. Comply with the changing requirements of FRCS for Provisional Tax deductions for all contract payments and ensure that Accounts staffs are conversant with the changes in the VAT rates.
8. Carry out quarterly evaluations of internal control processes and take corrective action to address any weaknesses identified.
9. Closely monitor the timely submission of acquittal reports and audited financials by grant recipients to ensure that the grant money is utilised for the purpose it was appropriated for.
10. Ensure that funds are utilised for the purpose it has been approved for.
11. Ensure that prior approval is obtained from the Ministry of Economy for any virement or diversion of funds.
12. Carry out an annual Board of Survey in accordance with Section 49 of the Finance Instruction and Section 24 of the Procurement Regulations 2010, and make a copy available for audit verification.

13. Adhere to procurement Regulations 2010, Finance Instructions, and agency's Finance Manual for the procurement of goods, services and works.
14. Improve the quality of human resources by providing training to staff to perform monthly reconciliations in a timely manner.
15. Ministries and Departments must ensure that they have a succession plan in place for all positions to avoid out-sourcing costs. The Committee noted that Ministries and Departments continue to outsource technical work to consultants due to the absence of qualified personnel.
16. Complete implementation of valid recommendations of the Auditor General.

The Committee further recommends that:

17. Due to the long outstanding submission of audited financial statements for Provincial Councils, the Ministry of *iTaukei* Affairs should put in place policies, processes and framework to ensure they submit their financial statements for audit in a timely manner.
18. Due to the inconsistent submission of annual financial statements by Municipal Councils, the Ministry of Local Government should enforce strict reporting compliance in accordance with the Local Government Act.
19. The Ministry of Economy should review and increase staffing resources in their Internal Audit Division in order to conduct regular and timely internal audit inspections to all Ministries and Departments.
20. The Ministry of Economy should provide a clear guideline and training on the operations of the Trading and Manufacturing Account across government departments.
21. The Ministry of Economy should increase staffing resources to perform the review and reconciliations of the Trust Fund Accounts.

1.0 CHAPTER ONE - INTRODUCTION

The Parliament Standing Committee on Public Accounts undertook a review of the Reports of the Auditor General on the annual accounts of Ministries and Departments for the year ended 31 July, 2016. This represented a period of six months before the commencement of a new Government fiscal year from 1st August 2016. The audit reports comprise of four volumes and the supplementary report referred to PAC on the 11th July, 2017 and 15th September 2017, respectively as follows:

Volume	1	Audit Report on the <i>Accounts and Finance</i> of Government (PP No. 99 of 2017)
Volume	2	Audit Report on the General Administration Sector (PP No. 100 of 2017)
Volume	3	Audit Report on Social Services Sector (PP No. 101 of 2017)
Volume	4	Audit Report on the Economic Services and Infrastructure Sector (PP No. 102 of 2017)
		Supplementary Report to the 2016 Audit Report (PP No. 115 of 2017)

The Standing Committee on Public Accounts

The Committee is a standing committee established under Standing Orders 109(2) (d) of the Parliament of the Republic of Fiji. The Standing Committee is mandated to examine the accounts of the Government of the Republic of Fiji in respect of each financial year and reports of the Auditor-General, and for any other matter relating to the expenditures of the Government of the Republic of Fiji or any related body or activity (whether directly or indirectly) that it sees fit to review. The committee must only examine how public money has been dealt with and accounted for in accordance with the written law and must not examine the merits of the underlying policy that informs public spending.

The Committee comprises five Honourable Members drawn from both the Government and the Opposition parties.

Committee Members

The members of the Standing Committee on Public Accounts are:

- Hon. Ashneel Sudhakar MP (Chairman)
- Hon. Mohammed Dean MP (Deputy Chairman)
- Hon. Alexander O'Connor MP (Member)
- Hon. Aseri Radrodro MP (Member)
- Hon. Ratu Naiqama Lalabalavu MP (Member)

During the Standing Committee's meetings, the following alternate membership arose pursuant to Standing Order 115(5):

- Hon. Samuela Vunivalu MP (Alternate Member for Hon. Alexander O'Connor)

Overview

The audit reports examined by the Committee during this review are those tabled and referred to it in the July 2017 and September 2017 sittings of Parliament. The aim of the examination is threefold:

- First, to scrutinise the audited accounts of relevant Ministries and Departments (agencies) and identify anomalies;
- Second, to assess what relevant agencies have done in response to the Auditor-General's recommendations; and
- Third, to make recommendations to Government to establish corrective measures.

The Committee considered evidence provided by each agency and also sought advice from the Office of the Auditor-General and Ministry of Economy.

The Committee found significant work has been undertaken to address issues raised in the audits. It is clear that the agencies have taken the audit review process seriously and instigated processes to implement accepted recommendations. Some recommendations will take time to fully action or are being addressed through the implementation of larger projects.

Inquiry Process

The Committee resolved at its meeting on 1 March 2018 to commence an examination of the 2016 Audit Reports of Government Ministries and Departments and discussed and planned its strategy for receiving submissions.

The Committee noted that entities which had been issued an unqualified audit opinion (clean opinion) had various control issues some of which had been recurring in the previous Audit Reports and warranted the Committee's scrutiny. As such, the Committee resolved to hear from relevant agencies which had been issued both qualified and unqualified audit reports.

To this end, the Committee met in the Parliament Complex from 20th March onwards to hear submissions on the Audit Reports.

In addition, the Committee received written responses from Ministry of Industry, Trade and Tourism, Human Rights and Anti-Discrimination Commission, and Fiji Higher Education Commission.

The Committee examined four audit reports together with the supplementary report and received 28 submissions in relation to its examination. A full list of submission authors and details of witnesses who appeared at the hearings can be found at Appendix One. Copies of the submissions are available on the Parliament website at: www.parliament.gov.fj.

Discussion of the audits examined is detailed in subsequent chapters of the report.

2.0 CHAPTER TWO - COMMITTEE'S OBSERVATIONS AND AREAS OF CONCERN

2.1 Background

The audit of financial statements for Whole of Government for the period ending 31 July 2016 concludes with an unqualified audit report.

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. Since the 2016 financial statements reflect transactions for a seven-month period whereas the 2015 financial statements is for a 12-month period, there are significant variances with the comparatives balances.

2.2 Audit Opinion on Respective Ministry/Department (Agency) Financial Statements

A total of 36 Agency Financial Statements were prepared. Of these, unqualified audit reports were issued on 23 financial statements while audit reports on 13 financial statements were qualified but not limited to the following grounds:

- Closing account balances were not always properly reconciled or not reconciled at all resulting in unexplained variances which were significant in some cases;
- Financial transactions were not always properly supported or not supported at all by relevant supporting documents.

2.2.1 Trust Fund Accounts

Large amount of funds are held in Trust Fund account and transactions of significant value were made from these accounts during the financial year. However, the Committee noted that proper books of records were not maintained for some accounts while others were operated without documented and approved Standard Operating Procedures. As a result, there is a high risk of funds held in trust being utilised for purposes which were not intended. Concern was raised with respect to Trust Fund Account balance amounting to \$26,739,044 not being supported with detailed listings of claimants of the monies held in trust.

2.2.2 Trading and Manufacturing Accounts

Financial transactions of significant value are also effected through Trading and Manufacturing Accounts (TMAs) operated by Ministries and Departments. Similarly to Trust Fund accounts, it was noted that Standard Operating Procedures have not been documented and approved for the operation of some TMAs. Furthermore, the operation of TMAs which were set-up by Government years ago, have not been reviewed in view of their need in the current business environment. Hence some TMAs seem to have outlived their purpose.

2.2.3 Reconciliations

The Committee noted that reconciliations were not always prepared for Trust Fund and Trading and Manufacturing Accounts administered by Ministries and Departments and where reconciliations were prepared, variances were noted between general ledger and cash at bank balances for these accounts. The net errors and omissions for Cash at Bank balance totalled \$6,768,803.

2.2.4 Lack of Supporting Documentation

It was observed that Ministries and Departments did not always provide relevant supporting documents such as payment vouchers, acquittals and agreements to support the expenditures incurred.

2.3 Root Cause Analysis

The Committee notes that the root-cause for the issues highlighted in *Volumes 1 – 4 of the 2016 Audit Reports* is attributed to the quality of human resources employed in Ministries and Departments which needs to be improved immediately. Permanent Secretaries, who have been assigned the responsibility for efficient, effective, and economical management of Ministries and Departments by section 127(3) of the Constitution, should use the authority provided to them by section 127(8) of the Constitution to design policies, processes and procedures which hold staffs accountable for non-performance of assigned roles and responsibilities.

3.0 CHAPTER THREE – AUDIT REPORT ON WHOLE OF GOVERNMENT FINANCIAL STATEMENTS AND ANNUAL APPROPRIATION STATEMENTS 2016 (VOLUME 1)

Revenue, Expenditure, and Key Issues

Introduction

The audit of financial statements for Whole of Government for the period ending 31 July 2016 concludes with an unqualified audit report, under section 152(2) of the Constitution, section 6 of the Audit Act 1969 and sections 46 and 47 of the Financial Management Act 2004.

A total of 36 Agency Financial Statements were prepared in accordance with the Financial Management Act 2004 and Finance Instructions 2010. Of these, unqualified audit reports were issued on 23 financial statements while audit reports on 13 financial statements were qualified on the following grounds:

- Closing account balances were not always properly reconciled or not reconciled at all resulting in unexplained variances which were significant in some cases;
- Financial transactions were not always properly supported or not supported at all by relevant supporting documents.

3.1 FINANCIAL POSITION OF GOVERNMENT

3.1.1 Financial Performance 2016

The performance of the Fiji Government for the year 2016 is provided in Table 1.1.

Table 1.1 Government Performance in 2016

Item	Original Budget 2016 (\$'000)	Revised Budget 2016 (\$'000)	Actual Results 2016 (\$'000)	Variance ¹ 2016 (\$'000)	Variance (%)
REVENUE					
Operating Receipts	2,770,093.7	2,770,093.7	1,433,248.4	1,336,845.3	48
Investing Receipts	358,637.4	358,637.4	67,559.8	291,077.6	81
TOTAL REVENUE	3,128,731.1	3,128,731.1	1,500,808.2	1,627,922.9	52
EXPENDITURE					
Operating	2,024,870.5	2,033,999.8	1,144,303.6	889,696.2	44
Capital	1,340,573.1	1,330,033.8	590,689.0	739,344.8	56
Value Added Tax	49,092.9	50,502.9	21,689.8	28,813.1	57
TOTAL EXPENDITURE	3,414,536.5	3,414,536.5	1,756,682.4	1,657,854.1	49
NET DEFICIT	(285,805.4)	(285,805.4)	(255,874.2)	(29,931.2)	10
Debt Repayment	159,630.7	159,630.7	91,250.8	68,379.90	43
GROSS DEFICIT	(445,436.1)	(445,436.1)	(347,125.0)	(98,311.1)	22
Net Deficit As A Percent of GDP	(2.9%)	(2.9%)	(2.6%)	(0.3%)	10
NOMINAL/PROVISIONAL GDP	9,691,109[n]	9,691,109[n]	9,852,704.1	(161,595.1)	(2)

3.1.2 2016 Appropriation Act

There were thirty eight appropriation heads in the 2016 budget. The expenditure under the various Ministries/Departments and variances noted are detailed in Table 2.2. Against a revised budget of \$3,414,536,487; the government spent \$1,756,682,415; resulting in a budget saving of \$1,657,854,072 or 49%.

Table 1.2 Appropriation Statement

Head No.	Ministry/Department	Appropriation (\$)	Revised Amount (\$)	Actual Expenditure 2016 (\$)	Savings/(Over-spent) (\$)	%
1	Office of the President	3,428,146	3,428,146	1,784,193	1,643,953	48
2	Office of the Prime Minister	15,499,425	15,499,425	5,964,744	9,534,681	62
3	Attorney General and Solicitor General	18,278,344	18,278,344	8,469,240	9,809,104	54
4	Ministry of Economy	84,142,136	84,142,136	45,624,908	38,517,228	46
5	Ministry of iTaukei Affairs	11,464,415	11,464,415	6,033,591	5,430,824	47
6	Ministry of Immigration, National Security and Defence	9,241,159	9,241,159	4,356,762	4,884,397	53
7	Ministry of Employment, Productivity and Industrial Relations	17,284,164	17,284,164	7,628,073	9,656,091	56
8	Ministry of Foreign Affairs	42,968,947	42,968,947	26,171,606	16,797,341	39
9	Office of the Auditor General	4,226,129	4,226,129	1,957,048	2,269,081	54
10	Fijian Elections Office	6,388,552	6,388,552	3,508,815	2,879,737	45
11	Judiciary	44,016,519	44,016,519	15,882,881	28,133,638	64
12	Parliament	9,850,878	9,850,878	5,575,954	4,274,924	43
13	Independent Commissions	15,882,939	15,882,939	7,214,462	8,668,477	55
14	Office of the Director of Public Prosecutions	6,057,643	6,057,643	2,780,374	3,277,269	54
15	Ministry of Justice	44,298,947	44,298,947	19,154,173	25,144,774	57
16	Ministry of Communications	26,413,273	26,413,273	8,492,872	17,920,401	68
17	Ministry of Civil Services	5,810,200	5,810,200	1,968,218	3,841,982	66
18	Ministry of Rural and Maritime Development and National Disaster Management	36,905,498	36,905,498	31,403,894	5,501,604	15
19	Republic of Fiji Military Forces	93,557,733	93,557,733	54,271,941	39,285,792	42
20	Fiji Police Force	126,305,357	126,305,357	66,055,508	60,249,849	48
21	Ministry of Education, Heritage and Arts	432,249,150	432,249,150	251,484,276	180,764,874	42
22	Ministry of Health and Medical Services	280,082,947	280,082,947	146,617,845	133,465,102	48
23	Department of Housing	30,848,070	30,848,070	6,806,668	24,041,402	78
24	Ministry of Women, Children and Poverty Alleviation	52,151,885	52,151,885	35,652,690	16,499,195	32
25	Ministry of Youth and Sports	22,461,744	22,461,744	13,061,837	9,399,907	42
26	Higher Education Institutions	76,584,800	76,584,800	50,580,511	26,004,289	34
30	Ministry of Agriculture	76,188,876	76,188,876	30,408,225	45,780,651	60
32	Ministry of Fisheries and Forests	26,256,262	26,256,262	16,914,836	9,341,426	36
33	Ministry of Lands and Mineral Resources	31,032,517	31,032,517	15,405,988	15,626,529	50
34	Ministry of Industry, Trade and Tourism	58,946,473	58,946,473	34,371,778	24,574,695	42
35	Ministry of Sugar	23,788,345	23,788,345	19,841,905	3,946,440	17

36	Ministry of Public Enterprise	16,084,190	16,084,190	10,339,815	5,744,375	36
37	Ministry of Local Government, Urban Development and Environment	35,041,515	35,041,515	25,228,886	9,812,629	28
40	Ministry of Infrastructure and Transport	122,232,205	122,232,205	58,631,803	63,600,402	52
41	Water Authority of Fiji	250,444,383	250,444,383	101,123,170	149,321,213	60
43	Fiji Roads Authority	635,675,337	555,675,337	186,015,975	369,659,362	67
49	Peacekeeping Missions	78,972,274	78,972,274	41,760,365	37,211,909	47
50	Miscellaneous Services	224,135,946	304,135,946	217,293,888	86,842,058	29
51	Pensions, Gratuities and Compassionate Allowances	42,343,300	42,343,300	20,754,067	21,589,233	51
52	Charges on Account of Public Debt	276,995,864	276,995,864	150,088,630	126,907,234	46
	Total	3,414,536,487	3,414,536,487	1,756,682,415	1,657,854,072	49

The financial year end for Government was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The expenditure stated for the period ended 2016 reflect transactions for a seven-month period whereas the budget is for a 12-month period, thus the significant savings percentages.

3.2 REVENUE

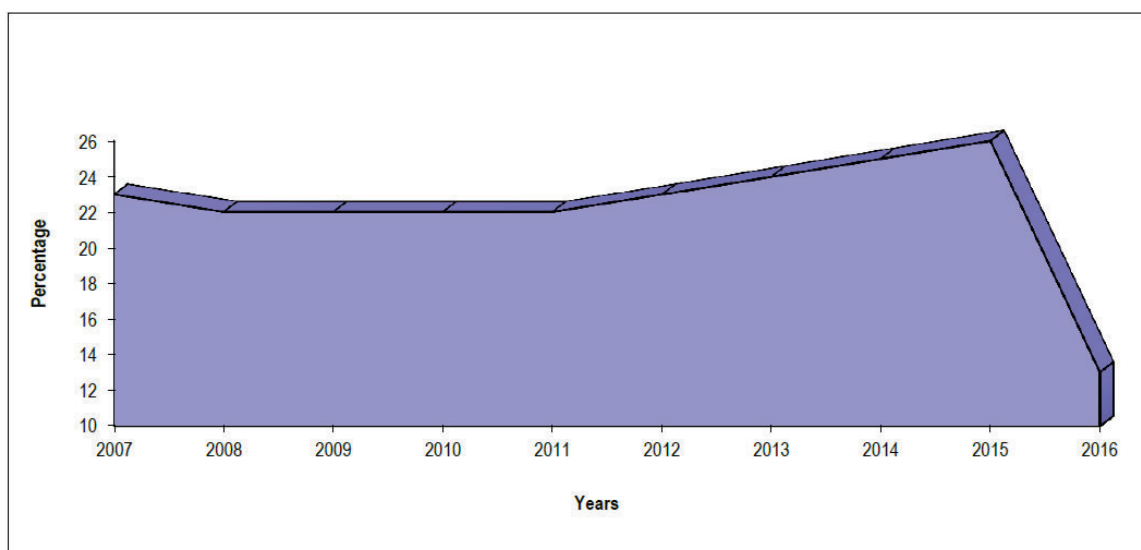
Table 1.3 shows the comparison between Tax Revenue and the GDP.

Table 1.3 Comparison of Tax Revenue and GDP

Year	Tax Revenue (\$)	GDP (\$)	% of Tax Revenue/GDP
2006	1,227,220,772	5,325,700,000	23
2007	1,230,363,366	5,440,100,000	23
2008	1,243,057,337	5,614,900,000	22
2009	1,209,223,648	5,614,100,000	22
2010	1,302,130,578	6,024,400,000	22
2011	1,512,378,397	6,768,500,000	22
2012	1,616,297,515	7,109,500,000[r]	23
2013	1,879,243,556	7,715,700,000[r]	24
2014	2,117,742,442	8,435,900,000[r]	25
2015	2,359,863,231	9,210,800,000[p]	26
2016	1,314,519,968	9,852,704,113	13

Tax Revenue as a percentage of GDP over the last 10 years has been between 22% - 26%. In 2016, this percentage decreased to 13% due to change in the financial year from 12 months in 2015 to seven months in 2016.

Figure 1.1 Tax Revenue as a % of GDP



Actual revenue collections by government in 2016 from its normal operations totalled \$1,500,808,192 thus recording a shortfall of \$1,627,922,876 or 52% of the total estimated revenue collections. The key contributing factor to the shortfall of revenue was the change in the government financial year. The actual revenue collection is for seven months while the budgeted is for 12 months. Table 5.1 shows the actual revenue collected over the last five years.

Table 1.4 Revenue by Type over the Last 5 years

Year	Investing Revenue – Actual (\$)	Operating Revenue – Actual (\$)	Total Actual [a] (\$)	Investing Revenue – Budgeted* (\$)	Operating Revenue – Budgeted* (\$)	Total Budgeted* [b] (\$)	Variance [a-b] (\$)
2012	86,043,083	1,854,766,943	1,940,810,026	35,819,200	1,906,987,800	1,942,807,000	1,996,974
2013	59,894,427	2,038,833,496	2,098,727,923	75,744,230	2,032,634,700	2,108,378,930	9,651,007
2014	80,723,992	2,290,281,755	2,371,005,748	513,955,962	2,207,821,990	2,721,777,950	350,772,202
2015	255,471,928	2,544,762,858	2,800,234,786	551,026,138	2,571,412,262	3,122,438,400	322,203,614
2016	67,559,756	1,433,248,436	1,500,808,192	358,637,411	2,770,093,657	3,128,731,068	1,627,922,876

In addition, government also recorded revenue of \$14,154,922 from operation of Trading and Manufacturing Accounts as at 31 July 2016.

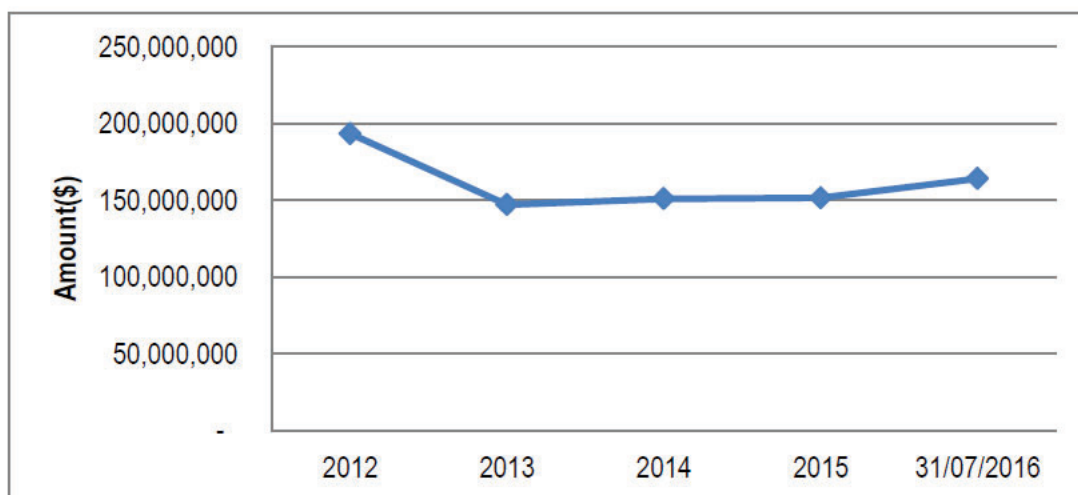
3.3 ARREARS OF REVENUE

3.3.1 Fluctuating trend of arrears of revenue for the last 5 Years

The arrears of revenue as at 31 July 2016 was \$163,930,966, an increase of \$12,504,410 or 8% from 2015 arrears of revenue of \$151,426,556.

Figure 1.2 below shows the trend of debts owed to government over the last 5 years.

Figure 1.2 Arrears of Revenue from 2012 to 31st July 2016



The high level of arrears of revenue is attributed to a substantial amount of outstanding tax arrears owed to Fiji Revenue and Customs Service and the increasing amount of fees and charges due to Public Utilities (Water Authority of Fiji) and Ministry of Infrastructure and Transport.

3.4 EXPENDITURE

3.4.1 Overview of 2016 Government's Budgeted and Actual Expenditures

A total of \$3,414,536,487 was approved in the 2016 budget to be utilised for the year ending 31 December 2016.

Detail of government expenditure is reflected in Table 1.5.

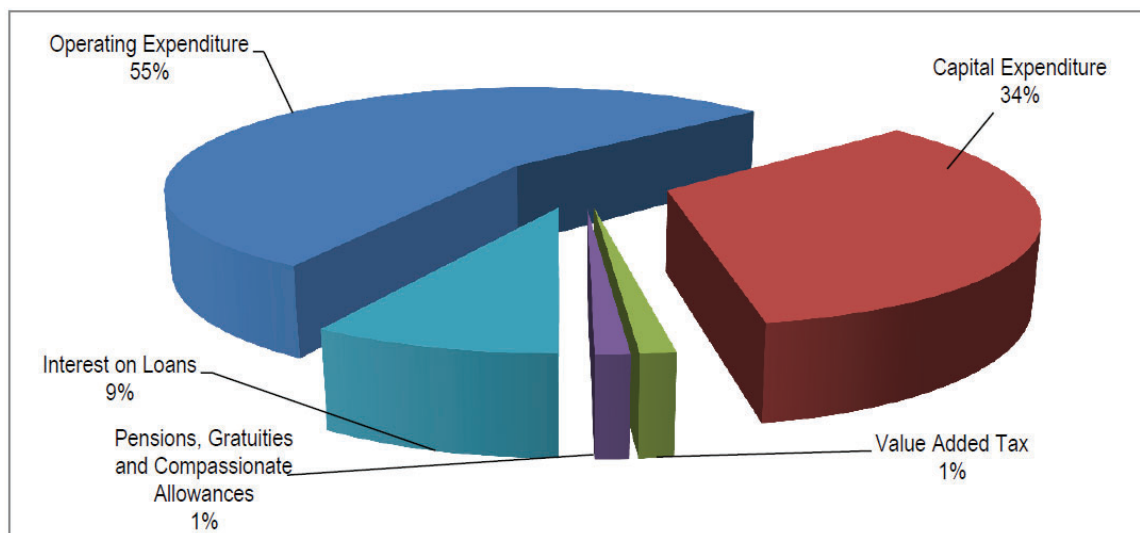
Table 1.5 Overview of the 2016 Budget and Actual Expenditure for the period ending 31/7/2016

Original Budget (\$)	Virements (\$)	Revised Budget Amount (\$)	Expenditure	Actual Expenditure 2016 (\$)	Savings (\$)	% Decrease
1,705,531,334	9,129,331	1,714,660,665	Operating ³⁷	973,460,885	741,199,780	43%
1,340,573,046	(10,539,256)	1,330,033,790	Capital ³⁸	590,688,998	739,344,792	56%
49,092,943	1,409,925	50,502,868	Value Added Tax ³⁹	21,689,835	28,813,033	57%
42,343,300	---	42,343,300	Pension, Gratuities and Compassionate Allowances ⁴⁰	20,754,067	21,589,233	51%
276,995,864	---	276,995,864	Interest on Loans ⁴¹	150,088,630	126,907,234	46%
3,414,536,487	---	3,414,536,487	Total Government Expenditure	1,756,682,415	1,657,854,072	49%

The Government incurred expenditure totalling \$1,756,682,415 against a revised budget of \$3,414,536,487 resulting in savings of \$1,657,854,072. The significant savings was primarily due to the budget being for twelve months while expenditures were only for the seven months up to 31 July 2016.

Refer to Figure 1.3 for percentages of types of expenditures.

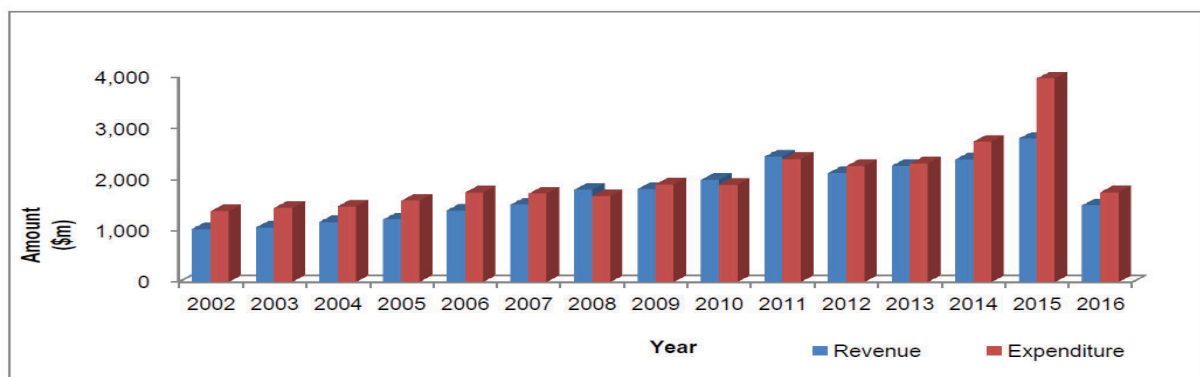
Figure 1.3 Total Expenditure Incurred by Type – 31/7/16



In addition to the total expenditure, the Trading and Manufacturing Account (TMA) as a trading arm of the Government incurred a total expenditure of \$8,595,227 for the period ending 31 July 2016.

Figure 1.4 shows the relationship between actual revenues and expenditures over the last 15 years.

Figure 1.4 Revenue vs Expenditure



The above shows that government expenditure of \$1,847,933,171 exceeded revenue of \$1,500,808,190 during 2016 resulting in a gross deficit of \$347,124,981 for the period ended 31 July 2016.

3.5 **KEY ISSUES**

The Committee notes that a number of agencies have sought to improve their performance by taking a more proactive approach in resolving their audit issues and improving their reporting abilities. To this end, the Ministry of Economy has continued to provide training and advisory support to agencies on a periodic basis in relation to the management of their accounts and finances.

The Committee noted the following initiatives undertaken by the Ministry of Economy ('Ministry') to address significant audit issues across the Whole of Government:

1. A Monitoring and Evaluation Unit has been established for the purpose of strengthening and monitoring and evaluation of agencies to ensure that there is regular monitoring of the reconciliations process. The Unit is responsible for examining and analyzing reconciliation issues which are discussed accordingly with the agencies concerned. The Committee was informed that going forward, the structure and scope of the Unit will be reevaluated to ensure that audit issues are addressed and internal controls of Ministries and Departments improved.
2. Reconciliation templates, FMIS module, financial manuals and accounting policies are now available online through the Govnet internet domain.
3. The Ministry has embedded controls within its operations to ensure that agencies address their audit issues and provide a progressive status on the Audit Reports prior to approval for related transactions. For instance, the Ministry requests for updates on the status of audited accounts for grant recipient agencies and emphasizes the need for Standard Operating Procedures at all Accounting Heads' meetings.
4. The Ministry has reviewed the accounts and finances of agencies in relation to their six monthly performance status. This includes reviewing the status of their monthly reconciliations, availability of Annual Procurement Plans, and status of any outstanding commitments.
5. The Ministry continues to provide training and advisory support to agencies on a periodic basis in order to build capacity of accounting personnel to carry out their roles and responsibilities. This has been further addressed by the introduction of the Open Merit Recruitment System.
6. Formulation of a Trade and Manufacturing Account policy that aims to address material recurring audit issues and also facilitate business oriented initiatives to strengthen overall operations in TMAs across Government. Furthermore, the Committee noted that recurring audit issues in relation to unsubstantiated equity balances have been corrected through daily monitoring of TMA postings by agencies.
7. The Ministry continues to communicate the importance of monthly reconciliations through the issuance of Memoranda to Heads of Accounting Divisions and Permanent Secretaries.
8. At Accounting Heads' meetings, agencies are advised of the importance of understanding the audit process and encouraged to participate accordingly, especially at the entry and exit meetings.
9. The Ministry informed that its role is to support the respective Permanent Secretaries and their Ministries in addressing issues by the provision of ongoing training and advice in relation to the

management of their accounts and finances. The Ministry informed that it does not have legal mandate to institute penalties or punitive measures for non-compliance to financial regulations and policies.

10. The Ministry is in the process of creating a Training Plan to be implemented across the Whole of Government with the aim of training accounting personnel on areas such as, reconciliation, financial accounting, procurement, budgeting, and reporting.
11. The Ministry is also embarking on a number of important public financial management reforms including:
 - Implementation of the Public Financial Management Improvement Plan.
 - Review of the Financial Management Act 2004 and Financial Instructions 2010.
 - Formulation of Financial Reporting guidelines and policies for the implementation of the Cash Based IPSAS financial reporting at agency level.
 - Implementation of the national Fixed Assets Register at the whole of Government level.
 - Review of the Financial Management Information System (FMIS), the recording and financial transactions through the system and also the Ministry's payroll.
 - Review of the Chart of Accounts to enhance the Ministry's financial reporting as well as its payments platform to electronic modes and payment and collection gateways.
12. The Ministry intends to work together with the Civil Service Reform Management Unit and Accounting Heads across agencies to develop a Discipline guideline which will hold to account the various Accounting Heads and Accounting personnel for non-compliance to financial regulations and policies.
13. The Ministry has recently reviewed and realigned the structure of its Treasury Division to be able to effectively respond to the growing needs of the Accounting practice across Government.

4.0 CHAPTER FOUR – AUDIT REPORT ON GENERAL ADMINISTRATION SECTOR (VOLUME 2)

SECTION 1

Office of the President

Roles and Responsibilities

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

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

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

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Office of the President resulted in the issuance of a qualified audit opinion. The basis for the qualified opinion is that prior year balances in the Revolving Fund Account totalling \$776,847 were cleared by posting to various expenditure allocations without adequate supporting documents being provided to audit, thus overstating expenditure of the Office in the current period by the same amount.

PART B: AUDIT FINDINGS

1.2 Anomalies noted in the Revolving Fund Account

Audit Findings

The audit noted the following anomalies:

- Journal vouchers totalling \$832,424.99 were raised to clear the outstanding balances in the Revolving Fund Account which were brought forward from previous years. It was noted that journal vouchers were not adequately supported with relevant supporting documents to substantiate the adjustment.
- The audit noted in 2016, a sum of \$55,577.93 was debited in the Revolving Fund Account of which \$48,531.22 or 87% was related to procurement of goods and services. It was noted that this was done due to unavailability of funds in the relevant expenditure allocations.

Agency Response

The Office informed that the balance backlog in the RFA account accumulated from 2008 and was cleared in 2016. However, due to the lack of capability in the Office, there was a significant amount of mis-postings in the Operating Trust Fund Account. This led to significant debit balances or overdrawn accounts.

The Office informed that at the end of 2015, all the Trust Fund Allocations have a zero balance and that there are no more debits or overdrawn accounts.

The Committee was further informed that the establishment of a fully-fledged Accounts Section, in addition to the recruitment of a qualified and experienced Accountant, have helped to address the issue of mis-postings:

- Reconciliations have been carried out to identify the mis-postings and these have been adjusted accordingly.
- At the end of 2015, all the Trust Fund Allocations have a zero balance and there are no more debits or overdrawn accounts.
- The Office of the President and MOE will continue to ensure improved control and monitoring of the Operating Trust Fund Account.
- The Office also advised that with the assistance of the Ministry of Economy, it has cleared its RFA through savings from other allocations in 2016.
- The Office has put in place risk management strategies that will ensure that it fully complies with the Finance Management Act 2004, Financial Instructions 2010, its Finance Manual 2013, and other relevant legislations.

Risk Management Strategies

The Office informed the Committee of the following strategies which will be put in place to mitigate/address possible risks with the accounting processes:

- Advanced and accurate planning and monitoring of all requests and purchases by the Heads of Sections and the Accounts Team (Update of Annual Procurement Plan);
- All Heads of Sections are to submit a monthly plan for all purchases two months before the new financial year and to strictly monitor its implementation to avoid delays;
- Continuous update of SOPs on all programmes and accompanying purchases required;
- Monthly and quarterly financial reports to be submitted to report on usage rate and allocations not being utilised as per the Annual Procurement Plan;
- Board of Survey to be carried out in the agency bi-annually for the update of the Asset Management Register;
- Financial Performance Reporting Compliance, including reconciliations on Salaries, Wages, Revolving Fund Account, IDC and SLG 86 are to be submitted before the 15th of the following month;
- Internal Audit to be carried out bi-annually comprising of a member from the Ministry of Economy and the Office of the President Accounts Team; and

- The Agency is to fully comply with the Financial Management Act 2004, Finance Instructions 2010, the Office Financial Manual 2013, and the Procurement Regulations 2010.

Ministry of Economy Response

MOE officials highlighted the following work that it is undertaking together with the Office of the President:

- A monitoring and evaluation Unit has been established which works closely with the MOE's Internal Audit Unit and the Operations team.
- MOE analyses the financials of Ministries and Departments on a monthly basis and recently has issued Permanent Secretaries a status on their six monthly accounts with respect to the following:
 - Areas where their accounts need to be rectified;
 - Documentations needed; and
 - Continuous training of the Accounts Unit

Auditor-General's Recommendations

The Office should ensure that:

- Journal Vouchers raised are properly supported with relevant documents before it is posted into the general ledger;
- all accountable advances issued are retired within the stipulated timeframe and the relevant expenditure allocation is debited;
- the use of accountable advance allocation is restricted to recording of travel advances; and
- underline accounts are not used to make procurements of goods and services. If the need arise for additional funds in a SEG/allocation, the Office should consider applying for virement to transfer the funds between the SEGs or seek additional funding from Ministry of Economy.

SECTION 2

Office of the Prime Minister

Roles and Responsibilities

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

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

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

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

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

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

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts for the Office of the Prime Minister resulted in the issuance of an unqualified audit opinion. However, attention was drawn to the Mahogany Industry Council Trust Fund Statement of Receipts and Payments which includes receipts for License fees of \$1,110,987. It was noted that monthly reconciliations were not performed between the logs harvested/ sold by Fiji Hardwood Corporation Limited and the fees collected for licenses issued. In addition, the Council was yet to determine the total receivables for the Trust Fund Account as at 31 July 2016.

PART B: AUDIT FINDINGS

OFFICE OF THE PRIME MINISTER

1.2 Advance Payment

Audit Findings

Water supply works project carried out at Natutale Primary School and Wauosi Nursing Station - Audit noted that the project commencement and completion date was not stated in the signed agreement and as at the date of audit (21/11/16) works were yet to commence.

Agency Response

The Committee was informed that Water Authority of Fiji (WAF) had completed the project on 20 December 2017. A completion report on the project had been submitted from WAF together with the financial acquittal report.

Auditor-General's Recommendation

The OPM should follow up with the Water Authority of Fiji on project status and strategies to expedite the project commencement and completion.

1.3 Anomalies in Operating Trust Account

Audit Findings

Audit review of the Operating Trust Account reconciliations showed that OPM was maintaining and administering two trust fund accounts namely Sporting Trust Fund and Miscellaneous Trust Fund.

- The Sporting Trust Fund account was transferred from the Ministry of Youth and Sports to the OPM in 2012. Upon clearance of the sponsorship amount by the OPM to the relevant sporting bodies, two and half percent of the total fund received was retained in the Sports Trust Fund Account to assist minor sporting bodies. However, it was noted that payment has not been made from the funds retained since 2012.

As at the date of audit the OPM was in the process of establishing Standing Operating Procedures/policy (SOPs) on the utilization of the fund.

- Miscellaneous Trust Fund - Details of when the account was opened were not available at the OPM. Therefore, the purpose of the fund and how it should be utilised could not be determined. There has been no movement in this account for the seven months period ending 31 July 2016.

Agency Response

Sporting Trust Fund

The Office informed that it has requested Ministry of Economy to open up a Trust Fund Account as per the audit recommendations. The Ministry of Economy is currently working on the request.

In addition, the Policy Division at OPM in consultation with Ministry of Youth and Sports has developed a draft policy to guide the operation of the Trust Account.

Miscellaneous Trust Account – “The Three Legged Stool” and Ratu Sukuna Biography”

The Office informed that it has requested National Archives of Fiji to receipt the sale of the above books since the books are currently kept by them.

The current proceeds of sales from the books will be handed over to National Archives of Fiji.

Auditor-General’s Recommendations

The Office should:

- formulate SOPs on utilization of the funds in held in the trust accounts;
- consider transferring the two trust accounts to the Main Trust general ledger under Fund 9 in the FMIS with separate bank accounts; and
- re-consider the need to maintain the Miscellaneous Trust account for proceeds from sale of books.

1.4 Visa Card Expenses not acquitted

Audit Findings

Audit review of reconciliations for the Visa Card account revealed that visa card expenses amounting \$6,492.11 were cleared without acquittals/invoices from overseas suppliers contrary to Section 7 of the Credit Card Policy 2016.

According to the Principal Accounts Officer, the charges were accidentally debited to the Office credit card and a refund was being arranged. However, as at 30/01/2017, the refund was yet to be received.

Agency Response

The Office informed that with regards to Cheque No. 82785, it was still following up with ANZ to resolve the issue.

The Committee was informed that the un-acquitted amount as per Cheque no.83132 amounted to \$2699.41 has been acquitted.

Currently, as a way forward to address these issues, the Visa Card is only activated when the Prime Minister is out of the country and deactivated once he returns. Also, any unrelated charges without supporting documents are immediately referred to ANZ.

In addition, the Office informed that monthly reconciliation of the Visa Card is conducted.

Auditor-General’s Recommendations

The Principal Accounts Officer must ensure that:

- individual receipts for payments made through the credit card are submitted to the Accounts Section within seven days of return from a trip;
- immediate action is taken to recover any incorrect charges made to the credit card; and
- necessary arrangement is made for refund of the amount incorrectly charged.

1.5 Capital Projects Undertaken by RFMF under the Small Grants Scheme

Audit Findings

In 2015, the OPM awarded the Republic of Fiji Military Forces Engineers Regiment to carry out 11 projects related to renovation and construction of new classroom/building and teacher's quarters.

Audit review of these projects revealed that four projects worth \$425,427.73 were incomplete as at the date of audit and for some of the completed projects, monthly progress reports, financial acquittal, completion certificate and engineer's certificate were yet to be submitted to the OPM.

Agency Response

The Office informed that the RFMF had submitted the pending completion certificate and financial acquittals for the projects.

The Committee noted that all MOUs were signed between the two parties (OPM & RFMF) before commencement of the project. The OPM financial process ensures that OPM Accounts Unit facilitates processing of the project payments once the signed MOU is received for the release of the Local Purchase Order (Suppliers) and payments (Operation Cost – Admin; Ration & 10% Contingency cost) to the RFMF.

The Office further informed that it has reviewed and strengthened effective monitoring measures in the Contract Agreement with clear timelines on the following:

1. joint site inspection on the progressive construction work;
2. monthly reports; and
3. Completion reports and certificate.

Auditor-General's Recommendation

The OPM should follow up the pending documents from RFMF and keep track of on-going capital projects to ensure its timely completion.

1.6 Anomalies noted in Mahogany Industry Council Trust Fund Account

Audit Findings

Audit review of the Mahogany Industry Council Fund Account (MICFA) revealed the following anomalies:–

- The OPM does not have Standard Operating Procedures (SOPs) on the use of the trust fund;
- Monthly reconciliations are not being performed by the OPM on the Mahogany log harvested against the license fees collected as at 31 July 2016;
- There are five grades of log harvested for which the rate varies. No independent monitoring/spot checks was carried out by the OPM since August 2015 on the operation and billing process of Fiji Hardwood Corporation Limited (FHCL) to Licensee;
- The rates used by the FHCL to levy license fee to License is not gazetted or formalised by the MIC; and
- The fees are only disclosed as License Fee in the Statement of Receipts and Payments (Agency Financial Statement). It is not referenced to the purpose the fees is being received).

Agency Response

The Office of the Prime Minister is the Secretariat to the Mahogany Industry Council and the Committee was advised of the following:

- i. The monthly Bank Reconciliations have been facilitated by OPM since August 2015, when the Bank account for the Mahogany Industry Council (MIC) Trust Fund Account was established at the Home Finance Bank;
- ii. The detailed Reconciliation on the MIC Trust Fund Account for the period June 2011 to August 2017 was facilitated jointly by Fiji Hardwood Corporation Ltd ('FHCL'), OPM, Ministry of Economy and the Ministry of Public Enterprises during the period December 2016 to January 2018.
- iii. This also coincided with the termination of the 1st batch (10) of Mahogany Industry Log Supply Licenses on 31st August 2017 that were first issued in June 2011 (1), April 2013 (8) and April 2014 (1);
- iv. The Reconciliation findings including the arrears have been determined and will be tabled at the next MIC Meeting (either in April or May) for their endorsement before consultations are made with the respective companies. Upon the clearance of the MIC, a summary of the reconciliation findings will also be submitted as information to Public Accounts Committee;
- v. Going forward, future reconciliations of the Mahogany Licenses will be facilitated by the Board of FHCL on behalf of the MIC on a quarterly basis. This was an improvement mechanism adopted for the second batch of Mahogany Licenses (13) that were issued in September 2017. Since then, two quarterly reports were received from FHCL for the quarter ending 30th November 2017 and 28th February 2018.

The MIC approved the new Licensing terms and conditions at its deliberations in January, April and July 2017 and these were the mandate FHCL adopted for the issuance of new license fees.

SOPs on the use of the trust fund will be developed and tabled for approval in the next available meeting of the MIC which is targeted for May or June 2018 and will incorporate the suggestions from OAG, MoE's Internal Audit Division and FHCL that were discussed since December 2016.

Auditor-General's Recommendations

The OPM should:

- ensure that monthly reconciliation of Trust Fund Account is carried out and unreconciled item(s) are promptly investigated and resolved;
- develop SOPs for the operation of the trust fund;
- assess and formalize the license fee levy; and
- carry out independent monitoring and checks on the operation and billing process of the FHCL to Licensees.

DEPARTMENT OF IMMIGRATION

The Department of Immigration now comes under Head 2 of the Office of the Prime Minister.

1.7 Unreconciled Passport Revenue

Audit Findings

The audit noted an unreconciled variance of \$94,196.80 between the receipts generated by Integrated Border Control Management System (IBMS) and manual receipts issued and the amount posted in the General Ledger (FMIS).

Furthermore, the Department did not have any supporting documents for overseas remittances (immigration revenue collected overseas) totalling \$306,228.54 that were posted in the general ledger by the Ministry of Economy and Ministry of Foreign Affairs

Agency Response

The Committee noted that a qualified audit opinion was issued due to the unreconciled figures between the Integrated Border Management System (IBMS) and FMIS. The IBMS is not linked to government's FMIS so all revenue receipted by the Department is journalised and posted to FMIS daily.

As a way forward, the Department of Immigration informed that it was working towards fully integrating all revenue modules in IBMS. This includes Issue fees (Permit), Appeal fee, PI Uplift, Citizenship fees and the bond to ensure that there is no manual receipt issued for these services.

Furthermore, the Department shall also ensure that:

- All manual receipts are updated into the IBMS system on a daily basis;
- All revenue collected from the respective countries are posted into the IBMS system on a monthly basis.

Auditor-General's Recommendations

The Department must:

- ensure that the passport revenue as per the IBMS system and manual receipts are reconciled with the general ledger balance at the end of each month and variances are investigated and rectified; and
- ensure that supporting documentation is maintained for all funds remitted from overseas before these are posted to the general ledger and documentation is provided for audit verification.

1.8 Untimely Preparation of Reconciliations

Audit Findings

Audit review of the Department's underline accounts revealed that monthly reconciliations were not prepared in a timely manner.

Agency Response

The Committee was informed that all reconciliations have been updated till February 2018.

Auditor-General's Recommendations

The Department should ensure that underline accounts reconciliations are prepared within 3 days of receiving the monthly general ledger reports from the Ministry of Economy.

1.9 Incorrect Payment of VAT

Audit Findings

Audit review of the monthly VAT returns revealed that department calculated VAT at 15% resulting in an over payment of VAT to Fiji Revenue and Customs Service amounting to \$254,919.69.

Department's Comments

The Department informed that it is liaising with FRCS on the refund and that information on its bank account has been sent to FRCS for the refund of VAT.

FRCS has informed the Office that the refund will be made shortly.

Auditor-General's Recommendations

- The Department should liaise with FRCS and offset the VAT overpaid with the current VAT payable; and
- The Senior Accounts Officer should be cautioned for the oversight.

SECTION 4

Ministry of Economy

Role and Responsibilities

The Ministry of Economy manages the finances of Government. It ensures that public funds are used as its elected leaders intend and that all spending adheres to Fijian law.

The work of the Ministry of Economy helps put the economy on a path to sustainable long-term development by ensuring that the national economy is well managed and meets its macroeconomic targets.

To carry out this responsibility, the Ministry of Economy must provide sound economic and financial forecasting and analysis, manage the nation's financial assets and debts, oversee fiscal policy and tax collection, carry out Government-wide financial management reforms, manage the national budget and ensure that Government can procure the goods and services it needs to serve the people of Fiji.

As part of the Ministry of Economy, the Strategic Planning Office (SPO) formulates and coordinates the implementation of the national development plan including monitoring of Annual Corporate Plans, capital projects and climate change, and providing input to the Office of the Prime Minister. The Office also coordinates with the budget division on operating expenditure. The Fiji Bureau of Statistics [FBOS] is responsible for the analysis and publication of all statistical information in a timely and coherent manner.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Economy resulted in the issuance of an unqualified audit opinion.

1.2 Governance Issues

Audit Findings

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

Audit noted that the monthly signed report was not provided to the Permanent Secretary contrary to section 60 of the Finance Instructions 2010.

Agency Response

Monthly reconciliations are performed and signed off by the Supervisors of the respective units. Quarterly update to the PSE is provided from the various units on the Accounts and Finances of the Ministry. The Ministry

confirmed that all reconciliations are up-to-date and PSE has reviewed the same. However, going forward, respective reconciliation reports will be endorsed by the Permanent Secretary.

Audit Findings

Other control issues which were noted in the Ministry for the financial period ended 31 July 2016 together with the agency's responses are stipulated below:

- Annual Corporate Plan and Strategic Plan was not developed.

Agency Response - In 2016, the World Bank undertook a review of governance and planning practices across the Civil Service. The review noted that aspects of governance and planning practices could be improved. During 2017 and 2018 there have been changes suggested for some planning activities, including the use of the term 'Operational Plan' rather than 'Annual Corporate Plan', in order to reflect and reinforce the fact that Ministry's annual work plans need to be effectively implemented on an ongoing basis.

To facilitate these suggested changes, training has been provided and tools have been developed; for example, the Guide to Strategic and Operational Planning. The purpose of this Guide is to offer a starting point for Ministries to update their strategic and operational planning activities. It provides a framework, templates, tools and common planning terms to assist with the transition of the suggested changes to the planning process. The Guide facilitates a systematic approach for Ministries to improve the overall consistency, quality and timeliness of planning within the context of an overarching framework. Ministries are encouraged to adapt details to their specific circumstances in coordination with the Budget & Planning team in the Ministry of Economy, to enable a clear line of sight and traceability from National Priorities to individual work plans. The reason for coordination is to ensure that improvements to the planning framework and cycle are retained without unduly restricting Ministries where flexibility and evolution is needed.

The Guide has been prepared based on the following good governance practice attributes – that planning should establish how Ministries will achieve the Government's strategic priorities; be systematic and use evidence; help everyone in the Ministries to work towards the same goals; build commitment and help to motivate staff; help staff and stakeholders to understand where the Ministries are headed and why; help to guide how resources are used; be based on best practice planning principles; and capture the information needed to review performance and identify changes required to improve performance.

- Unresolved audit issues continued in the new financial year. Refer to section 1.6 for matters raised as "follow-up" issues.

Agency Response - This is discussed below at 1.6.

The following administrative controls were absent:

- Formal monthly meetings of section heads were not held.

Agency Response - The meeting minutes have been provided to OAG.

- The Office Accommodations Trading and Manufacturing Account section did not provide the following records contrary to Section 7 (1) (a) and (b) of Audit Act:

- Provisional tax reconciliations from January to July 2016.

Agency Response - Provisional tax reconciliation has been provided to the auditors.

- Handing over statements as at 31/12/15. The Office Accommodation Unit was transferred from Public Service Commission to Construction Implementation Unit (CIU) within Ministry of Economy with effect from 1/1/16.

Agency Response - The Ministry of Civil Service in consultation with the Ministry of Economy is developing a guideline and checklist. This will be a requirement should any re-assignment or closure of a Ministry/Department.

- The following records were also not provided for audit review contrary to Section 7 (1) (a) and (b) of the Audit Act.

- Report on work done on Rice Raising Project from 2015 to 2016.

Agency Response – The report on Rice Revitalization Project was provided to the Committee.

- Individual Work Plan for officers employed in Construction Implementation Unit (CIU).

Agency Response - Individual work plan for CIU officers were provided to the Committee. The Committee was informed that it was a transition period where Construction Implementation Unit was formed and the Office Accommodation and Government Housing was transferred from Public Service Commission. The newly appointed officers joined the Unit during the period and roles and responsibilities were assigned as per the Job Description. However, some of the IWP for staff transferred from PSC. The Unit has now updated their Job Description and IWP.

- Ministry's Internal Audit and Governance Division carried out an investigation for recipients who breached the Help for Home initiative. However, a copy of the investigation report was not made available to audit.

Agency Response - The Help for Home investigation has been submitted to the Police.

Auditor-General's Recommendations

The Ministry should ensure that:

- the Annual Corporate Plan and Strategic Plan are developed to document its deliverables and performance indicators;
- all records requested for audit is provided in compliance with the 2013 Constitution and Audit Act 1969.

PART B: AUDIT FINDINGS

Head 4

1.3 Irrecoverable Surcharge Amount

Audit Findings

Audit noted that the total surcharge amount for on-going cases and irrecoverable cases as at July 2016 was \$362,965.89 and \$472,091.65, respectively totalling to \$835,057.54.

The irrecoverable surcharge cases accounts for 56.5% of the total surcharge balance of \$835,057.34 and could lead to write off.

Agency Response

The Ministry of Economy had reviewed the surcharge process and have taken a number of steps to ensure timely recovery of the amount in arrears. These include:

- i. Under FMA, employees are guaranteed the course of natural justice, however the Ministry has improved the process by reducing the explanation period to 14 days from the previous 30 days but kept the appeals period to 30 days as agreed by the Office of the Solicitor General.
- ii. Under the Finance Instructions, employees 2010, section 65 (2), the recovery period of 5 years allowed but the Ministry has improved the recovery period to be the same as the employee's employment contract.
- iii. The Ministry has employed the usage of TeamMate software for monitoring of surcharge process and for the first time Surcharge Unit is requesting the dispatching of vehicle accident files from Fleet Management Unit.
- iv. Office of the Solicitor General has formulated a Debt Agreement template for surcharged officers that have resigned with significant surcharge amounts. The Debt agreement has been successfully used to recover surcharged amounts from the officers that had resigned.
- v. The Surcharge Unit is regularly reviewing surcharge arrears through reconciliations where officers close to retirement and completion of contracts are advised in advance of their surcharge balances and the action taken for quick recovery.
- vi. The Ministry is further reviewing the balances held with the view of pursuing the collections with the Small Claims Tribunal and write-off where all recovery avenues are exhausted or that where an officer who was surcharged has passed away.
- vii. The Ministry further plans to address the issue of surcharge with the respective Ministry /department as their action is critical in the successful and timely recovery of surcharge amounts.

The Committee noted that overall, the recovery is on-going and the balance yet to be recovered is decreasing. Further, it was informed that the Finance Instructions 2010 allows for the recovery of surcharge within a timeframe and therefore, the recovery of surcharge in arrears is allowable within its timeframe. Progressive recovery will result in arrears yet to be collected at the end of any financial year.

Auditor-General's Recommendation

The Ministry should employ stringent recovery measures to recover outstanding amounts from ongoing cases to avoid write offs.

1.4 Installation of Accessories on Leased Vehicles

Audit Findings

The Ministry leased a number of vehicles from the respective franchise dealers for its daily operations as per the lease agreement.

The audit noted that the Fiji Bureau of Statistics (Bureau) division installed canopies and other accessories to eight of its leased vehicles totalling \$51,829.55. However, written approval from the lessor to install the canopies and other accessories on the leased vehicles was not produced for audit verification. In addition, the expenditure for installation of canopies and other accessories was not budgeted for in the 2014, 2015 and 2016 budget estimates. Hence, the expenditures were funded from budgets allocated for repairs and maintenance, employment and unemployment survey, population demography household survey and population census. Refer to Table 4.18 for details.

Table 4.18: Details of Leased Vehicles with canopies without Lessor's approval

Registration No.	Accessories Installed	Amount (\$)	Payment Date	Agency Response – Status (Vehicle still in use)
YEAR – 2014	Supply and Install Canopy	6,024.45	7/4/14	<p>Delivered to BOS on 10/1/2014, BOS fitted the canopy, vehicle expired and returned to Asco on 10/1/2017.</p> <ul style="list-style-type: none"> • Canopy was still attached to the vehicle when returned to Asco. • No penalty was charged to the ministry. • With respect to the canopy fitted on the vehicle, clause 7.0 of phase 2 lease agreement states: <div style="border: 1px solid black; padding: 5px; margin: 10px 0;"> <p>7.0 ACCESSORIES</p> <p>7.1 The Lessee agrees with the Lessor that any accessories, parts, tyre replacements and tools which now or hereafter are supplied with or are attached to a Leased Vehicle described in the Order and Acknowledgement Form and the Acknowledgment of Delivery Form shall be or become a part thereof and shall be deemed to be included in the term "Leased Vehicle" herein, except that the Lessor may, with respect to accessories fitted by the Lessee with the prior written approval of Lessor, elect to require the Lessee to remove the same and make good any damage of such fitting or removal.</p> </div> <p>In this regard, the canopy is part of the Lease and therefore part of the vehicle that is leased to the Government. If the canopy is to be removed as per the clause, then the ministry will need to 'make good any damage of such fitting or removal'. This means the ministry must:</p> <ul style="list-style-type: none"> • Provide the loading bar – this was removed during the fitting process and returned to the driver of the vehicle (as it forms part of the vehicle the Govt. has leased). • Canopy will be removed and the loading bar will be welded back on to the tray of the vehicle. • Cost of removal of the canopy and re-installing of the loading bar will be borne by the Ministry.
GP 401				

GP 714	Supply and install canopy, side steps and weather shield	7,900.00	16/12/14	Delivered to BOS on 10/1/2014, BOS fitted the canopy, vehicle expired returned to Niranjans on 13/10/2017.
YEAR – 2015 GP 778	Supply and install canopy, side steps and weather shield	7,900.00	30/1/15	Delivered to BOS on 02/12/2014, BOS fitted the canopy. Extended lease with Ministry of Health, canopy still on the vehicle. The vehicle was returned to Niranjans with canopy fitted. Ministry of Health now has the vehicle and are in lease agreement with Niranjans. From above explanation it can be concluded that the Lessor was aware of the canopy being fitted to the vehicle. Attached as is confirmation email from Niranjans.
YEAR – 2016 GP 715	Supply and Install Canopy	6,200.00	1/6/16	Delivered to BOS on 02/12/2014, BOS fitted the canopy, vehicle returned to Niranjans on 02/12/2017. Canopy still on the vehicle. No penalty was charged to the Ministry.
GQ 253	Supply and install canopy and weather shield	17,659.45	6/9/16	Vehicles are delivered to BOS on 27/07/2017. Vehicles fitted with canopy. Still used by BOS. Installation of canopy was done by Asco as mentioned in attached minute. <u>Way forward</u> – BOS has stated that they will arrange for the uninstallation of canopies from GQ253/GQ265/GQ295/GQ291 at the end of the lease term.
GQ 265	Supply and install canopy and weather shield			
GQ 295	Supply and install canopy, weather shield and bonnet protector			
GQ 291	Supply and install canopy, weather shield and bonnet protector	6,145.65	18/10/16	Delivered to BOS on 07/7/2016, BOS fitted the canopy. Vehicle lease term expire. 7/7/2016, and will expire on 7/7/2019. Installation of canopy was done by Asco as mentioned in attached minute. <u>Way forward</u> – BOS has stated that they will arrange for the uninstallation of canopies from GQ253/GQ265/GQ295/GQ291 at the end of the lease term.
TOTAL		51,829.55		

Agency Response

Bureau of Statistics need was for four-wheel drive covered vehicles. The Bureau's Pajero fleet is quite old and no longer safe to take into areas with poor road conditions or in difficult terrain. The vehicles are used to transport staff for field visits for which they need to carry bags, survey documents and other survey tools. With the canopies fitted, these materials can be placed in the back to allow the transporting of 3 staff. The current fleet of twin cabs (with canopies) are not suitable for transporting survey officers to the more remote rural locations, as they can only carry 3 passengers at a time and as such, in some cases there is a need to make two trips.

The lease agreement allows for accessories for the additions, improvements or alteration, however, with the consent of the Lessee. For any further alterations, the Bureau is mindful to liaise with the Lessee.

The Ministry has included SUV's which can be used in rough terrains but the monthly rate of leasing the 4x4 SUV's are high. The cost analysis is presented below:

Cost Analysis

	Lease Cost/Month VIP	36 months cost VIP	Cost of Canopy VIP	Total Cost
Land cruiser SUV 4x4	\$3,929.94	\$141,477.84		\$141,477.84
Hilux - Twin Cab 4x4	\$2,012.30	\$72,442.80	\$4,450.63	\$76,893.43
Cost Difference VIP				\$64,584.41

Furthermore, the Ministry has issued advisory at Whole of Government level on the vehicle lease arrangements.

Auditor-General's Recommendations

The Ministry should ensure that:

- vehicle lease agreements are complied with at all times;
- prior approval is obtained from the lessor for additions, improvements or alterations to the leased vehicles; and
- expenses incurred are budgeted for to avoid unauthorised payments.

1.5 Delay in Clearing Goods from Wharf

Audit Findings

Audit noted that a container shipment of medicines consigned for the Fiji Pharmaceutical and Biomedical Services (FPBS) via Suva wharf remained uncleared by the Fiji Procurement Office (FPO) for 253 days due to an oversight. Therefore, the Ministry had to pay a sum of \$48,984.60 for the uncleared item.

Agency Response

The Ministry noted the audit recommendations and is putting in place strategies to ensure that this incident is not repeated. The bond checking has been re-introduced whereby stakeholders and shipping agents' permission are requested for warehouses to be physically inspected for any pending government consignments that need to be cleared. Currently the process is for Ministries and Departments to advise of inbound consignments upon receipt of arrival notice which was not the case in this instance. The agency's advice was received 76 days later upon follow up from the shipping agent hence the delay should not be attributed to the negligence of officers involved.

Auditor-General's Recommendation

The Ministry should ensure that goods received at the wharf are cleared on time to avoid loss of public funds.

1.6 Follow-Up on Previous Year Accounting and Control Anomalies Raised

During the 2016 audit, the status of the matters reported in the previous year was followed up. These matters have remained outstanding as actions are yet to be taken by the board to resolve them.

1.6.1 Regularity Audit – Head 50 Miscellaneous Services

1.6.1.1 SLG 84 Reconciliations not submitted to FMIS Division

Audit Findings

The following anomalies were noted on the SLG 84 reconciliations:

- (i) The following Ministries/Department did not submit their SLG 84 December 2015 reconciliation as required under SLG 84 Reporting Guide, section 9.2:
1. Bureau of Statistics;
 2. Ministry of Foreign Affairs;
 3. Fijian Elections Office;
 4. Judiciary Department;
 5. Public Service Commission;
 6. Ministry of Women, Children & Poverty Alleviation;
 7. Ministry of Fisheries & Forests;
 8. Ministry of Lands and Mineral Resources;
 9. Ministry of Industry, Trade and Tourism;
 10. Ministry of Sugar;
 11. Ministry of Infrastructure & Transport;
 12. Ministry of Local Government, Housing & Environment; and
 13. Ministry of Health and Medical Services.

Agency Response

The latest update on reconciliation is as follows:

Standard Liability Group (SLG84) Reconciliation Updates 2017-2018	
MINISTRY/DEPTs	FMIS Comments
BOS	Reconciliation submission is up to date till March 2018.
FOREIGN AFFAIRS	Reconciliation submission is up to date till March 2018.
JUDICIAL	Reconciliation submission is up to date till March 2018.
HEALTH	Reconciliation submission is up to date till March 2018.
HOUSING	Reconciliation submission up till January 2018. Feb-Mar recons will be submitted once PS has endorsed.
SOCIAL WELFARE	Reconciliation submission up till December 2018. Jan-Mar reconciliation is in progress.

Standard Liability Group (SLG84) Reconciliation Updates 2017-2018	
MINISTRY/DEPTs	FMIS Comments
FISHERIES & FORESTS	Reconciliation submission up till January 2018. Feb-Mar reconciliations will be submitted once PS endorsed.
MINERALS	Reconciliation submission up till February 2018. March reconciliation will be submitted once PS endorsed.
LAND	Reconciliation submission up till January 2018. Feb-Mar reconciliations will be submitted once PS has endorsed.
MIT	Reconciliation submission up till December 2018. Jan-Mar reconciliation is in progress.
LOCAL GOVT.	Reconciliation submission up till January 2018. Feb-Mar reconciliations will be submitted once PS has endorsed.
TRANSPORT	No reconciliation received as of March 2018. Continuous emails and follow ups have been done yet Ministry fail to respond through reconciliation submissions.
WORKS - DECE	Reconciliation submission up till January 2018. Feb-Mar reconciliations will be submitted once PS has endorsed.
WORKS - WESTERN	Reconciliation submission up till January 2018. Feb-Mar reconciliations will be submitted once PS has endorsed.
WORKS - DEN	Reconciliation submission up till January 2018. Feb-Mar reconciliations will be submitted once PS has endorsed.
WORKS - HQ	Reconciliation submission up till January 2018. Feb-Mar reconciliations will be submitted once PS has endorsed.
ENERGY	Reconciliation submission up till January 2018. Feb-Mar reconciliations will be submitted once PS has endorsed.
WATER & SEWERAGE	No reconciliation received as of March 2018. Continuous emails and follow ups have been done yet Ministry has failed to respond through reconciliation submissions.

Auditor-General's Recommendation

The Ministry should ensure that reconciliations for funds transferred from Head 50 are prepared by the receiving ministries and submitted to the Ministry of Economy. Negative ending balances identified should be corrected.

SECTION 5

Ministry of *i*-Taukei Affairs

Role and Responsibilities

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

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

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

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts for the Ministry resulted in the issuance of an unqualified audit opinion.

PART B: AUDIT FINDINGS

1.2 Back Log *i*Taukei Affairs Board Audit

Audit Findings

The Ministry paid a total of \$3.2 million in grants to *i*-Taukei Affairs Board.

Audit noted that although quarterly reports have been provided by the *i*-Taukei Affairs Board to the Ministry of *i*-Taukei Affairs, the accounts of the Board have not been audited since 2008.

Agency Response

The Ministry provided a summary of annual accounts which were pending audit as follows:

Recipient	No. of Pending Annual Accounts
iTaukei Affairs Board	16
Provincial Councils	208
Total	224

Furthermore, the Ministry also highlighted the Annual Accounts submission by year as follows:

	2014	2015	2016	2017
No. of Accounts Submitted	7	31	10	37
Total Accounts Submitted – 89				
Pending - 135				

The Committee noted the audit progress by the Auditor General:

- OAG has completed the audit conduct for 7 Provincial Councils (Ba, Bua, Cakaudrove, Lomaiviti, Macuata, Naiatsiri, Tailevu);
- Audit conduct completed for 40 accounts (38 PCs + 2 TAB);
- Pending – 49;
- Joint meeting held with OAG on 07.03.2018 - OAG confirmed audit for Lau, Kadavu, Nadroga and Ra should be completed by July 2018 (24 Annual Accounts) while Ra, Rewa and Serua to be completed by September, 2018 (20 Annual Accounts) and TAB;
- Tailevu 2002-2007 received from OAG on 04.04.2018 for signing; and
- Naitasiri 1999-2007 management comments submitted to OAG on 03.04.2018.

2018 Annual Accounts Submission Targets (135 accounts)

- Target to submit 90 Annual Accounts (2008-2013) by 31 July 2018.
- 41 accounts of the Provincial Councils drafted awaiting finalization of 2007 accounts by OAG.
- 49 accounts – WIP.
- Target to submit 45 Annual Accounts (2014-2016) by 31 December 2018.

The Committee was informed of the following strategies that the Ministry has put in place to ensure the timely submission of annual audited accounts of Board:

- Acquisition of a new integrated financial system for TAB and PCs. Expected to roll out in August 2018.
- Recruitment of qualified accountant in the Finance Department.
- Training of Provincial Treasurers during Treasurers workshops on preparation of Annual Accounts.
- Close collaboration with financial institutions for Audit confirmations.
- Set up of a Taskforce to work on annual accounts.
- Govnet Connectivity at all Councils.
- Purchase of system servers and hosted at ITC for data security and retention.

Auditor-General's Recommendations

- The Ministry should ensure that the i-Taukei Affairs Board provides the audited financial statements in a timely manner; and

- To improve compliance, the Grant Agreement between the Ministry, and i-Taukei Affairs Board should include the submission of draft financial statements for audit as one of the key deliverables of the Board.

1.3 Unsigned Agreement with Native Reserve Commission

Audit Findings

The Ministry disbursed a sum of \$153,975 to the *i*-Taukei Reserve Commission in 2016 to assist it in meeting its operational needs.

The audit noted that the grant agreement between the Ministry and the *i*-Taukei Reserve Commission for the financial year 2016 was not signed by both parties until 17/02/17 or more than six months after the financial year had lapsed. However, the Ministry continued to disburse funds to the Commission without the signed agreement.

Agency Response

The Ministry informed that it will sign the Grant Agreement before the beginning of the new Financial Year. This is reflected in the MTA Financial Manual Part 3 Section 1.

The signing of grant agreement with the Native Reserve Commission began in 2017/2018 and is now mandatory.

Auditor-General's Recommendation

The Ministry should ensure that the grant agreement is signed on a timely basis and prior to disbursement of funds.

1.4 Scholarship Bond Recovery Balances Not Transferred to TSLB

Audit Findings

The audit noted that the balances for scholarship bond recovery were still reflected in the Ministry's general ledgers despite the transfer of the administration of scholarships to the TSLB from 2014.

In addition to the above, the Ministry's state revenue included loans amounting to \$15,843 recovered from students in 2016 whilst the scholarship administration has been transferred to the Tertiary Scholarships and Loans Board in 2014.

Despite the issue being raised in previous years audit reports, no action has been taken to address the issue.

Agency Response

The Ministry informed that the Scholarship Bond recovery balances was transferred to Ministry of Economy in July 2017 (closing of 2016-2017 financial year) & GL account was also deactivated.

Auditor-General's Recommendations

The Ministry should:

- liaise with the Ministry of Economy to transfer the scholarship bond recovery balances from its general ledger to TSLB; and
- update TSLB on the loan recovered through its direct bank deposits.

1.5 Diversion of Funds without Proper Approvals

Audit Findings

The audit noted that the Ministry spent \$24,882 for the purchase of new office equipment and the remaining balance of \$12,794 was used to pay for NEC employee wages for which prior approval of Ministry of Economy was not obtained.

Agency Response

The Committee noted that the funds were used to purchase new office equipment for the NEC volunteers.

The Ministry further informed that this issue will be addressed by its Financial Manual Part 2.1.10. The Ministry highlighted that the Ministry's Financial Manual will address the above anomalies. This includes capacity building and Good governance training for officials including training for the Accounts officials.

Auditor-General's Recommendations

The Ministry should ensure that:

- funds are utilised for the purpose it has been approved for; and
- disciplinary action is taken against responsible officers for any future non-compliance.

SECTION 6

MINISTRY OF DEFENCE AND NATIONAL SECURITY

Roles and Responsibilities

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

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

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

PART A: FINANCIAL STATEMENTS

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Defence and National Security resulted in the issuance of a qualified audit opinion. The qualification was due to the following:

- There was an unreconciled variance of \$94,196.80 between the receipts generated by Integrated Border Control Management System (IBMS) and manual receipts issued and the amount posted in the General Ledger (FMIS).

PART B: AUDIT FINDINGS

1.2 Accounting for Security License Fees

Audit Findings

The audit noted that all revenue receipts were posted to the Security License Fees allocation irrespective of their nature. As a result, there was a variance of \$21,410 between revenue reflected in the Ministry's 2016 Agency Financial Statements and the general ledger.

Agency Response

The Ministry informed that it shall ensure that all revenue received and receipted by it are receipted in the proper allocation and demarcated funds for Security License Fees. Similarly, the Ministry is working to rectify any revenue received and receipted posted to its Operational Expenses Allocation where the funds were sourced from.

Auditor-General's Recommendations

The Department should:

- ensure that revenue is posted to correct allocation; and
- liaise with Ministry of Economy to create specific revenue allocations for other revenue collected by the Department.

1.3 Provisional Tax Not Withheld

Audit Findings

The audit noted that provisional tax was not deducted and remitted to Fiji Revenue & Customs Service from the consultancy fees paid to the consultant who was engaged to prepare the National Security Strategy and draft papers for the National Security Council.

Agency Response

The Committee noted that this was an oversight on the Ministry's part. Since this was the first time an appointment and payment of a consultant was processed by the Accounts Section and was not aware of the requirement to deduct provisional tax apart from the normal contra payments of FNPF and PAYE.

When the issue was highlighted by Auditor General's Office, the officials of the Ministry clarified the issue with MOE and indicated that the provisional tax is applicable in this case in point. The Ministry informed that it tried to personally approach the Officer for recovery of the required tax but has since passed on.

The Ministry further informed that in order to improve its processes, it has adopted the following:

- 5% Provisional Tax is included in the contents of the offer letter of the consultant for his or her engagement with the Ministry.
- Accounts Officer will ensure that Provisional Tax is deducted for any commission payment or payment made under a contract of services rendered to the Ministry.

The Ministry further confirmed that it has been deducting the 5% Provisional Tax for similar payments such as sitting allowance for the two Board members of the Security Board Industry – Mr Praveen Chand and Mr Vilikesa Raqio.

Auditor-General's Recommendation

The Ministry should ensure that provisional tax is deducted from any commission payment or payments made under a contract for services.

SECTION 7 Ministry of Employment, Productivity and Industrial Relations

Role and Responsibilities

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

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

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

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts for the Ministry of Employment, Productivity & Industrial Relations resulted in the issuance of a qualified audit opinion. The qualification issue related to the Drawings Account balance of \$206,037 which include stale cheques totaling \$97,416 which were not journalized at financial year end. As a result, the Drawings Account balance and expenditure of the Ministry was overstated by \$97,416.

PART B: AUDIT FINDINGS

1.2 Excessive Annual Leave

Audit Findings

Audit noted that leave compensation totalling \$32,579.67 was paid to some staffs in the financial year upon their resignation or retirement from service.

Audit also noted from the annual leave records of the Ministry that some officers have accumulated leave balance in excess of 10 working days.

Agency Response

Due to the technical positions of the 3 retired staffs of the Ministry i.e. - Mr Epeli Narisia was the only qualified Occupational Health and Safety (OHS) staff doing Non Destructive Testing (Metal X-Rays) in the major heavy metal construction sites, Mr Viliame Cagilaba is a former Senior Engineer who worked in the Occupational Health and Safety (OHS) Unit and also the former Director of the National Employment Centre (NEC) and Mr Isimeli Tuivaga who retired as Deputy Secretary OHS in 2015.

With regard to the payment of excessive leave in respect of the officers highlighted in the Report, this is facilitated in line with Section 30 (1) of the Employment Relations Act (ERA) 2007 where it states “Upon termination of a contract of service, the employer must pay to the worker all wages and benefits due to the worker by the end of the following working day”.

Furthermore, the technical positions of the above officers in terms of capacity building is lacking within the Ministry as training for these technical positions are offered overseas and are usually in phases in order to be a fully qualified licensed operator.

The retired qualified OHS staff doing non-destructive testing (Metal X-Rays), who was re-engaged twice is now working as an independent consultant providing this service to the Ministry as this is one of its core services.

The last audit conducted by the Ministry of Economy (IAGG) was in 2017 to review the Workmen's Compensation Trust Account.

The Committee noted that the Ministry had undergone a reform 2 decades ago where there were 7 phases of the reform carried out in order for each unit of the Ministry to be ISO Certified.

Committee Comment

The committee noted the explanation given by the Ministry however, it recommends that due to the technical positions and nature of work carried out by Officers above, it must ensure that there is a succession plan in place to avoid out-sourcing costing or have the position filled as soon as possible.

Auditor-General's Recommendation

The Ministry should ensure that annual leave of staffs are rostered and staffs encouraged to take leave when due.

1.3 Over Expenditure

Audit Findings

Audit of payments revealed the following instances which indicate over expenditure of the Ministry:

- The Ministry made payments totalling \$44,901.75 for some expenditure which related to financial year ending 31 July 2017. These payments were made towards the end of the financial year 2016 and were based on an estimate.
- The Ministry also paid a sum of \$16,039.84 for overdue electricity account of the Ministry of Civil Service which is yet to be reimbursed.

Agency Response

The Ministry had further clarified with the Ministry of Economy and was advised to stop the practice of advance payment of bills at the end of the financial year. The committee has noted that at the end of the 2017 financial year, this practice has stopped.

As for the payment made on behalf of the Ministry of Civil Service for their overdue electricity bill, there is an existing shared-service arrangement between the Ministry and the Ministry of Civil Service in terms of Corporate and Finance Support Services and the promotion of ISO standards as a guiding tool.

The committee was advised that advance payments for such nature (utilising budgetary savings before the financial year closes) can only be done for overseas procurement.

Auditor-General's Recommendations

The Ministry should:

- ensure that the practice of advance payments to utilize budgetary savings is ceased immediately; and
- follow up with Ministry of Civil Service for the re-imbursement.

1.4 Anomalies in engagement of ISO Auditor

Audit Findings

The Ministry contracted “Independent European Certificate (ASIA) Sdn. Bh” located in Malaysia to carry out audit of Ministry’s SOPs in view of aligning it to ISO 9001 certification.

Audit review revealed the following anomalies in the above engagement:

- Documentary Evidence was not provided to audit for ascertaining the selection process of the consultant;
- There was no evidence to indicate that the agreement with the consulting company was vetted by the Solicitor-General’s Office;
- Payment of \$37,560.89 was made through cheque dated 20/05/2016 for balance of 50% of the Compliance audit and auditor’s travelling expenses was not properly supported;
- The total payment made by the Ministry to the above contractor was \$248,863.36.

Agency Response

The Malaysian based ISO Auditors were first engaged with the Ministry in 2013 as Trainers under the Asian Productivity Organisation. The former Permanent Secretary, during his term as the Chairperson of the Asian Productivity Organisation (APO), made the initial negotiation with APO for the ISO Auditors to come to Fiji and conduct the initial ISO Training in 2013.

After the initial training in 2013, the Ministry’s strategic intent was to engage external Auditors to audit the internally developed systems and processes. The committee was informed that there was no tendering process undertaken for this consultancy work but through an Expression of Interest which was published locally.

The Ministry further informed that it has a total of 9 Strategic Business Units (SBU’s). In July 2017, seven SBUs had been certified to ISO 9001:2008. The target in the new financial year is to get the remaining two SBU’s and the whole Ministry to be ISO 9001:2015 certified given the Ministry’s strategic intent to provide a transparent, accountable and good governance system to deliver its services to the public.

Auditor-General's Recommendations

The Ministry should ensure:

- contracts are vetted by the Solicitor General's Office prior to engagement; and
- payments made are properly supported.

1.5 Misallocation of Expenditure

Audit Findings

Audit review of a sample of payments revealed instances where payments were incorrectly allocated in the general ledger.

Incorrect allocation of payments resulted in misstatement of Training-OHS Promotion account allocation and OHS Board Allowances account allocations at financial year end.

Agency Response

A requisition form has been designed where the Director Corporate Services to oversee and directly monitor the work of the Senior Accountant. The new 'requisition form' will include the endorsement by the Director Corporate Services before the Permanent Secretary gives approval.

The Ministry will abide by the recommendation of the Auditor that expenditure is to be recorded in the correct journal ledger.

The Committee noted that training needs for National Occupational Health and Safety Officers are endorsed by the NOHS Board at the beginning of the financial year to avoid such incident happening again in future.

The Committee was further informed of the Labour Management Consultation Committee (LMCC) which is an internal committee that focuses and discuss on the promotion of quality, productivity and ISO Standards as stipulated under the Employment Relations Promulgation Act.

Auditor-General's Recommendation

The Ministry should ensure that expenditures are recorded in the correct general ledger allocation.

1.6 Stale Cheques not journalised for Drawings Account

Audit Findings

Audit noted that stale cheques amounting to \$97,415.59 existed in the unpresented cheque listing of the Drawings Account as at 31 July 2016.

Agency Response

There was a cabinet decision in 2015 for a payout to Veterans and their beneficiaries who went to Christmas Island between 1952 – 1957 for an operation called 'GRAPPLE' which was budgeted for.

The committee noted that this was in relation to the Christmas Island Veterans and this exercise was a one-off payment and was only budgeted for in 2015. As this was a joint exercise between the Ministry and the Ministry of Defence and National Security, the committee was informed that all stale cheques have now been cleared and paid to all the beneficiaries.

Auditor-General's Recommendation

The Ministry should ensure that bank reconciliations properly reviewed and adjustments made where necessary.

1.7 Anomalies noted in the Main Trust Account

Audit Findings

Audit review of the Main Trust Accounts revealed the following anomalies:

- Credit Balance totalling \$30,921 as at 31/07/2016 which have been brought forward from previous years could not be substantiated.
- A variance of \$920.68 was noted between the bank reconciliation and cash book reconciliation for the combined trust funds accounts.

Agency Response

The Ministry informed that it has further validated and reconciled the credit balances with supporting documents in the two Trust Accounts (Workmen's Compensation and Wages Disputes) resulting in the variances decreasing from \$30,921.00 in 2016 to \$16,524.06 in March, 2018.

For the above 2 trust accounts, the Ministry has now adopted the Electronic Fund Transfer method (EFT), where the money due to workers is paid directly to their accounts. The previous practice that incurred anomalies was when the Ministry used to pay by cheques.

The current challenge for the Ministry is to find these other workers and pay them in order to reduce to zero these anomalies.

In relation to the combined trust fund account variances of \$920.68 for the month of July, the Committee was informed that it was rectified in August 2016 and that the variance has decreased to \$88.63.

Auditor-General's Recommendations

The Ministry should:

- make concerted efforts to substantiate the credit balance; and
- ensure that variance of \$920.68 is investigated and rectified.

SECTION 8

Ministry of Foreign Affairs

Roles and Responsibilities

Since adopting its “Look North Policy”, Fiji has become more confident in the conduct of its foreign policy. Fiji has forged new relations with countries on all corners of the globe – in the Middle East, Latin America, Europe, Africa and Asia – and has assumed a greater voice in international forums, such as the United Nations, where it has been a strong advocate for other small island nations on issues like climate change.

Fiji’s commitment to the independent conduct of its foreign policy has enabled it to determine its own destiny. Fiji intends to be a friend to all and enemy to none. At the same time, Fiji is committed to working closely with the international community to bring about peace, justice, dignity and respect for all the world’s peoples.

Fiji is equally determined to continue to strengthen its leadership role in the region, working with its neighbours to resolve the great challenges Pacific island countries face to develop their economies and improve the lives of their peoples.

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

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

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

In 2015, Government hosted the ACP/EU Joint Parliamentary Assembly held in June and the PIDF Summit which was attended by the Deputy PM Thailand held in August.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Foreign Affairs resulted in the issuance of an unqualified audit report.

PART B: AUDIT FINDINGS

1.2 Unreconciled Variance in Overseas Mission Bank Reconciliation

Audit Findings

The cash held in overseas missions' bank accounts totalled \$7,918,927.29. However, an unreconciled variance of \$2,450,487.71 was noted between the FMIS general ledger balance \$7,508,292.42 and the bank reconciliation of \$5,057,804.71.

The audit also noted that Fiji Consulate General Sydney was closed and transferred to Ministry of Industry, Trade & Tourism during the month of April 2016. However, balance of \$919,008.76 was still appearing under the Ministry's head in the FMIS general ledger.

Agency Response

The Ministry is currently undertaking new measures in the Missions acquittal postings as well as format of Mission's Cash Account [Seg51] reconciliations whereby transactions are individually reflected in appropriate accounts and gain and loss are accounted monthly.

The unreconciled variance is the accumulated revenue over the years from the various Fiji Missions abroad.

The Ministry is working towards finalising the Strategic Workforce Plan whereby staff from HQ will be deployed to various Missions as Diplomats to handle Mission's accounts.

New method of posting has been adopted by the Ministry in mid- 2016 whereby all Missions will have a separate GL Account to make reconciliation easier.

Also, there is ongoing discussion with Ministry of Economy and ITC on extending of the Financial Management Information System (FMIS) into the Mission – as a way forward to effectively address these variances.

Ministry of Economy Response

Ministry of Economy is reviewing FMIS and plans are underway to implement a new system which can be used world-wide.

Auditor-General's Recommendations

The Ministry should ensure that:

- overseas missions bank balance is reconciled with the FMIS general ledger bank balance on a monthly basis and any foreign exchange gains or losses are adjusted immediately; and
- balance of accounts at Fiji Consulate General Sydney are transferred to the Ministry of Industry, Trade & Tourism in consultation with the Ministry of Economy.

1.3 Revenues Collected by Overseas Missions

Audit Findings

The revenue collected by the Missions is deposited into their respective overseas bank accounts and is deducted from the monthly remittances made to the Missions by the Ministry of Foreign Affairs. However, the

audit noted that the Ministry of Foreign Affairs does not remit this revenue (actual cash) to the relevant Ministries/Departments.

Further review of the revenues collected by the overseas Missions revealed the following anomalies:

- When monthly acquittal files from the overseas Mission are received, the Ministry calculates the revenue collected by all the Missions for the month and credits the respective government department's revenue allocation without any actual cash being remitted to the respective Ministries/Departments.

The revenue collected is held in the Missions overseas bank accounts and recorded in the Overseas Cash (SAG 51) allocation. Hence, the cash was available to the Missions to meet their operational expenses.

- The overseas Missions charged administrative fees in addition to the prescribed fees and charges for the services provided. The administrative fees charged were not approved by Ministry of Economy.

The administrative fees collected by the overseas Missions were posted into the Operating Trust account instead of a revenue account. However, the Ministry following the audit query raised for the financial period ended 2015 on the current treatment, journalized all the postings from 01/01/16 to 31/07/16 to the miscellaneous revenue allocation.

In addition, the Operating Trust account only had book entries and no actual cash was held by the Ministry.

Agency Response

The Ministry informed that the method of posting that it is currently using reflects other Agencies revenue collected from the Missions into their respective Revenue account.

The Committee noted OAG's recommendation for the Ministry to formalize the administrative fees to be charged by the Missions to facilitate the request or applications for government services. In responding to the recommendation, the Ministry informed that the approval that it is using was made in 2003 for Missions to charge admin fees for conducting consular services. The Ministry is having discussions with MoE on the need to review this.

Auditor-General's Recommendations

The Ministry should:

- ensure that all revenues collected on behalf of other ministries/department by the overseas missions are deducted from their remittances and remitted to the respective Ministries/Departments;
- formalize the administrative fees to be charged by the Missions to facilitate the request or applications for government services; and
- ensure all the funds collected from the administrative fees are deducted from the overseas mission remittance, deposited into the Consolidated Fund Account and posted to the Ministry's revenue allocation accordingly.

1.4 Significant Amount of unretired Accountable Advance

Audit Findings

Audit review of the Revolving Fund Accounts records revealed the following anomalies:

- The Ministry had an outstanding Accountable Advance of \$99,457.12 as at 31/07/16. It was noted that some of the advances have outstanding from previous years.
- Out of the \$76,315.04 of Accountable Advance payments reviewed during audit, a total of \$41,858.28 or 55% of the advances paid was neither recorded in the Advance Register nor retired.
- The audit also noted that the Ministry continued to issue additional Accountable Advance to officers even though previous advances were not cleared. The Ministry also did not take any action to recover the outstanding advances.
- Negative accountable advance balances amounting \$2,405.33 were noted in the reconciliations contrary to the nature of the account.
- Accountable advances with “misposting” description were noted in the RFA reconciliation which was carried over from prior years. However, the Ministry did not take corrective action to clear them from RFA accounts.

Agency Response

From the \$41,858.58 of accountable advance not retired in 2016, the Ministry was able to recover a significant amount through surcharge of officers as disciplinary action and also, the Balance of \$18,000 is yet to be recovered.

An exercise was undertaken internally to clear all outstanding accountable advances for 2016 including recovery via salary deductions and cash payment from former staff of the Ministry. This follows on from the memo forwarded to Officers.

Strict monitoring of accountable advances with a clear SOP is in place to guide the Finance Division Staff in its internal monitoring.

Auditor-General's Recommendations

The Ministry should:

- make direct deduction of salaries to recover all outstanding Accountable Advances; and
 - review the administration of accountable advances and consider taking disciplinary action against responsible officers for failing to recover the advances on a timely basis.

1.5 Variance in the Ministry's Reconciliation and FMIS Balance

Audit Findings

A variance of \$1,801,080.94 was noted between the Ministry's reconciliation balance and the FMIS general ledger balance as at 31/07/16.

Agency Response

The Ministry informed that this issue has been addressed with OAG resulting in its clearance following the exit meeting.

Auditor-General's Recommendations

- The Ministry should investigate and rectify the variances noted between its reconciliation statements and the FMIS General Ledger; and
- The Ministry should ensure that proper monthly reconciliations are prepared and errors and omissions are promptly detected and rectified.

1.6 Anomalies noted for overseas travel

Audit Findings

Audit review of overseas travel made by the Honourable Minister revealed unauthorised claim of per-diem allowance and overpayment of per-diem/daily allowances on a number of instances.

Although, similar concern was raised by audit in the previous audit reports, as at the date of audit¹⁴ no documentary evidence was provided by the Ministry to justify the overpayments of allowance made to the Minister in 2015 totalling \$39,451.89.

Furthermore, the Ministry was unable to provide the Cabinet approval for travels made by the Minister detailed in Table 1.6.

Table 1.6: Cabinet approval not provided for travels made

Payee	Cheque Number	Allowance Paid (\$)	Anomalies
Minister	33695 dated 07/03/16	2,241.79	Minister travelled to Bali, Indonesia from 21/03/16 to 25/03/16 to attend the Bali Process Ministerial Conference. However, audit was not able to substantiate this release since Cabinet Approval was not provided for audit purposes.
Minister	33329 dated 28/10/15	2,251.91	The Minister was paid per diem of \$2,251.91 for official travel to Niue from the 03/11/15 to 08/11/15 to attend the SPC Conference & Meeting. However, audit was not provided with the Cabinet approval for this trip.
Minister	33284 dated 13/10/15	5,605.58	The Minister travelled to Port Vila Vanuatu to attend the MSG Foreign Affairs Ministers Meeting from 13/10/15 to the 14/10/15. However, Cabinet approval was not provided to audit.

Agency Response

A template is now introduced for HOM to complete prior to trips taken detailing itinerary details, cost, rate used, personnel involved, and timeframe. This new template enables Headquarters to closely monitor and control any anomalies associated with travel, particularly in the Mission.

Auditor-General's Recommendations

The Ministry should:

- ensure per diem allowance is paid to the Minister in accordance with the Cabinet approval; and
- investigate the recurring anomalies highlighted.

1.7 Officers not bonded for overseas training

Audit Findings

Audit review of various trainings attended by the Ministry staff revealed that the Ministry did not bond officers who attended local/overseas training costing above \$2,000.

Agency Response

The Ministry now has a Training and Bonding Policy together with a Strategic Workforce Plan in place now to provide proper guidance and monitoring mechanism.

Auditor-General's Recommendation

The Ministry should ensure that all staffs attending trainings above \$2,000 are bonded in accordance with PSC bonding policy. Alternatively, the Ministry can develop its own bonding policy.

1.8 Capital Purchase Expenditure Allocation Understated

Audit Findings

The Brussels and Abu Dhabi Mission acquired a vehicle each during the year at a cost of \$161,824.48 and \$214,682.22, respectively.

Audit review of the capital purchase general ledger allocation revealed that the above payments were not fully posted into the FMIS general ledger, therefore the capital purchase expenditure was understated by \$237,977.

Agency Response

The Ministry's Finance Division has taken an initiative to closely monitor Capital Expenditure transactions particularly in adhering to all the requirements by MOE as stipulated in its Checklist - tender approvals, quotations and waiver approval if applicable.

Auditor-General's Recommendations

The Ministry should ensure that:

- expenditure incurred are within the budgeted amount; and
- necessary checks are carried out to ensure that expenditure incurred is correctly recorded and posted in the respective general ledger expenditure account on a timely manner.

1.9 Anomalies noted in Foreign Affairs Monthly acquittal reports

Audit Findings

Audit review revealed the following anomalies:

- A total of \$18,219,676 was incurred in mission expenditures as at 31 July 2016. There was no evidence to indicate that the mission acquittals were being reviewed and checked by the Senior Accounts Officer (Missions) to ensure accuracy and completeness of mission expenditures posted into FMIS.
- In addition, the monthly expenditures from the acquittals reports are summarised according to the nature of expenditure incurred using MS Excel worksheet converted in Fiji Dollars and posted in the general ledger. The spread sheet was not checked/authorised by the Principal Accounts Officer before recording in the general ledger.
- On a number of instances, mission expenditure was not posted on a monthly or transaction basis. Instead, bulk posting was done.
- The following overseas missions did not submit their monthly acquittals to the Ministry for verification. Instead, MS Excel worksheets were provided. Refer to Table 1.9 for details.

Table 1.9: Details of Acquittals not received from the Overseas Mission

Mission	Months
Beijing	January to July 2016
Addis Ababa	February to July 2016

- A variance of \$620,099 was noted between the actual expenditure incurred as rental expenses for the occupancy of premises by Missions/diplomats and the amount that was posted in the FMIS rental expenditure allocations. No explanations were provided by the Ministry for the variance.

Agency Response

A Feedback Report has now been introduced by the Ministry's Finance Division of the Ministry. This report captures full assessment of Mission's acquittals/transactions and highlights anomalies (if any). The Feedback Report is sent out to Head of Missions for their explanation on queries raised or any anomaly noted from the assessment of their Missions acquittals.

The Ministry is committed to conducting postings on a monthly basis into the GL. This has been regularly highlighted to all stakeholders – HQ and Missions.

Auditor-General's Recommendations

The Ministry should ensure that:

- the Senior Accounts Officer-Missions and the Principal Accounts Officer perform regular reviews on Foreign Mission acquittals before these are posted into the general Ledger;
- Mission expenditures are posted on a monthly and transaction level basis;
- all acquittal reports are received and vetted for accuracy on a timely manner; and
- investigate the variance noted and implement corrective measures.

1.10 Absence of Supporting Documents to verify payment of Post Allowances

Audit Findings

Audit review of several personal files for diplomats engaged in Foreign Missions revealed that records such as marriage and birth certificates were missing from their files.

Although similar concerns were raised in previous years' audit reports, no improvement has been noted. In absence of above supporting documents, the audit was not able to verify the accuracy of post allowances paid to the diplomats concerned.

Agency Response

The Ministry's Corporate Service Division has introduced new system of communications, updated filing system together with new staffing recruited to uplift standard of the registry Section.

The Ministry's 2018-2019 budget Submission to the Ministry of Economy includes a request for a new Database System that captures soft copy filing system and achieving.

Auditor-General's Recommendation

The Ministry should ensure that the personal files of the diplomats are updated with the necessary supporting documents pertaining to payment of post allowances.

1.11 Inconsistent Rates to Calculate Travel Allowances

Audit Findings

Audit review of travel allowances paid to the diplomats on official travel to Fiji revealed varying rate of per diem allowance claimed.

Agency Response

For any travel by Officers based in HQ, the per diem rate is obtained from MoE – which is the UN per diem Rate. However, as for Missions, the Ministry's advice to them is to use the same UN Per diem rate for any payment on travel per diems.

A template is now introduced for HOM to complete prior to trips taken detailing itinerary details, cost, rate used, personnel involved, and timeframe. This new template enables Headquarters to closely monitor and control any anomalies associated with travel, particularly in the Mission.

Auditor-General's Recommendations

- The Ministry should develop a standardized policy on the payment of travel allowance for the diplomats on their official travel to Fiji;
- The Ministry should also consider paying the subsistence allowance at a reasonable rate to those diplomats opting to stay in their official residence and for those diplomats opting to stay in the hotels while in Fiji should retire their travel allowance; and
- Supervisory controls and checks at the Missions and Headquarters should be strengthened to avoid such discrepancies from incurring in future.

SECTION 11

Judiciary

Role and Responsibilities

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

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Judiciary Department resulted in the issuance of a qualified audit opinion. The qualification issue relates to a variance of \$501,308 which existed between the Judiciary Trust Fund Cash at bank balance of \$25,779,288 in the FMIS general ledger which includes Suitors, Maintenance and Sundries Trust accounts and the Judicial Trust Fund Bank Reconciliation balance of \$25,277,980 as at 31 July 2016. In addition, the Trust Fund reconciliation for Suitors, Maintenance and Sundries Trust accounts have not been updated since May 1992.

PART B: AUDIT FINDINGS

1.2 Unsubstantiated Variance in Main Trust Fund Account

Audit Findings

Audit review of Main Trust Fund Account revealed the following anomalies:

- A variance of \$501,308 existed between general ledger balance and bank reconciliation of the Main Trust Fund Account.
- There is unreconciled variance of \$618,546 between the Main Trust fund cashbook reconciliation and bank statement balance for these accounts as at 31 July 2016.
- A variance of \$13,548 was also noted between the Trust Fund Account balance (SLG 89) and the Cash at bank balance (SAG 52) in the FMIS general ledger as at 31 July 2016.

Agency Response

On the variance of \$618,546, out of this amount, \$92,688.20 was unrepresented cheques which have now been presented. The extra credit of \$29,774.35 has been paid out. These are monies directly deposited in the banks by companies and later paid out to claimants. Out of the extra debit of \$3096.00, \$2605.50 has been cleared. \$490.50 – the query has been sent to bank to clarify.

However, the Department is working closely with the Ministry of Economy to reconcile the public funds of \$784,441.86 as these amounts have been directly deposited in the Consolidated Fund Account.

The Department informed that it has written to the bank for the details of the lodgments and bank statements. Since this is an old issue, it is taking the bank long to provide the information as requested despite many follow ups and the Committee was advised that the Department is considering taking legal action.

Furthermore, the Department is working with MOE to determine the reason for the variance between SAG 52 and SAG 89.

Auditor-General's Recommendation

The Department should ensure that trust fund account bank statement balance, trust fund cash at bank balance in FMIS general ledger and trust fund account balance in FMIS general ledger is reconciled on a monthly basis and any errors or omissions noted are investigated and resolved promptly.

1.3 Main Trust Reconciliation and Listing not up to date

Audit Findings

The audit noted that the trust reconciliations have not been prepared since May 1992. Thus the balances owed by the Department and the detailed breakdown for these balances could not be substantiated.

It is apparent that the Department is 24 years behind in its reconciliations and this has been raised in previous audits. According to the Department they are facing resource constraints in going back through old records and documents.

Agency Response

The Department informed that the reconciliation for maintenance is updated till 31st December, 1994, the sundries reconciliation is till 1st January, 2000 and for suitors:

- Suva suitors – until 30th August, 2014;
- Lautoka suitors until 31st December, 2007; and
- Labasa suitors until 30th August, 2009.

The Department has started with the current reconciliation of maintenance and sundries i.e. from January 2016 and has completed the reconciliation till 30th June 2016. It intends to finish 2016 and 2017 Reconciliation this year and then start with 2018. Since the reconciliation is quite behind the current workforce of seven (7) staff are unable to update the reconciliation.

To provide assistance, the Department is in the process of recruiting seven (7) TRCOs on Project posts to carry out the reconciliation from January 1995. This will speed up the reconciliation. Due to shortage of space, the Department is unable to recruit staff on a full time basis.

There are 26 allocations for which reconciliation has to be done and is time consuming to do all the data entry in the system. As such, the Department is trying to determine the availability of a software for automatic reconciliation which will help fasten the reconciliation.

Auditor-General's Recommendation

The Department should consider employing additional resources to update the trust account reconciliations.

1.4 Significant Arrears of Revenue

Audit Findings

Audit review of arrears of revenue revealed following anomalies:

- Arrears of revenue reconciliation was not prepared as at 31/7/16 for submission to the Ministry of Economy and Auditor General's Office.
- Arrears of revenue increased by \$245,297 or 2% as at 30/06/16 compared to 2015. Despite the efforts made by the Department to reduce the arrears of revenue, a significant balance of \$13,461,155 in arrears of revenue still exists as at 30/6/16.

The audit also noted that the arrears of revenue between 1 to 2 years and 2 to 5 years had increased by \$15,499 (2%) and \$284,966 (28%), respectively as at 30/6/16 while arrears of revenue for more than 5 years amounted to \$9,901,397.

There is also a high risk that some of the debts may not be recoverable due to reasons such as deaths, unemployment and migration of debtors. However, the Department has not carried out any analysis on the debts which are over 5 years old to assess its recoverability.

Agency Response

The Department informed that it is yet to receive the budget allocation for additional staff to be employed in the Fine Enforcement Unit.

In the meantime, the Department is working with the Police Department to increase the number of execution runs such as having a full time transport allocated by the Police to do day time executions during the week whilst the Department provides the transport for the evening executions. On Fridays, the Police Department provides two vehicles to do day time executions to decrease the outstanding arrears of revenue.

In addition, the Department is collating the arrears of revenue information with the intention of carrying out an analysis to make a submission for write off of Arrears of Revenue which are over 5 years and which may not be recoverable.

Auditor-General's Recommendations

The Department should:

- consider employing additional officers in the Fine Enforcement Unit if delays are being caused by lack of human resources;
- carry out a comprehensive review of arrears of revenue especially arrears over 5 years in view of establishing arrears which may not be recoverable; and
- ensure that the Arrears of Revenue report prepared for the Agency Financial Statement is as at the balance date.

1.5 Capital Expenditure

Audit Findings

Audit review of Department's 2016 Appropriation Statement revealed that the Department only utilized \$645,931 for capital expenditure from the \$11,200,000 allocated.

Agency Response

The Committee was informed that due to the changes with the Government Architect and his team, the capital projects were not implemented in a timely manner.

Since CIU of MOE has now taken over the handling of most of the Capital projects, the Department anticipates more projects to be implemented as per the allocated funds.

The Committee was informed of the some of the Department's projects implemented in the 2016/2017 financial year with respect to major works completed, consultancy work, and minor upgrade works completed.

Auditor-General's Recommendation

The Department should properly plan and implement its capital projects in future.

SECTION 13

Independent Commissions Grant

Roles and Responsibilities

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

A sum of \$15.9 million is provided to fund the operations of the five Independent Commissions: the Human Rights and Anti-Discrimination Commission, the Accountability and Transparency Commission, the Freedom of Information Commission, Public Service Commission and the Fiji Independent Commission Against Corruption.

PART A: FINANCIAL STATEMENTS

1.1 Audit Opinion

The audit of the 2016 accounts for grants paid to the five Independent Commissions were conducted separately in conjunction with the line Ministry/Department responsible for administering the funds allocated under Head 13 of the budget estimates.

PART B: AUDIT FINDINGS

1.2 Backlog Audited Financial Statement

Audit Findings

The audit noted that the last audit of the accounts of the Fiji Human Rights Commission was carried out in year 2008 for the 2007 accounts. The Fiji Human Rights Commission has not been audited since 2008 even though quarterly reports have been provided to Attorney- General Office for the release of grants in 2016.

Agency Response to the Auditor-General

Way Forward

In order to comply with the national legislations on financial accountability, the Commission will appoint a qualified auditor on project term who will undertake the responsibility of preparing the financials and submission to the Office of the Auditor General. The appointment will be made by June 2017. The timelines are as follows:

Year	Targets
2008 financials	30 November 2017 – submit to Board 15 December 2017 – submit to OAG
2009 financials	08 June 2018 – submit to Board 29 June 2018 – submit to OAG
2010 financials	30 November 2018 – submit to Board 21 December 2018 – submit to OAG

2011 financials	12 April 2019 – submit to Board 26 April 2019 – submit to OAG
2012 financials	09 August 2019 – submit to Board 30 August 2019 – submit to OAG
2013 financials	06 December 2019 – submit to Board 20 December 2019 – submit to OAG
2014 financials	10 April 2020 – submit to Board 01 May 2020 – submit to OAG
2015 financials	07 August 2020 – submit to Board 28 August 2020 – submit to OAG
2016 financials	04 December 2020 – submit to the Board 22 December 2020 – submit to OAG

Agency Response to the Committee

Following the Human Rights and Anti-Discrimination Commission's appearance and above response to the Public Accounts Committee on 28 March 2017, it subsequently met with the Auditor General and his team on 1 June 2017 and it was collectively agreed that in order to expedite the process of clearing its back-logs retrospectively, the Commission will outsource this activity to an independent accounting firm.

Quotations for the preparation of Commission's financials were sought from Price Waterhouse Coopers (PWC), BDO, KPMG, and Ernst & Young. While two accounting firms furnished the Commission with service quotations, other firms did not. On 5 March 2018, the Commission through its Board, approved to contract Ernst & Young to prepare its financials. A contract was drawn and is in effect. The summarized scope of work by Ernst & Young is as follows:

- Prepare the financial statements of HRADC for the years ended 30 June 2008 to 30 June 2016 in accordance with International Financial Reporting Standard (IFRS) for Small and Medium-sized Entities.

Ernst & Young has further indicated that the financial statements will be prepared within three months from 20 March 2018.

Furthermore, in its efforts towards ensuring the Commission has robust systems and processes in place enabling timely audit of the Commission's finances, the Commission has formulated a Financial Manual. The draft manual has been viewed by an Officer from the OAG and is currently being vetted by the Commission Board following which the Commission will seek an independent opinion on the provisions of the Finance Manual from an independent accounting firm to ensure compliance with the minimum standards stipulated under IFRS.

Implementation of the Finance Manual coupled with the introduction and implementation of an accounting software which meets the requirements of IFRS will ensure timely generation of reports for audit purposes.

Auditor-General's Recommendation

The Fiji Human Rights Commission accounts should be prepared and audited within two months at the end of each financial year in accordance with clause 7.3 of the Grant Agreement.

1.2 Expenditure Classification

Audit Findings

The Public Service Commission was allocated \$5,502,530 under Head 13 Independent Commission 2016 budget. The total budget allocated was recorded under SEG 6 – Operating Grants and Transfers and the actual expenditure incurred as at 31 July 2016 was \$2,193,373.

Moreover, total expenditure of \$398,656 was also incurred under SEG 1 of Head 13 without an approved budget.

The Ministry of Civil Service administered the allocation for Public Service Commission Budget Head 13 and it was used to cater for payment of salaries, allowances and other related payments for all Permanent Secretaries in the civil service. No grant was paid from the allocation.

Agency Response

The Ministry of Civil Service informed that purchase requisitions now have a field to be completed by the requesting Officer for the account code (expense account) to debit.

Auditor-General's Recommendation

The operating expenditure allocation in Head 13 Public Service Commission should be classified appropriately to relevant Special Expenditure Groups (SEG).

SECTION 15

Ministry of Justice

Roles and Responsibilities

Department of Justice

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

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts for the Ministry of Justice resulted in the issuance of a qualified audit opinion. The qualifications were as follows:

- The Trust Fund Account was first reflected in the FMIS general ledger in 2016. Included in the Official Receiver Liquidation Trust and the Official Receiver Bankruptcy Trust Account Statement of Receipts and Payment are opening balances of \$647,508 and \$176,520, respectively. Due to the lack of appropriate supporting documents, audit was not able to substantiate the opening balances.
- In addition to the above, the Ministry did not maintain a detailed listing of the beneficiaries of the Trust Account. Hence, the completeness of the closing balances of \$617,248 and \$219,630, respectively as reflected in the Statement of Receipts and Payments for the Official Receiver Liquidation Trust and Official Receiver Bankruptcy Trust could not be substantiated.

PART B: AUDIT FINDINGS

1.2 Improper recording of Trust Fund Account Balance in General Ledger

Audit Findings

The Ministry of Justice has recorded a credit balance of \$836,879 under the Standard Liability Group (SLG) 89 whilst the corresponding debits are reflected under their respective Standard Asset Group (SAG) 52 account. Refer to Table 15.5 for details.

Table 15.5: Official Receiver Bankruptcy and Liquidation Trust Fund Account Ledger Balances

Description	SAG 52 Allocation	Amount (\$)	SLG 89 Allocation	Amount (\$)
Liquidation Trust	9-15101-15999-520401	617,249	9-15101-15999-895061	(617,249))
Bankruptcy	9-15101-91991-520401	219,630	9-15101-91991-895062	(219,630))

The audit noted that these accounts have been reflected in the FMIS general ledger for the first time in 2016. The Ministry had been previously maintaining manual cash book, bank statements and cash at bank reconciliations only. The opening balance of \$647,508 for the Liquidation Trust and \$176,520 for the Bankruptcy Trust reflected in the Statement of Receipts and Payments could not be substantiated.

The audit also noted that the Main Trust ledger balances consisted of just one bulk posting into each of the two accounts without details of receipts and payments made available for audit review.

Furthermore, the account names of the two bank accounts in the general ledger are stated as “Generated Account” without any distinction on whether it is for the Bankruptcy or Liquidation trust account.

Agency Response

The Ministry is now maintaining proper records of both trust accounts and there is no bulk posting. All postings in General Ledger are done on a monthly basis effective from current financial year. In addition, the account name has been changed to the respective trust account.

The Ministry, in its budget consultation with the Ministry of Economy, has requested for funding of its new database system to tailor make the Official Receivers account.

Initially, the Trust Fund Account was not linked to FMIS but this has been done and the opening balance of \$647,508 for the Liquidation Trust and \$176,520 for the Bankruptcy Trust is now being rectified. The Ministry is ensuring that regular posting is done and record keeping is up to date.

Auditor-General’s Recommendations

The Ministry should:

- avoid bulk postings into the general ledger; and
- ensure that receipts and payments in the Trust Accounts are posted in the general ledger.

1.3 Absence of detailed listings of Official Receivers Trust Fund Account Balances

Audit Findings

Details of cash at bank balances for the Official Receivers Bankruptcy and Liquidation Trust Fund Accounts as at 31 July 2016 are shown in Table 15.6.

Table 15.6: Official Receiver Trust Account Balances

Description	Amount (\$)
Liquidation Trust	617,249
Bankruptcy Trust	219,630
Total	836,879

The audit noted that detailed listing of the balances for companies and individuals under provisional liquidation and receivership as at 31 July 2016 were not held. It is apparent that the Ministry has not been monitoring the balances as per Cash book against the corresponding debtors' accounts which has contributed to the problem.

Agency Response

The Ministry has started preparing the list of all debtors and creditors by checking individual files and this listing will be completed before the end of next financial year.

In addition to this, the Ministry is liaising with software developers to develop software for recording and maintaining the trust fund accounts.

Auditor-General's Recommendation

The Ministry should ensure that the records of individual debtors are updated and reconciled against the Trust Fund Account Balance.

1.4 Drawings Reconciliation

Audit Findings

The audit noted that there were a variance of \$2,111 between the Drawings Account reconciliation and the general ledger balance.

Agency Response

The variance has been cleared for the Drawings Account and there are no unreconciled variances.

Office of the Auditor-General's Response

OAG confirmed that the above issue has been resolved.

Auditor-General's Recommendations

The Ministry should:

- investigate and rectify the variances noted between its reconciliation statements and the general ledger; and
- ensure that proper and accurate monthly reconciliations are carried out.

1.5 Revolving Fund Account

Audit Findings

The audit noted the Ministry did not provide reconciliations for the following Revolving Fund Accounts as at 31 July 2016. Refer to Table 15.8 for details.

Table 15.8: Reconciliations not provided

Account No.	Account Description	Amount (\$)
1-15101-15999-570101	AR Prepaid Expenses	(47)
1-15101-15999-570304	Surcharges	(5,279)

Moreover, it was noted that the Revolving Fund Account (SAG 57 – Asset Account) had closing credit balance of \$4,661 as at 31 July 2016.

Agency Response

The Ministry has resolved this issue and is submitting monthly reconciliations.

Office of the Auditor-General's Response

OAG confirmed that this issue has been resolved.

Auditor-General's Recommendation

The Ministry should comply with the procedures relating to the preparation and submission of reconciliation statements.

SECTION 15A **Fiji Corrections Service**

Roles and Responsibilities

Fiji Corrections Services

The Fiji Corrections Service is responsible for the safety and security, the humane treatment and the provision of relevant and appropriate behavioural intervention programmes for all those committed to our custody by the Courts.

Under the framework of the Peoples' Charter for Change Peace and Progress and the Fiji Corrections Act 2006 and the 2013 Constitution, Chapter 2; Section 26, Chapter 5; Section 98, 99,100,101,102,118,119, Chapter 6; Section 130, Chapter 7 and 8 , the Department has continuously focused on enhancing the quality of custodial care, reviewing the relevancy and effectiveness of inmates' rehabilitation programmes, developing its human resources capacity and capability, promoting the effective and efficient use of resources and its active participation in the major Government reforms to modernize the service.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Fiji Corrections Service resulted in the issuance of an unqualified audit report.

PART B: AUDIT FINDINGS

1.2 Unsubstantiated Accounts Receivable

Audit Findings

Audit review of Trading & Manufacturing Account debtors revealed the following anomalies:

- A variance of \$27,700 was noted between the general ledger balance and debtors listing as at 31/07/16.
- The Department did not prepare individual debtors reconciliation showing opening balance, movements and closing balance as at 31/07/16.
- The Department did not prepare debtors ageing report as at 31/07/16.

Agency Response

The Committee was informed that debtors are cleared through Journal Entries raised by the auditors in the beginning of the following year confirming that payments have been received in the new financial year.

The Committee was further informed that FCS adheres to the debtors aging report and confirmed that all transactions are now transacted on cash basis.

No sales are made on credit and all outstanding debtors as of to date are continuously being followed-up to complete payment of all outstanding payments. Furthermore, no product purchased is released past the main gate upon producing a receipt and invoice to confirm the item and quantity paid.

Auditor-General's Recommendations

Fiji Corrections Services must ensure that:

- debtor reconciliations are prepared on a monthly basis and ageing report is prepared;
- the reported variance is investigated and rectified; and
- recovery action is instigated against long outstanding debtors.

1.3 Variances noted in TMA Cash at Bank

Audit Findings

The audit noted that as at 31 July 2016, there was a variance of \$15,859 between the Cash Book balance and the Bank Reconciliation Statement.

The audit noted also that a significant portion of the variance consists of outstanding debtors from 2015 and 2016 who have issued cheques as payment for various TMA goods which were later dishonoured by the bank.

Agency Response

The Committee noted that variances in TMA Cash at Bank have been rectified. These variances were in relation to debtors payments made but dishonoured hence not reflecting in the bank statement as credit.

The TMA journal voucher was raised to clear TMA debtors that were received in the bank statement but not adjusted in the FMIS.

With the introduction of the non-credit sales, cheques are no longer accepted as mode of payments but all purchasing has to be made in cash for individual customers and not personal cheques.

Bank reconciliation is maintained monthly and pay-ins for all cash transactions are processed daily into the FMIS and checked against the bank statements ensuring that lodgments are reflected daily.

Auditor-General's Recommendations

Fiji Corrections Services must ensure that the:

- reported variance is investigated and rectified;
- credit facilities over to customers whose cheques have been dishonoured are reviewed and discontinued if necessary; and
- necessary action is taken to recover debts arising from dishonoured cheques.

1.4 Lack of Guideline on Operation of Prisoners Trust Fund Account

Audit Findings

The audit noted the following anomalies in relation to the operation of the Prisoner's Trust Fund Account:

- The general ledger showed a balance of \$440,360.23 as at 31/07/16 for which details were not made available for audit purposes;

- Partial withdrawals were noted from Prisoners Trust Fund Account without any proper policy guidelines;
- The portion of the Prisoners Income which is to be transferred to government through the Consolidated Fund Account could not be ascertained by audit; and
- Approved Standard Operating Procedures (SOPs) were not prepared for receipt and payment of money into the Prisoners Trust Fund Account. Hence, the basis on which income is recorded in Trust Fund Account could not be determined.

Agency Response

The Committee was informed that this issue has been rectified.

FCS has been through many changes in roles and functions which it has not correlated well the guidelines and SOPs of the Prisoner's Trust Fund.

The new role for Correction from the usual containment, has seem the FCS introduce other inmate funds namely:

- Job Placement (programs such as early release, community release, weekend release, short term release)
- Sugar Cane Harvesting
- Commercial Wages
- Art Gallery
- Prisoners Cash

The Committee was further informed that the new SOP has been drafted identifying listings of inmates that are beneficiary to the funds.

Auditor-General's Recommendations

Fiji Correction Services must ensure that:

- SOPs are prepared and approved for the operation of the Prisoners Trust Fund Account; and
- the closing balance as at 31 July 2016 is substantiated with relevant supporting documents.

1.5 Expenditure recorded contrary to the Appropriation Provided

Audit Findings

The audit noted that part of expenditure incurred for water, sewerage and fire services totalling \$35,812 was recorded as "Repair & Maintenance –Land" (\$25,180) and "Electricity" (\$10,632) expenditure.

In addition, "electricity" expenditure of \$3,432 was recorded as "Water, Sewerage and Fire services" expenditure

As a result, water, sewerage and fire services expenditures in understated (\$32,379) while electricity (\$7,200) and repair and maintenance - land (\$25,180) expenditure has been overstated for the financial period ending 31 July, 2016.

Agency Response

The Committee was informed that expenditure appropriation is carefully utilised according to its purpose. The utilisation of funds was still appropriate from the FMIS perspective of Budgetary SEG allocation. The two expenditures were allocated to the same SEG 4 (Maintenance and Operation) known as the highest utilisation in the FMIS. The highest level utilisation will not affect the Income and Expenditure Statement or the drawing up of FCS Balance Sheet. The under and over statements claimed at the lowest level is insignificant to the highest level to which it still maintains the Appropriation Bills Act.

FCS further informed that it has rectified this query and kept apprised with the Appropriation Bill Act to its accounting process.

Auditor-General's Recommendation

Fiji Corrections Services should ensure that expenditures are recorded in the correct allocations.

Section 17

Ministry of Civil Service

Roles and Responsibilities

Articles (125) and (126) of the Constitution outline a devolved system of governance and authority provided to the Permanent Secretaries of Government. The Ministry of Civil Service has been created to oversee and implement necessary central guidelines in line with the Government's view of Civil Sector Reform which was undertaken to produce a more accountable, effective and professional Civil Service with the ultimate aim of providing quality service to the public.

The Ministry comprises of three main divisions: the Policy Division, responsible for the assessment of overarching government policies to ensure consistency and fairness within the Civil Sector's Human Resource policies; the Central Training Division, to coordinate central training programs that are necessary to facilitate the up-skilling of civil servants; and the Corporate Service Division, to administer the day-to-day activities of the Ministry. The Ministry has been allocated \$5.8 million.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts for the Ministry of Civil Service resulted in the issuance of a qualified audit opinion.

The qualification was that the Ministry of Civil Service under Budget Head 17 recorded Miscellaneous Revenue of \$1,002,443 for the period ended 31 July 2016. This could not be verified as the Ministry was not able to provide appropriate audit evidence to support the balances.

PART B: AUDIT FINDINGS

1.2 Challenges for establishing Ministry of Civil Service

The audit noted that a proper handing over of the records, financial accounts and assets from the de-established Public Service Commission was not done to the newly created Ministry of Civil Service or to other relevant ministries.

1.2.1 Management of Fixed Assets

Audit Findings

Audit noted that although most of the fixed assets used by the Ministry were from the former Public Service Commission (PSC), there was no evidence to indicate that these were properly handed over. A Fixed Asset Register was also not maintained to record the assets that were taken over by the Ministry.

Agency Response

The Ministry confirmed that it has a fixed assets register, managed by the Business Manager who has undergone fixed assets training with the Ministry of Economy. All fixed assets are recorded as they are received.

Auditor-General's Recommendations

- The Ministry should record all assets held in a Fixed Assets Register which should be maintained up-to-date; and
- The Ministry should formally notify Ministry of Economy on the lack of handing over and accountability of assets previously administered by the PSC so that improvements can be made going forward.

1.2.2 Lack of Documentary Records for Inherited Account Balances

Audit Findings

Audit noted that supporting documents were not maintained at the Ministry to support the operating revenue amounting to \$1,002,442.54 and the reduction in PSC Scholarship Lending Fund account balance by \$346,402.34

Agency Response

The Ministry informed that it had 'inherited' Head 17 from the former PSC, but had not inherited all of the PSC's responsibilities, which had moved through machinery of government changes to a range of agencies.

The Ministry further informed that it had been in discussions regarding reverting this revenue account to the Ministry of Economy as this related to repayment of PSC scholarships, which the Ministry of Civil Service had not been given responsibility for. The revenue collected from this related to former students that were issued with PSC scholarships for tertiary studies.

The Committee was informed that the balance has now been cleared and that this should not be an issue with the latest audited financial statements.

Auditor-General's Recommendation

The Ministry should ensure that all accounting records are safeguarded and properly maintained to ensure that all the Ministry's account balances are sufficiently supported.

1.2.3 Anomalies in Operating Trust Account

Audit Findings

Audit noted the following anomalies in the operation of the Operating Trust Fund Account:

- The balance in the account was \$667,660.28 as at 31 July 2017. Majority of the balance was made up of transactions made by the former Public Service Commission in 2015 which was not regularised.
- The Payroll Deduction PSC Bond Quarters account balance as at 31 July 2016 amounted to \$85,911.78 which was not transferred to TMA liabilities account when the administration of quarters was transferred to Ministry of Economy with effect from 1 January 2016.

- The Ministry's Operating Trust Fund account has 108 sub accounts out of which 75 sub accounts are inactive. These accounts were inherited from the former PSC.
- A variance of \$42,920.99 existed between the Ministry's reconciliation and the GL as at 31 July 2016.

Agency Response

The Ministry informed that the anomalies raised related to the former PSC responsibilities that had moved to other agencies.

The Ministry further informed that it has been working with the Ministry of Economy to get these matters cleared, inactive accounts closed and/or matters transferred, as appropriate.

The Committee was made aware that regular reconciliations are now occurring.

Auditor-General's Recommendations

The Ministry should ensure that:

- monthly reconciliations are carried out which are checked by immediate supervisors. Any variances noted should be investigate and rectified; and
- the Ministry should liaise with Ministry of Economy to regularize carried forward balances and close off inactive accounts.

1.2.4 Anomalies in maintenance of Payroll Accounts

Audit Findings

The audit of the payroll of the Ministry revealed the following anomalies:

- Salaries and wages monthly reconciliation for the financial period ending 31 July 2016 were not prepared on a timely manner.
- Payment vouchers/records for manual payments amounting to \$177,824 for salaries, advertisements and leave compensation were not provided for audit verification.
- Operating expenditure amounting \$131,505 was posted to Established Staff expenditure allocation (SEG 1). In addition, it was noted the payment vouchers were not stamped "PAID" after payment had been made.

Agency Response

The Ministry informed that payroll reconciliations are now completed in a more timely manner and are checked by both the Accounts and HR Staff.

Purchase requisitions now have a field to be completed by the requesting officer for the Account code (expense account) to debit, which will mitigate the risk of non-payroll expenditure being posted to SEG 1 and 2.

Records are retained by the Accounts team.

Auditor-General's Recommendations

The Ministry should:

- ensure that payroll reconciliations are prepared in a timely manner;
- ensure that payment vouchers and supporting documents are properly kept and maintained;
- ensure that operating/non-payroll expenditures are not posted to SEGs 1 and 2 in the general ledger and misallocations are adjusted in a timely manner; and
- ensure all payment vouchers are stamped "PAID" immediately after the payment.

SECTION 18

Ministry of Disaster Management and Meteorological Services

Role and Responsibilities

The Ministry of Rural and Maritime Development and National Disaster Management manages and coordinates Government's rural and maritime development programs. Guided by the socio-economic rights enshrined in the Fijian Constitution, the Ministry is focused on providing Fijians with the things they need to empower themselves and support their families.

The Ministry's programs are targeted at generating economic growth and improving living standards in Fiji's rural and maritime communities. This includes self-help programs and work on non-cane access roads, maritime roads and housing assistance.

The Ministry runs the Committee for the Better Utilization of Land which is tasked to help landowners put their land to productive use.

The Ministry also provides support services to rural, peri-urban and maritime communities such as registration of births, deaths, marriages, issuing licences and collecting licence and permit fees.

The Ministry is also responsible for the implementation of the National Disaster Management Strategy as required by the 1995 National Disaster Management Plan and the National Disaster Management Act 1998, covering disaster prevention, mitigation, preparedness, response, emergency operations, relief and rehabilitation. Correspondingly, the Ministry implements climate change mitigation programmes.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Rural & Maritime Development & National Disaster Management & Meteorological Services resulted in the issuance of an unqualified audit report.

PART B: AUDIT FINDINGS

1.2 Double Posting of Revenue

Audit Findings

The audit noted that the Ministry posted the revenue tolling \$32,254 twice in the general ledger by erroneously creating a journal voucher twice.

Agency Response

The Ministry has an internal audit team consisting of Accounts Staff from NDMO and the Ministry

The Ministry has ensured that the Bank Lodgement Clearance Reconciliation is prepared on a monthly basis to detect any variances and adjustments made.

The Ministry has ensured that Revenue Journal Voucher details are verified and endorsed to ensure that the correct allocation is posted.

The Ministry is maintaining a Revenue Journal Voucher Register to record all revenue postings.

Auditor-General's Recommendation

The Ministry should ensure that the ledger balances are reconciled to the general ledger reports in a timely manner and errors or misallocations are adjusted accordingly.

1.3 Incomplete Board of Survey

Audit Findings

The audit noted that the Ministry did not conduct the Board of Survey for Commissioner Eastern Division while the Board of Survey was completed for other Divisions as at 31/07/16. No board of survey was carried out by the Ministry in 2015.

In addition, the audit noted that the Board of Survey team appointed to carry out the survey for other Divisions (Western, Northern and Western) included the Procurement Officer and the Assets Management Officer from headquarters both of whom were directly responsible for asset management. Similarly, contrary to section 24(3) of the Procurement Regulations 2010, the Chairperson of the Board of Survey team was a staff from Corporate Department.

Similar audit concerns have been raised in previous years which demonstrate the inability of the Ministry's staff to follow procedures and the ineffective supervisory checks over the control and safeguard of fixed assets.

Agency Response

The BOS exercise for the whole Ministry is up to date with approvals received from the Ministry of Economy.

Auditor-General's 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 and Section 24 of the Procurement Regulations 2010.

1.4 Unauthorised Journal Vouchers

Audit Findings

The audit noted that several journal vouchers were posted in the general ledger (FMIS) without the approval of Manager Finance or Accounts Officer.

Agency Response

The Ministry has ensured that Journal Voucher details are verified and endorsed to ensure that the correct allocation is posted.

All Journals are prepared by the officers and verified by the SAO/MF before the processing of JV to ensure that it is always verified.

The Ministry is maintaining a Journal Voucher Register to record all posting.

Auditor-General's Recommendation

The Manager Finance must ensure that only approved journal vouchers are posted into the general ledger.

1.5 Revolving Fund Account not properly maintained

Audit Findings

Audit review of Revolving Fund Account revealed the following anomalies:

- The outstanding accountable advance balances are not subsequently cleared on a timely basis. The outstanding balance as at 31/7/16 was \$62,516, which was yet to be cleared as at the date of audit. However, the Manager Finance did not initiate recovery through salary deduction from the concerned officer's even though the advances were not retired within seven days.
- The Accountable Advance Register was not updated during the year.
- The retirement of accountable advance through JV 51/6/16 and JV 52/6/16 could not be substantiated due to lack of supporting documents.
- Accountable advance reconciliations were not prepared in a timely manner.
- The payment of \$13,913 to Company A. for the purchase of dry rations was facilitated through Revolving Fund Account. Discussion with the officer concerned revealed that it was a misallocation, which was to be journalised to SEG 7. However, as at the date of audit, the amount was yet to be journalised.

Agency Response

The Ministry issues Advance Statements to officers to retire on time and those that do not comply and retired within the stipulated time faced penalties of salary deductions plus 12% interest.

A register has been maintained and consistently updated.

Auditor-General's Recommendations

The Ministry should ensure that:

- officers retire their accountable advances within seven days from return from trip and recoveries are made from salaries for those that do not retire on time;
- the Accountable Advance register is kept up to date;
- investigation is carried out on all accountable advances that were retired without supporting documents; and
- monthly reconciliations are prepared in a timely manner.

1.6 Procurement Procedures not properly maintained

Audit Findings

Audit review of procurement of goods and services noted instances where relevant supporting documents were not attached to payment vouchers as outlined below:

- Competitive quotes not obtained;
- Local purchase orders not sighted;
- Chief Accountant's (Treasury) approval not obtained for advance payment;

- Assets procured were not recorded in the fixed assets register;
- Procurement done from incorrect allocation;
- Payment vouchers and the supporting documents not stamped paid; and
- Payment vouchers were not certified / authorised by the Manager Finance.

Agency Response

The Ministry issued an Internal Circular memorandum dated 06/11/2017 subject Procurement Regulations which covers competitive procurement, Issue of Purchase Orders and Tax Compliance Certificate and the breach of advance privileges.

Fixed Asset Record has been updated according to the MoE template and submitted to Asset Management Unit.

Auditor-General's Recommendations

The Ministry must ensure that:

- the competitive quotes are obtained for procurements above \$1,000 and below \$50,000;
- local purchase orders are issued when procuring any goods, services or works;
- approval of the Chief Accountant is obtained for advance payments;
- payment vouchers are authorised or certified by the Manager Finance;
- all fixed assets and expandable items purchased are recorded in the Fixed Asset Register;
- immediately after the payment has been effected, all vouchers and supporting documentation are stamped 'paid' to avoid any double payments; and
- payments are recorded in the correct expenditure accounts.

1.7 Non Compliance with Standard Operating Procedures for Non-Cane Access Roads

Audit Findings

Audit review of Central Division projects for non-cane access roads revealed the following anomalies:

- Memorandum of Understanding (MOU) between the Ministry and the contractors did not include important clauses such as defect liability period, variations, payment structure, project commencement and completion dates;
- Although standard project proposal forms were filled but it was not endorsed by the Provincial Administrators prior to 30 July; and
- The monitoring reports were not provided.

Agency Response

- The Ministry now has a Monitoring and Evaluation Unit to monitor the various projects undertaken by the Ministry however, the Unit does not have the capacity to monitor all various Government projects.
- The Ministry is currently reviewing the SOP which will include the amendments in the MOU.
- A draft copy of the MOU has been prepared which will be sent for SG's Vetting.

Auditor-General's Recommendations

The Ministry should ensure that:

- the MOU's include important clauses such as defect liability period, variations, payment structure, project commencement and completion dates which are vetted by the Solicitor General's Office prior to execution;

- the project proposal forms are received by the Provincial Administrator or District Officers by no later than 30th July every year for the next financial year; and
- the Provincial Administrators and District Officers provide monthly progress report to the Divisional Commissioners.

1.8 Non Compliance with Standard Operating Procedures for Self-Help Projects

Audit Findings

Audit review of Self Help Projects in the Central Division revealed the following anomalies:

- The standard project proposal forms were filled but it was not endorsed by the Provincial Administrators prior to 30 July as stated in the Standard Operating Procedures (SOP);
- Monitoring reports were not provided as stated in the SOP;
- Completion certificates were not sighted/provided;
- One third contribution in kind by the grant recipient could not be substantiated;
- Memorandum of Understanding (MOU) was not signed by the Divisional Commissioners and recipient; and
- Financial acquittal or assessment reports were not attached to the payment vouchers.

A review of the project monitoring reports for Rewa and Serua Province revealed that out of the sixteen projects visited by the Ministry between 2010 and 2014, seven projects were unsuccessful.

In addition to the above, the audit noted that Central Division failed to maintain a consolidated list of all applications received for projects stating the basis on which selection was been made for projects to be assisted. As such, the audit could not determine if the selection of the recipients was made in an open and transparent manner.

Agency Response

The Ministry is currently reviewing the SOP which will include the amendments in the MOU. A draft copy of the MOU has been prepared which will be sending for SG's Vetting.

Auditor-General's Recommendations

- The Commissioners and the Provincial Administrators should ensure that all completed projects are certified by the respective technical officers after completion;
- The Ministry must ensure that where necessary, a Memorandum of Understanding is signed by the Divisional Commissioner and the recipients;
- The Ministry must ensure that the project proposal forms are received by the Provincial Administrator or District Officers no later than 30th July every year;
- The Ministry must ensure that the Provincial Administrators and District Officers provide monthly progress reports or assessment reports to the Divisional Commissioners;
- The Ministry must ensure that the community's one third contributions is clearly quantified (in-kind/cash) for all self-help projects for which assistance is provided;
- The Ministry should ensure that proper feasibility studies on sustainability of projects are carried out before funds are released; and
- The Ministry should ensure that records are kept for all self-help project applications received with selection criteria used clearly stated.

1.9 Significant Arrears of Revenue

Audit Findings

The audit noted that the Ministry had substantial arrears of revenue amounting to \$917,430 as at 31/7/16 which has been increasing steadily over the years. The areas of revenue comprise of outstanding licence fees.

Furthermore, the aging of debtors report shows that 77% or \$704,980 of the total arrears are more than one years old of which a sum of \$85,313 has been outstanding for more than five years.

It was also noted that the Ministry is yet to implement proper debt recovery procedures which has resulted in the late collection of license fees.

Agency Response

The Ministry does not have the powers to cancel those business licenses who have not paid their annual license fees to the Ministry.

The arrears of revenue submissions from the Divisional offices have been incorrect for a good while.

As part of the Ministry's effort to resolve this issue, an exercise was undertaken last year on AOR reporting which resulted in the issuance of a circular instructing all revenue collectors to follow the draft Business Licensing SOP and an e-register excel template which they are currently updating.

Auditor-General's Recommendations

- The Manager Finance in consultation with Divisional Commissioners should maintain list of businesses required to pay liquor licenses and ensure that fees are paid in a timely manner. Notices should be issued to businesses which have not paid the annual licence fee;
- The Ministry should ensure that a debt recovery procedure is developed and implemented immediately; and
- The Ministry should assess the recoverability of the arrears of revenue to ensure that it is correctly reflected in books.

1.10 Drawings Account Not Properly Maintained

Audit Findings

Audit review of Drawing Account revealed the following anomalies:

- The board of survey was only carried out by two officers;
- The drawings reconciliation was not performed in a timely manner.
- The unrepresented cheque listing for Headquarters, Central Division and Eastern Division consisted of Electronic Fund Transfer payments (EFT) as unrepresented.
- A variance of \$55,559 was noted between the unrepresented cheque listing/general ledger balance and board of survey report. The Acting Manager Finance explained that the board of survey had errors and needed to be conducted again. However, as at the date of audit, the board of survey was not corrected and resubmitted for audit verification.

Agency Response

Responsible officers in the Divisional and HQ accounts units have been tasked to conduct the BOS and monthly reports will be submitted accordingly to the PS for scrutiny and endorsement.

As a supervisory control, the Director Corporate is now also roped into the process to ensure accountability assisting the PS & A/MF.

The Drawings Reconciliation is now up to date. The Ministry has improved on the Drawings Reconciliation processes and a reduction in the unrepresented cheque listings.

Auditor-General's Recommendations

- Supervisory controls and checks should be strengthened in the Accounts Section to avoid such discrepancies.
- The Ministry should ensure that the Drawings Account is reconciled monthly and any errors or omissions noted are investigated and adjusted accordingly.

1.11 Governance Issues

Audit Findings

The audit noted that the monthly signed report was not provided to the Permanent Secretary. As such, the following internal controls were not in place for the financial period ended 31 July 2016:

- The following accounting reconciliations were not prepared on a timely basis:
 - Consolidated Main Trust Fund bank reconciliation was prepared for Westpac account for the month January to July on 28 October 2016;
 - Main Trust Fund bank reconciliations for BSP account were also not prepared on time.
 - Bank Lodgement Clearance (BLC) reconciliations were also prepared late.
 - The date prepared was not stated in SLG 89 and operating trust reconciliations.
- The following administrative internal controls were absent:
 - The Monthly Management Reports outlining the performance of the Agency was not prepared for the financial period 1 January 2016 to 31 July 2016;
 - The Monthly Revenue Reports and Revenue Chart for revenue collectors were not prepared contrary to section 5.6 of the Ministry's Finance Manual 2013;
 - No gift register was maintained by the Ministry contrary to section 5.3.13 of the Ministry's Finance Manual 2013;
 - The Ministry does not have a Risk Management Policy;
 - The Ministry does not have an IT Strategic/Steering Committee;
 - The Ministry does not have an approved IT Strategic Plan; and
 - The Ministry does not have a Disaster Recovery Plan.

Agency Response

The Ministry is providing monthly reports on the Status of Reconciliation.

Auditor-General's Recommendation

The Permanent Secretary must ensure that all the monthly reports and reconciliations are prepared in a timely manner as required by the Finance Manual 2013 and Finance Instructions 2010.

PART C: SPECIAL AUDIT FOR TROPICAL CYCLONE WINSTON

1.12 Northern Division

1.12.1 Losses Incurred Due to Condemned Goods

Audit Findings

The audit noted a huge quantity of condemned goods at the bulk storage in Nabouwalu, Savusavu and Taveuni equivalent to a total cost of wastage amounting to \$19,410.

Agency Response

Most rations were delivered on a Government barge which did not have any proper cover or storage facilities for safe keeping of perishable items.

It is recommended that for future operations, a roll on roll off vessel is used to transport relief items to Vanua Levu and maritime islands for proper storage of relief items.

Auditor-General's Recommendations

The Divisional EOC Coordinator should ensure that:

- measures are put in place to ensure that rations are properly handled to avoid damage and eventual wastage of taxpayers' monies; and
- all future procurements of food rations are facilitated from the approved suppliers in the Northern division instead of Suva in order to avoid wastage due to damage during shipment of goods from Suva by sea.

1.12.2 Diversion of Rations Procured for Northern Division

Audit Findings

The audit noted that the large quantity of food ration supplies procured for the Northern Division that were stored at these bulk storage were diverted to the Central and Eastern division.

Agency Response

The Division will ensure that ration procured for the North is delivered to the North and not diverted to other Divisions.

It was during the State of Emergency and rations had to be distributed immediately to the nearby areas since the stock was in Suva.

Auditor-General's Recommendations

- Disciplinary actions should be instigated against the officers responsible for diverting rations.
- Ration distribution should be improved in future.

1.12.3 Considerable Delay in Shipment of Rations to the Northern Division

Audit Findings

Table 1.12.3: Stock Count Balance of Northern Division Rations as at 24/03/16

Item	Unit	Mechanical yard (Qty.)	FPO bulk (Qty.)	Total quantity
Sugar	50kg bags	1,075	0	1,075
Powdered milk	Cartons	944	0	944
Long grain rice	50kg bags	1,045	170	1,215
Split peas	25kg bags	303	1,000	1,303
Mackerel oil	Cartons	210	621	831
Canola oil	Cartons	0	141	141
Corned beef	Cartons	123	2,183	2,306
Flour	50kg bags	466	0	466

The audit noted that the above items were kept in the stores for almost a month and were yet to be shipped to the Northern Division as intended for the one month food ration distribution.

Moreover, due to the extended storage period and constant moving and restacking of these items to make way for other incoming items, some of these items have been damaged or dented, hence escalating costs of wastage due to damaged goods.

Agency Response

The Ministry informed that it will consider procurement to be done with the suppliers in the Northern Division.

Auditor-General's Recommendation

Management should ensure that the rations are shipped to the Northern Division at the earliest date to avoid further loss of taxpayers' funds to damaged goods.

1.12.4 Insufficient Food Rations for Distribution

Audit Findings

The audit noted that food rations were procured for distribution to certain areas in the Bua Province in the Northern Division. However, as at audit date (31/03/16), one month after procurements were made, the items were yet to be distributed to affected areas.

Agency Response

The decision by PA Bua at the time was based on the anxiety that might be created amongst the people when rations were not delivered on time.

Auditor-General's Recommendations

- Management should ensure that diversion of food rations procured for a division is ceased with immediate effect.

- Disciplinary actions should be instigated against the officers responsible for the diversion of the above food rations.

1.12.5 Unaccounted Rations

Audit Findings

The audit noted that a total of 9 cartons of corned beef transported from Suva to Nabouwalu/Savusavu via the Vatulawa were unaccounted for upon unloading of the goods at the Nabouwalu and Savusavu jetty.

The total quantity shipped as per the Government Shipping Service shipping receipt noted that 1,000 cartons of corned beef were in the consignment as released from the stores and loaded on board. However, the actual total quantity received by the Provincial Administrator Bua (491ctns) and Provincial Administrator Cakaudrove (500ctns) was only 991 cartons.

A way bill document was also prepared for the consignment but this was not signed by the relevant officers releasing the items from the stores, transporting officer and receiving officer.

Agency Response

The Management will ensure that a super cargo clerk is available to travel on board on every shipment of rations and be responsible for maintaining consignments and that goods are delivered in a good condition and also bill of landing is verified and signed.

Auditor-General's Recommendations

- The unaccounted rations should be immediately investigated and referred to relevant authorities if required; and
- DISMAC officers should accompany all goods being shipped to outer islands and sign off all way bills.

1.12.6 Weaknesses in Procurement Process

Audit Findings

Audit review of the item description, quantity and unit price of goods supplied as per the supplier's invoices and delivery dockets for rations procured by the Commissioner Northern Division noted the following anomalies.

Table 1.12.6: Anomalies in Procurements

Date	PO number	Item	Qty. ordered	Amount (\$)	Remarks
01/03/16	PO93991-003173	Powdered Milk (Ctns)	12 ctns	1,152	Invoice/ Delivery docket no. 796368 received for the supply of these items was not signed by the officer receiving the goods. Hence it was not possible to determine whether goods have been actually delivered.
26/02/16	PO93991-003146	Long Grain Rice(45kg)	63 bags	3,339	No delivery docket provided for all the items.
		Flour (50kg)	28 bags	1,753	
		Split peas (25kg)	28 bags	1,268	
		Powdered Milk (ctn)	17 ctns	2,444	
		Cooking Oil(ctn)	14 ctns	824	
03/03/16	PO93991-003188	Flour (50kg)	154 bags	10,507	Supplier invoiced for 154bags as per invoice no. SAL/12156678 of

					03/03/16 but actual quantity received as per delivery docket no. 275054 of 03/03/16 was only 73 bags.
25.02.16	PO93991-003141	Long Grain Rice (45kg)	2 bags	162	No delivery docket provided for these items.

Agency Response

The Management will ensure that officers are assigned to reconcile and update all rations purchased and ensure that delivery and relevant documents are signed for verification.

The Management recommends the recruitment of a Storeman to oversee the safekeeping and movements of stores as well as overall procurement.

Auditor-General's Recommendations

- The Divisional EOC Coordinator should ensure that a detailed reconciliation of all quantity of rations ordered and actual quantity delivered and unit price invoiced by the suppliers before payments are made; and
- Only authorized officers should be assigned to receive the goods and signing the invoices/delivery dockets after verification of the purchase orders.

1.12.7 Improper Storage of Goods

Audit Findings

Audit site visit to the Naqere Ration Distribution Centre in Savusavu on 14/03/16 showed that sacks of rations supplies including flour, rice, sugar and split peas) were stored on the roadside and covered by tarpaulins exposing these goods to adverse weather conditions.

Agency Response

The Northern EOC will ensure that all rations stored in the bulk are distributed to the affected communities before the next load of rations is requested and to have bigger storage facilities in the main centres.

Auditor-General's Recommendations

The Divisional EOC Coordinator should ensure that:

- all goods are properly stored in a safe storage area at all times; and
- proper storage areas are identified for any future disaster operations.

1.12.8 Records of Stock In/Out at the Bulk not Standardized – DO Taveuni

Audit Findings

The audit noted that the stock/tally records of quantity of stock in/out maintained by the District Officer Taveuni were not standardized. A similar observation was noted for records of milk and cooking oil which were recorded in both cartons and packets/bottles.

In addition, there were two sets of tally cards maintained with one set not being updated since the first day of operations. Hence, the quantity of items distributed could not be properly reconciled.

Agency Response

The Management will ensure that officers engaged in the DISMAC Operation are trained on how to manage and account for stores. To ensure that proper standard of records is used for every item when procured. To ensure that a tally card is maintained to every item procured.

Auditor-General's Recommendations

The EOC coordinator should ensure that:

- quantity of goods distributed matched against the delivery dockets and the total distributed is reconciled against the total quantity of goods received and balance in stock; and
- any discrepancies noted should be investigated and disciplinary action taken against responsible officers where necessary.

1.12.9 Reconciliation of Ration Distribution in Taveuni

Audit Findings

Audit review of the food ration distribution operations and records in Taveuni revealed that food ration distribution details as per the delivery notes/distribution lists were recorded in MS Excel spreadsheets but could not be reconciled to the total quantity of items received and delivered from the bulk.

Agency Response

The Taveuni EOC will ensure that officers engaged are well versed with reconciliation processes to assist in the record keeping of stores of rations.

Auditor-General's Recommendations

The EOC coordinator should ensure that:

- Quantity of goods distributed are matched against the delivery dockets and the total distributed reconciled against the total quantity of good received and balance in stock; and
- Any discrepancies noted should be further investigated and disciplinary action considered where necessary.

1.13 Eastern Division

1.13.1 Excessive/Unauthorised Supply of Food Rations

Audit Findings

Reconciliations of suppliers' invoices/delivery dockets against the Eastern Division's approved purchase orders for food rations on 21/02/16 revealed that there was excessive and unauthorised purchase of tin fish, powdered milk and canola oil amounting to \$240,095.

Agency Response

The Ministry acknowledged that actions taken were not aligned with the Proforma Financial Manual of 2011. This was due to the following reasons:

- Commissioner Eastern Division was tasked to deliver the materials as soon as possible to the affected communities;

- This particular issue occurred during a time of disaster and under circumstances that dictated the need for urgent response to the needs of the affected communities; and
- The Ministry did not have both the manpower and time to undertake the necessary steps in accordance with Proforma Financial Manual of 2011 given the short time frame for the delivery of the rations.

The Ministry further informed that there was no misuse, abuse of rations or collusion with the suppliers and that all surplus rations were supplied to Taveuni as it was also a severely affected area.

Auditor-General's Recommendations

The Ministry should ensure that:

- a proper reconciliation mechanism is put in place to ensure that all future orders are properly monitored and reconciled in terms of item description, brands, unit prices and quantity ordered and supplied; and
- a thorough investigation is to be carried out and disciplinary actions should be instigated against those officers responsible.

1.13.2 Items as per the Suppliers Invoices not matching with LPO's Issued

Audit Findings

The audit noted that items supplied as per the invoices received/signed did not reconcile with item description and quantity as per the approved LPOs issued.

Agency Response

The Ministry acknowledged that actions taken were not aligned with Financial Regulations due to the following reasons:

- The need to urgently procure material and load the boat for cartage to affected areas.
- With regard to PO 735670, there was no stock of corned beef thus given the short time frame, other food items were procured as replacement but within the limit of the amount on the PO.
- With regard to PO 735657, given that there was no corned beef in stock, replacement food items were procured to ensure that rations were delivered on time.
- Both the procurement mentioned above were within the LPO amount and the items procured were in line with the ration scale formula.
- Process dictates that a new LPO should be issued but given the short time frame for deployment, it would have delayed the process of loading and delivery of rations and shipment to affected areas.

Auditor-General's Recommendation

The Ministry should ensure that a proper reconciliation mechanism is put in place to ensure that all future orders are properly monitored and reconciled in terms of item description, brands, unit prices and quantity ordered and supplied.

1.13.3 Absence of Reconciliation of Food Ration Distribution

Audit Findings

Review of the food ration distribution operations and records for the Eastern Division noted that food ration distribution details were recorded in an MS Excel spreadsheets which were not been reconciled to the total quantity of items received from the supplier and delivered from the bulk.

Agency Response

The Ministry acknowledged that the reconciliation mechanism that was used was very weak. In response, the Office of the Divisional Commissioner Eastern has adopted a reconciliation mechanism to prevent any future query on ration distribution. This is in the form of NDMO forms 1 (Warehouse Inward Reconciliation Form), 2 (Warehouse Outward Reconciliation Form) and 3 (form is for ration distribution).

Auditor-General's Recommendations

The EOC coordinator should ensure that:

- quantity of goods distributed are reconciled against the delivery dockets and the total distributed to be matched against the total quantity of good received and balance in stock; and
- any discrepancies noted should be further investigated and disciplinary action taken against the officers responsible.

Appendix 18.3 Anomalies in the Procurement of Goods & Services

- *Cheque No. 12209* – The Ministry acknowledged that there was no LPO issued and that there were no additional three quotations provided. These actions were based on the following:
 1. The contractor, Central Eastern Civil Construction, had already been engaged on site to do clearing work. Given that additional work was required for site levelling, it was only logical to engage the same contractor because of the time limit for the commencement of house construction by Grace Road.
 2. The urgent need to undertake construction immediately was because many of the houses in the village were destroyed leaving people homeless.

The Ministry informed that it will ensure that processes are followed in future disaster operations.

- *Cheque No. 12028 & Cheque No.12252* – The Ministry acknowledged that mispostings were made on these items. It will take necessary steps to ensure that these issues do not recur.

1.14 Central Division

1.14.1 Reconciliation

Audit Findings

The audit noted that although details of the delivery note or delivery sheet were recorded in an MS Excel spreadsheet in the Division EOC, no officer in the Centre was designated to actually reconcile the items that were released from the Warehouse to the items that were received by the victims or their representatives.

The audit further noted that when delivery notes were obtained, the Officer in Charge at the Warehouse did not raise concern if differences were noted between what was released from the Warehouse and what was received by the victims or their representatives.

Agency Response

DEOC will delegate officers in the next DISMAC operation to reconcile items that have been distributed from the warehouse to the recipients daily.

The Delivery Dockets/Invoices will be used as a means of reconciliation and Management will be advised accordingly.

Auditor-General's Recommendation

The Division EOC should delegate an officer to reconcile the items that have been distributed from the Warehouse and the items that have been received by the victims.

1.15 Western Division

1.15.1 Variances in Stock Records against FPO

Audit Findings

Reconciliation of tally cards with the records maintained at the Fiji Procurement Office on 23/03/2016 revealed that some items recorded at the FPO were not recorded in the tally cards maintained at the Warehouse.

The audit further noted that the records showed in the tally cards differed with the records maintained at the Fiji Procurement Office.

Agency Response

Divisional EOC has devised a template to capture the required information of all expendable and non-expendable items that are coming in and going out of the Yard. This will facilitate reconciliation.

Auditor-General's Recommendations

The Divisional EOC Coordinator should:

- carry out a stock take of rations under his authority;
- ensure that stock cards are opened and maintained for all ration supplies received and delivered out of the warehouse;
- ensure that the stock/tally cards are updated on a daily basis; and
- ensure that reconciliation is carried out with the DHL records.

1.15.2 Variances in Stock Records against "Logistics Company B" Records

Audit Findings

The audit noted that as at 23/03/16, a physical stock take was not carried out by the officers at the Warehouse. The Storeman had updated the tally cards based on the documents it maintained relating to items received at and issued from the Warehouse as at 23/03/2016. On 23/03/2016, Logistics Company B carried out a physical stock take at the Warehouse. The audit noted that some of the items highlighted in the records obtained from Logistics Company B were not recorded in the tally cards maintained at the Warehouse.

The audit also noted that there were variances in the physical stock recorded by Logistics Company B compared to the stock recorded in the tally cards maintained at the Warehouse.

Agency Response

The renovation of the Yard has been completed. A BOS had recently been conducted for non-expendable items kept at the Yard.

All received items are properly recorded in a register and also their delivery.

Auditor-General's Recommendations

The Divisional EOC Coordinator should:

- carry out a stock take of rations under his authority;
- ensure that stock cards are opened and maintained for all ration supplies received and delivered out of the warehouse;
- ensure that the stock/tally cards are updated on a daily basis; and
- ensure that reconciliation is carried out with the Logistics Company B records.

1.15.3 Population Figures

Audit Findings

The audit noted that the data provided from the Bureau of Statistics, iTaukei Affairs Board, and survey carried out by the EOC immediately after the Cyclone did not reconcile with the number of victims existing after the Cyclone. As a result, rations that were purchased were more than what was required.

The audit visit to the two districts on 15/03/2016 showed that the surplus family packs purchased were covered by a tarpaulin and stored outside the yard exposed to the risk of theft and damage due to adverse weather conditions.

Agency Response

The Division is working closely with the Ministry of iTaukei Affairs (Roko Tui's) District Advisory Councillors, and the Bureau of Statistics on the number of people affected in a particular area in the event of a natural disaster.

The need to have extra items purchased and have them in stock during emergency situations is necessary for the survival of affected people. These items are accounted for to avoid misapplication.

Auditor-General's Recommendation

The Ministry should maintain a population database which should be updated after every emergency relief supply.

1.15.4 Nadarivatu District Officer

Audit Findings

The audit noted that the District Officer, Nadarivatu was not stationed at Nadarivatu but at the Nadovu Warehouse in Lautoka, even though Nadarivatu was also one of the severely affected areas following Cyclone Winston. No explanation was provided for absence of the officer from Nadarivatu.

The audit noted that on 29/02/2016, the Division issued a PO 003727 to Supplier A for \$39,062 for supply of one month's ration for the Nadarivatu District. On 02/03/2016, the Division again issued PO 003762 to Supplier A for \$38,853 supply of one month's ration for the District. In addition to this, the Division issued PO 003763 to the same supplier for \$56,829.21 to supply another month's ration.

Agency Response

DO Nadarivatu was moved back and operated from Nadarivatu and also information received from his Office was verified and corrected.

All Pas and DOs have been reminded to remain and be on standby in their respective stations for any impending hazards.

Auditor-General's Recommendation

The District Officer should be stationed at the District in times of emergency to ensure that correct information is provided when required.

1.15.5 Verification of Charges

Audit Findings

Most of the purchases for food rations were made from Supplier A. After comparing purchase orders issued to the supplier to the invoices received from the supplier, the audit noted the following anomalies:

- There were instances where items ordered were not supplied; and
- There were instances where the prices used in the purchase order were different from the prices shown in the invoice.

Agency Response

All items that were yet to be supplied at the time of audit as well as short supplied items had all been supplied and delivered to affected communities.

Divisional EOC will ensure that three quotes will be obtained in any future emergency operations.

Auditor-General's Recommendation

The Divisional EOC accounts should ensure that proper reconciliation is conducted before any payment is made to the supplier and alternate suppliers are considered for future purchases.

1.15.6 Poor Maintenance of Accounting Records

Audit Findings

During the five weeks of operations, the audit noted several instances where appropriate supporting documents were not attached when the Purchase Orders were raised for rations.

Agency Response

Divisional EOC will ensure that all purchases made comply with the standing rules and regulations.

Auditor-General's Recommendations

The Divisional EOC should ensure that:

- accounting records and supporting documents are properly filed and made available for audit purpose; and
- Going forward, a template should be prepared to document the request or the purpose of the purchase of ration needed, approval and the amount requested for the purchase. The template should also be attached with a table showing the calculation of how the amount stated in the template or the amount requested to be utilised for the purchase, is calculated.

1.15.7 No Delivery Notes at the District Offices

Audit Findings

The audit visit on 23/03/2016 revealed that rations were received at the districts of Ba and Tavua without proper delivery dockets being signed.

Agency Response

Divisional EOC has designed a template to ensure that items purchased and delivered to affected areas are properly accounted for and also to capture all necessary information as outlined in the Audit Report.

Divisional EOC will be sending a team to the District EOCs to verify and reconcile all transactions undertaken in any future disasters to ensure compliance.

Auditor-General's Recommendations

The Divisional EOC Coordinator should ensure that:

- Delivery dockets are used for all future distribution of rations and aid items.
- Persons receiving the items should provide the following on the delivery dockets;
 1. Name of person receiving the items
 2. Contact details (mobile)
 3. Actual Time the goods delivered
 4. Signature
 5. Vehicle registration number

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1.15.8 No Documentation of Authority to Purchase Family Packs

The Committee noted that this issue has been resolved.

Reason for the exclusion of the issue was that the procurement of Family Packs was done in accordance with the Procurement Regulations 2010, which permits the Ministry to make such purchases during times of emergency.

SECTION 19

Fiji Military Forces

Role and Responsibilities

The RFMF is charged with, and responsible for the defence and state security of Fiji, in the maintenance of Law and Order in land and sea and provision of maritime surveillance of Fiji's maritime zone. It improves the living standards of rural community through infrastructure development and youth training of life skills provided by the Engineering Corp through its Trade Training. It also provides services to mariners through the coastal radio station (Suva Radio 3DP) for all vessels within Fiji waters as required under the International Law of the Sea and the surveying and charting of Fiji's Exclusive Economic Zone.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts for the Force resulted in the issuance of a qualified audit opinion. The qualification issues are as follows:

1. Included in Total Revenue in the Statement of Receipts and Expenditure is VAT on revenue due from FRCS amounting to \$29,852. VAT receivables are only recognised under accrual basis and not under the cash basis of accounting. Consequently, Total Revenue in the Statement of Receipts and Expenditure of \$239,845 is overstated by \$29,852.
2. Included in Sales (Plant Hire) in the Consolidated TMA Trading Account is revenue amounting to \$36,570 collected in 2015. The amount was directly deposited in the bank account in 2015 but was recorded in the FMIS general ledger in 2016. Consequently, the Sales amount of \$68,478 in the Consolidated TMA Trading Account is overstated by \$36,570.
3. There was no independent audit verification carried out for the Inventory account balance of \$25,362 in the Consolidated TMA Balance Sheet as at 31 July 2016. The balance increased although there was no activity in the Manufacturing account. Consequently, audit could not confirm the accuracy and completeness of inventory amount.
4. The RFMF did not include as part of the Financial Statements the Trust Fund Account Statement of Receipts and Payments for Engineers Project Fund Account with payments totalling \$387,487 for the period ended 31 July 2016. The Project Fund Account transactions were not recorded in the FMIS general ledger.

Without further qualifying the accounts, attention was drawn to the following matters:

- The RFMF did not carry out a board of survey to verify the existence and condition of assets under its authority contrary to Section 49 of the Finance Instructions 2010.

- Internal controls in the critical areas of the RFMF's operations were generally found to be weak and if not addressed promptly may result in financial losses in the near future.

PART B: AUDIT FINDINGS

1.2 Governance Issues

Audit Findings

The following governance issues were noted:

- RFMF is yet to prepare and submit its Annual Report for 2014 and 2015 to the Minister;
- Internal controls were generally found to be weak or deficient.
- Compliance Unit of RFMF is understaffed hence is unable to effectively cover the scope of RFMF's activities.

Agency Response

The Committee was informed that the Force is yet to finalise its Annual Reports as highlighted by the Auditor-General. One of the reasons for the delay in producing an Annual Report for the Force was because there was a change in Leadership Command at the time of the audit. However, the Force has addressed this by adequately staffing its Compliance Unit with Civilians who are qualified and able to carry out the duties and responsibilities effectively.

Auditor-General's Recommendations

The Force must ensure that:

- Annual Reports are prepared and submitted to the Minister on a timely basis;
- the Compliance Unit is properly resourced; and
- Management takes appropriate action to strengthen internal controls and improve compliance.

1.3 Operating Fund Account (OFA)

The following highlights the audit findings relating to OFA.

1.3.1 Weaknesses in Internal Control for OFA

Audit Findings

Audit review of the system of internal controls revealed the following weaknesses:

- RFMF purchased tents, photocopiers, generators, weapons and communications equipment at a total cost of \$1,436,471.04 which was not recorded in the Fixed Asset Register (FAR). Moreover, the annual board of survey of fixed assets was not conducted for the financial year ending 31 July, 2016. Furthermore, audit could not substantiate the completeness of the Statement of Losses.
- Monthly underline reconciliations were not submitted to the Ministry of Economy on a timely basis. Similarly, quarterly vehicle reports were also not prepared and submitted to Ministry of Economy.
- There was no segregation of duties. The authorised cheque signatories for the RFMF Drawings Account were the same officers assigned to approve invoices for payments, reviewing and reconciling of financial records before payments are done.
- The revenue collector's chart for monitoring of revenue collection was not maintained.

- The person to post listings/line and column was last updated by the Human Resource Section in 2014. In addition, there is no consolidated approved listings of officers (master record of authorised officers) entitled for the various allowances.

Agency Response

The Force informed that it has completed the Board of survey and updated the Fixed Asset Register in 2017 which has been sent to Ministry of Economy.

The Force had prepared its monthly reconciliations on underline accounts and submitted it to the Ministry of Economy. All submissions thereafter have been sent to the Ministry before the 15th of each month.

The Force further informed that there have been changes to its processes that have stalled the submission of its quarterly reports. The Committee was informed that this has been addressed and quarterly reports should now be forthcoming.

The Force clarified that the change of signatories had been formalized and approved by the MoE.

Furthermore, the Committee was made aware that revenue collector's chart is now maintained by Staff Officer Accounts and updated as and when the revenue collected is lodged to the bank.

Additionally, RFMF has updated its Line and Column (Person to Post) listing in 2017.

Auditor-General's Recommendations

The Force should ensure that:

- assets with a value in excess of \$2,000 is recorded in the fixed asset register and annual board of survey is conducted for fixed assets;
- monthly reconciliation is submitted to Ministry of Economy before the 15th of each month;
- quarterly vehicle reports are prepared and submitted to Ministry of Economy for monitoring purposes;
- work of officers in critical functions are properly segregated;
- revenue collector's chart is maintained; and
- Person to Post Listing/Line and Column is updated and consolidated approved listings of officers entitled for the variance allowances are maintained and checked against payroll.

1.3.2 Naval Division

The following discrepancies were noted from audit review of records relating to naval vessels:

1.3.2.1 State of Naval Vessels

Audit Findings

The audit noted that only two from the five vessels owned by Fiji Navy are fully operational.

Moreover, since 2013, a budget of \$2 million has been allocated annually for Kiro Patrol Boat Life Extension Programme. However, the funds were not utilised and was returned to the Ministry of Economy at the end of each financial year.

Furthermore, although, the RFMF has spent a total of \$1,882,394 from 2013 to July 2016 for the Life Expectancy Program of vessel RFNS Kikau, the vessel remains inoperative.

Agency Response

The Committee was informed that three out of the five vessels are now operational: RFNS Kula, RFNS Lautoka and RFNS Levuka.

The Committee was made aware that in 2010, the Pacific Patrol Boats (PPB) Class RFNS Kiro was due for its Life Extension Program (LEP) refit works. The progress of the Life Expectancy Program (LEP) project was however greatly hampered by:

- the departure from the project in late 2012 of the Australian Project Consultant who had vast experience in Pacific Patrol Boats LEP; and
- the sanctions by the Australian Government on all assistance rendered to the LEP Project by all Australian commercial company that the Fiji Navy was engaging given that the vessel was built in Australia and had all the spare and maintenance parts for the projects.

As such, the Fiji Navy was left with no choice but to seek other alternative service providers locally to carry out the project. Given the magnitude of the project and the cost involved proper due diligence had to be done, apart from the extensive search, for reputable naval architectural, engineering and associated technical experience to be engaged for the project. This process took the Navy approximately 8 months to establish in which some local companies were identified. It took another 8 months to carry out the administrative work such as preparing of Scope of Works, drawing up of MOU and vetting by the Solicitor General's Office.

The Force informed that the time span it took to complete all these activities exceeded the government financial year and it was unfortunate that funds cannot be rolled over to the next financial year. These are main circumstances and reasons the Fiji Navy did not fully utilise the \$2 million funds which it was budgeted for in 2013 for the LEP Project.

1.3.2.2 Incomplete Work on Life Expectancy Program

Audit Findings

A sum of \$2million was allocated in the 2013 budget for the Life Expectancy Programme for the maintenance and upgrading of the naval ship RFNS Kikau.

Contrary to the payment schedule in the contract, the Commander of Fiji Navy approved the final payment of \$119,110 to the contractor following the recommendation from Officer No 3089.

The audit noted that the RFMF paid the contractor the contract amount of \$549,146. However, 78% of the contractual scope of works valued at \$427,428 was not performed by the contractor.

Furthermore, the clause for delay/liquidated damages is not incorporated in the contract; as a result the RFMF was unable to claim the delay damages from the contractors that failed to complete the work within the agreed timeline.

The above findings indicate that there is a lack of proper planning and monitoring for the upgrading of the vessels. This has led to the considerable delay in the upgrading works and payment to the contractor for the incomplete works resulting in value of service not being obtained for public funds totalling \$1.9 million.

Agency Response

The Force informed that the Payment Schedule did not capture some unforeseen costs when the work began. It was noted that it is not until when the vessel is subjected to slipping that the total maintenance and repair works can be ascertained.

In this case the company had carried out an extra variation works of 67% which fell outside the contractual scope of works between phase 1 and 2. It was noted by the contractor that extra variation works had to be done first before the scope of work could be carried out.

The contractor hence was requesting for variation payment needed in the 1st couple of phases and the Commander Navy had to make a judgmental call to pay the variation to avoid any discontinuation of engagement as work had commenced besides the need to subdue the mounting pressure from the company.

The Committee was informed that the contract was drafted by the legal section and vetted by the Office of the Attorney General. The variation was not captured in the contract.

The Force informed that the vessel has been sea-lifted to Australia in April and is undergoing refit. This is fully funded by the Australian government and the vessel is expected to be returned from LEP in August 2018.

1.3.2.3 Waiver of Tender

Audit Findings

The audit noted that the RFMF engaged the contractor on 20th November, 2015 to 8th December, 2015 prior to the approval of the Government Tender Board. A total of \$283,351.95 was paid to the contractor following the approval of the Government Tender Board.

Agency Response

The Committee was informed that the GTB Award was made to regularise the procurement process since the works have already been carried out on RFNS Kiro.

The Committee further noted that in 2014, the Navy had only 1 operational vessel from its fleet of 5 vessels. This was an operationally critical time for the Navy given the vast maritime demand in the conduct of EEZ Patrols, conduct of maritime emergency Search and Rescue operations, and standing by for Humanitarian Assistance and Disaster Relief (HADR) in the event it is activated.

The Force informed that it was a situation where they needed to hasten all processes in order to have the vessel operational again in the shortest possible time before any unforeseen circumstances or events occurred urgently demanding the Navy's service.

The Force informed that awaiting GTB approval hence was not an operational option. Also, there are stringent timelines in undergoing slipping since this is based on placement.

Auditor-General's Recommendations

The RFMF should ensure that:

- all capital projects are properly planned and implemented within the year in which funds are provided;
- investigation is carried out to determine the reasons the projects were not properly monitored;
- important clauses such as delay damages claim are included in the contract; and
- instructions stipulated in the Procurement Regulations are complied with.

1.3.3 Capital Construction

The following discrepancies were noted from audit review of capital construction projects:

1.3.3.1 Splitting of Contracts

Audit Findings

The audit noted that RFMF breached the purchasing procedures by splitting contracts into subcontracts to avoid the tender process.

The audit further noted that the contractors were engaged prior to signing of the Memorandum of Agreements (MOA) by both parties.

Agency Response

The Committee was informed that the RFMF has reviewed its process to enhance proper vetting of projects that will be carried out properly before any payment is made.

A Capital Project committee is now in place which has representation from Procurement and Finance Staffs. The Force had acquired the services of qualified procurement and finance staff as civilian staffs to their Headquarters to be part of this team.

OAG Response

OAG clarified that prior to the engagement of a contractor, the Force should ensure that a Memorandum of Agreement or Contract is drawn up outlining the scope of work, timeline of project completion, and approved project cost.

1.3.3.2 Breach of terms and conditions of Memorandum of Agreements

Audit Findings

Contrary to the clauses in the Memorandum of Agreement, the RFMF paid the retention monies to the contractor at the completion of the project and not at the end of the defect liability period.

Moreover, the RFMF did not exercise its right to claim for liquidated damages totalling \$18,600 from contractors that did not complete the projects within the agreed timeline.

Agency Response

The Committee was informed that the RFMF Force Development Project team (Engineers/ Architects) complement has been increased to ensure that any issue of oversight by the team is negated. The Project

was usually carried out by one Officer but the Force has acquired the service of three qualified civilian staffs to the Project team.

1.3.3.3 Inaccurate Capital Progress Report

Audit Findings

The audit noted a variance of \$263,092.94 between the actual cost of the projects reported in the progress report and the FMIS general ledger.

Agency Response

The Committee was informed that the RFMF Budget team has been increased and there is an independent civilian staff that does periodic physical checks on all projects and prepares the quarterly reports that need to be sent to the Ministry of Economy. This ensures that the integrity of the report is maintained as it was previously compiled and submitted by the RFMF Project Engineers.

1.3.3.4 Provisional Tax not withheld

Audit Findings

The audit noted that the RFMF did not withhold 5% withholding tax from payments made to contractors.

Agency Response

The Committee was informed that this was an oversight by the officer responsible. The Force is now complying with the requirements of FRCS and 5% Withholding tax is being deducted from all payments made to contracted companies.

Auditor-General's Recommendations

The RFMF must:

- ensure compliance with the Splitting of Contracts Policy 2014 and ensure that the approval of the Tender Board is obtained for any purchases above \$50,000;
- ensure that a Memorandum of Agreement is signed prior to the engagement of a contractor;
- comply and exercise their rights as stated in the Memorandum of Agreement;
- ensure that progress reports submitted to management for information decision-making are accurate; and
- comply with the requirements of FRCA for Provisional Tax deductions for all contracted service providers.

1.3.4 Weak Internal Controls in the Management of Food Rations

Audit Findings

The following weaknesses were noted from the review of the internal controls over the management of food rations:

- Units did not submit the Daily Ration State Form. Instead, the Units used the Daily Ration Demand Forms to order rations from the RFMF Supply Company.
- RFMF's Supply Company did not maintain a Ration Reconciliation Book that records the number of rations demanded and entitlements for each unit.
- RFMF's Supply Company did not prepare the Daily Ration Demand Form.

Agency Response

The Committee was informed that the Force is now complying with the regulations governing the supply and accounting of food rations by:

- All Units are submitting Daily Ration States a week in advance to the Force Supply Company to complete rations needed for the week;
- Ration Reconciliation Book is being maintained by the Supply Company; and
- RFMF's Supply Company is preparing Daily Ration Demand and posting daily to the Ledger and Stock Cards.

Auditor-General's Recommendation

The RFMF should ensure that all units including the supply company complies with instructions stipulated in the RFMF Standing Order Volume 2.

1.3.5 Breach of Government Tender Board Approval

Audit Findings

From a sample totalling \$132,636.77 which were tested, the audit noted that RFMF purchased items valued at \$13,854.80 or 10% from non-approved suppliers.

Agency Response

The Force informed that the Commander has endorsed a new RFMF Procurement Manual which encapsulates all the procedures to be followed in dealing with contracted and non-contracted suppliers.

Ministry of Economy Response

MoE clarified that in this case, the Force should have regularized the process by informing the MoE that they will be purchasing items from non-approved suppliers.

MoE further clarified that there is no provision in the Financial Instructions on emergency procurement. However, it is the responsibility of respective Ministries to exercise proper planning during times of emergency and to procure within the Regulation.

Auditor-General's Recommendations

RFMF must ensure that:

- purchases are made from approved suppliers; and
- justifications are obtained and documented for making purchases from non-approved suppliers.

1.3.6 Adopt a School Program

Audit Findings

The RFMF transferred \$20,000 from the Drawings Account to the TMA account as assistance in rebuilding a school that was damaged during the Cyclone Winston. The audit noted that:

- assistance was already provided to the school by the Republic of Indonesia Defence Force through the government initiative of adopt a school program;

- the expenditure was not budgeted for in 2016. However, the Director Finance and Logistics and Acquisition (DFLA) confirmed via email that the Deputy Commander approved the funding to be sourced from the Operating Fund Account; and
- the payment voucher was not authorised, the commitment ledger was not maintained and acquittals were not submitted by the RFMF Engineers to the Principal Accountant for the utilisation of funds.

Moreover, the audit could not substantiate the criteria used by RFMF for selecting the school as relevant documentation was not provided for audit verification.

Agency Response

The Force informed that under the adopt a school program the Indonesian Military Engineers Corp had adopted Queen Victoria School to repair and rebuild after damages made to the school buildings by Cyclone Winston. RFMF engineers worked together with their counterparts in the rehabilitation works.

The Force further informed that parts of works required were the hire of machinery from the Plant TMA and as such RFMF contribution to the rehabilitation of works was to pay the Plant TMA which is the business arm of the Force for the hire and fuel charges of plant totalling \$20,000. The uncertified voucher was a clerical error and RFMF will ensure that all vouchers are certified prior to payment.

Office of the Auditor-General's Response

The MoE was requested to consider developing a guideline to assist Ministries and Departments in procuring items during times of emergency.

The MoE agreed to discuss this with its Policy Unit.

Auditor-General's Recommendation

The RFMF must ensure that proper approvals are obtained for expenditure of public funds.

1.3.7 Purchase in Excess of Tendered Amount

Audit Findings

The Government Tender Board awarded the contract for the supply of winter clothing to various companies.

Contrary to the Tender Board approval, the RFMF purchased 1,725 round neck tees valued at \$43,125, resulting in excessive purchase of t-shirts valued at \$16,375.

Agency Response

The Committee was informed that the GTB approval was for the supply of winter clothing for 2013 UNDOF deployment and it was erroneously attached to the payment voucher.

The Committee noted that the purchases of 1,725 round neck tees were for the Basic Recruitment 1/15 and were not part of the GTB approval. Because of the Specs supplied by the Company and the associated cost being below \$50,000, approval was sought from the Commander RFMF.

Auditor-General's Recommendation

The RFMF should investigate the reasons for excessive purchases made and ensure compliance with the Tender Board approval at all times.

1.3.8 Sea Freight Payments

Audit Findings

Audit review of sea freight payments to officers revealed the following anomalies:

- sea freight payments, in some cases, were made on the strength of quotations received from the logistic companies;
- sea freight charges totalling \$9,569.9744 were paid to the officers instead of the logistic companies. However, the officers were yet to provide a copy of the invoice or bill of lading.

Moreover, the RFMF did not bond officers who had undertaken fully-funded overseas trainings.

Agency Response

The Committee was informed that:

- Payment of freight on quotations will now be charged to the officer's accountable advance. Officers will be required to retire this through production of receipts and other documentations from freight companies; and
- Officers on overseas training for 3 months or more or are now required to sign a bond before leaving the country.

Auditor-General's Recommendations

The Force should ensure that:

- claims for reimbursement of excess baggage claims are properly scrutinised and payments are made to officers who provide the required supporting documents; and
- officers are bonded prior to undertaking fully-funded overseas training.

1.3.9 Variances in Payroll

Audit Findings

The audit noted the following anomalies from the review of payroll records:

- Variances were noted between the FMIS general ledger and Government Payroll System for payment of allowances.
- Gratuity allowance of \$18,799.4051 was manually paid to an officer on 12 May 2016. The manual payment was not updated in the government payroll system. Similarly, review of the FMIS general ledger posting revealed that a total of \$105,584.29 manual payments were made during the period.

Agency Response

The Committee was informed that the FMIS GL is the correct recording and the Government Payroll System should be reconciled accordingly.

The variances occurred due to the movement of staff through deployment from RFMF (Head 19) to Peace Keeping operations (Head 49). RFMF has appointed a civilian officer to conduct payroll reconciliations.

All manual payments are now updated into the system, but the Committee noted that the financial year ends in July while the payroll follows the calendar year.

The gratuity allowance which was paid to that particular officer is reported in the payroll at the end of the calendar year. The Committee noted that the manual payments reported in Appendix 19.7 are for payroll salary that was reversed from the bank due to incorrect account/personal details. This reversal is receipted and paid to the officer through their banks. This transaction does not get updated in the payroll system.

Auditor-General's Recommendations

The RFMF must:

- investigate the variances highlighted and ensure that general ledger and government payroll system reconciles; and
- ensure that manual payments are promptly updated in the Government Payroll System.

1.3.10 Revenue not fairly stated in the Financial Statements

Audit Findings

Audit review of revenue records revealed the following anomalies:

- VAT receivable amounting to \$29,852 has been recognised as revenue during the year; and
- Income received from marching band performance has not been recognised as operating revenue but is kept in the Band Trust Account.

Agency Response

The Committee was informed that VAT on revenue will be recognized only when they are received. The RFMF currently advises Fiji Revenue and Customs Service formally of any credit and requests that it be off set when there is a debit return.

Auditor-General's Recommendations

The RFMF must ensure that:

- revenue is recorded and recognised when cash is received; and
- VAT receivable recorded as revenue is reversed and adjusted to the correct allocation.

1.3.11 Anomalies in the Underline Accounts

Audit Findings

The following anomalies were noted from audit review of the Underline accounts:

- Variances were noted between the total debit and credit of the Operating Trust account, Drawings account and SLG84 reconciliation statement and FMIS general ledger.
- Variance of \$52,391 was noted between the reconciliation statement and FMIS general ledger for SLG 84 (Receipts of Cheques from Other Ministries).
- As at 31st July 2016, the Operating Trust Account had a balance of \$3,337,122 of which \$3,077,393 or 92% was carried forward from prior years.
- Advances totalling \$39,242 were not cleared within seven days resulting in expenditures being understated.

Agency Response

The Force informed that its Accounts Section is regularly monitoring the travel advances to ensure the prompt retirement of accountable advances.

It was noted that this variance is only from the first reconciliations conducted on the Accounts. The final amount has not been determined yet and which is supposed to be then subjected to audit. The reconciliation for the final account which has been closed has no variance.

It was also noted that the MoE did a double posting on Pay 17 and Pay 19 in 2015 which resulted TFA balances to increase to \$3.3m as reported. This was not regularized until May 2017 by MoE. Reconciliation Statement for May 2017 shows that balances have been decreased.

The Committee was informed that all 2016 accountable advances have been cleared. The Force Accounts Section is closely monitoring the Accountable Advance to ensure the prompt retirement of accountable advance.

Auditor-General's Recommendations

The RFMF must ensure that:

- Operating Trust, Drawings and SLG 84 (Receipt of Cheques from Other Ministries) accounts prepared by RFMF are reconciled to the FMIS general ledger. Any variances noted should be investigated and necessary adjustments made; and
- Travelling advances are cleared within 7 days of the completion of the travel; failing which recovery should be made from the responsible officer's salary.

1.4 Trading & Manufacturing Account (TMA)

The following discrepancies were noted from audit review of the trading and manufacturing activities:

1.4.1 Weaknesses in Internal Control for TMA

Audit Findings

Audit review of internal controls for the Trading and Manufacturing Account revealed the following weaknesses:

- the planned performance and profit target for three subsequent years (2017, 2018 and 2019) was not documented in the 2016 business plan.
- there was no segregation of duties. The authorised cheque signatories for the RFMF TMA Account are the same officers assigned to approve invoices for payments, reviewing and reconciling of financial records before payments are done.
- monthly bank reconciliations were not submitted to the Ministry of Economy on a timely basis.
- Cabinet is yet to approve the rates at which the vehicles/plants are to be hired.

Agency Response

The Force informed that it has improved its internal control for financial year ending 31 July 17 by:

- Advising Officers concerned to prepare business plan in accordance with Finance Manual;
 - Preparing monthly bank reconciliations for TMA and submitting to the Ministry of Economy in a timely manner.
 - The charges by the Engineers TMA are still being reviewed before approval is sought from the MOE.
- The Committee was also informed that signatories have been changed.

Auditor-General's Recommendations

The RFMF must ensure that:

- the business plan is prepared in accordance with Section 6.1.1 of the Finance Manual;
- cheque signatories are independent of the procurement process;
- bank reconciliations are prepared and submitted to Ministry of Economy in a timely manner; and
- approval for prices for plant/vehicle hire is followed up with the Ministry of Economy.

1.4.2 Weaknesses in Fuel Management

Audit Findings

Audit review of the fuel records at the Engineering Division revealed the following weaknesses:

- The garage where the kerosene, premix, azolla and rubia were kept is not locked. Similarly, the fuel tank is not locked when not in use. Hence, there is a very high risk of loss of fuel through theft and misuse;
- The fuel management officer did not carry out daily measurement of fuel in tanks. Consequently, the fuel inventory reconciliation was not performed;
- fuel purchased was not promptly recorded in the fuel inventory book;
- the closing stock balance was not carried forward to the subsequent month; and
- Discrepancies in fuel records were not promptly investigated and rectified.

Agency Response

The Committee was informed that:

- The garage is only opened during working hours and locked after working hours. Similarly, the fuel tank is locked when not in use;
- The transport officer carries out measurement of fuel tanks and fuel inventory reconciliation on weekly basis as the tank is only used as a reserve for unforeseen circumstances;
- Fuel purchased is recorded in the fuel inventory book as and when new stock arrives; and
- Opening and closing stock balance has been reconciled and carried forward to the subsequent month.
- In addition, the review of the RFMF Standing Orders Vol. 2 – Stores Accounting. The new Transport Manual has been endorsed by Commander RFMF.
- The Annual Stock take for the financial year ending July 2016 for TMA was verified by the RFMF Internal Auditor. An officer from the OAG is now part of the annual stock take.

Auditor-General's Recommendations

The RFMF must ensure that:

- controls and records over fuel management are improved; and
- discrepancies in fuel are promptly investigated and disciplinary action taken against responsible officers.

1.4.3 Anomalies in TMA Activity – Plant Pool and Hydrographic

Audit review of the Trading and Manufacturing Activity account revealed the following anomalies:

Audit Finding

- Revenue totaling \$36,695 collected in 2015 has been recorded in the 2016 general ledger resulting in TMA sales being overstated by \$36,695.

Agency Response

RFMF will ensure that all funds received will be accounted for within the correct accounting period.

Audit Findings

- There was a variance of \$72,007 between the FMIS general ledger and the Statement of VAT account received from Fiji Revenue and Customs Service (FRCS).
- The audit further noted that the VAT from the sale of hydrographic charts and the refund of \$5,125.79 was not disclosed in the June 2016 VAT returns lodged to FRCS.

Agency Response

The Force informed that it had strengthened its Internal Control by discouraging direct deposit to the bank by the clients. All revenues are to be receipted at HQ and credited to various allocations including TMA.

It was noted that the Navy Hydrographic Unit is no more operating under the TMA from 01st August 2016 and being approved by the Ministry of Economy. All funds associated to be transferred by the MoE from the TMA to the CFA.

In addition, Vat Returns for the TMA will be checked by the Accounts Section to ensure that vat payments are correct in all aspects.

Audit Finding

There was no independent verification carried out for inventory balance of \$25,363.

Agency Response

The Annual Stock take for the financial year ending July 2016 for TMA was verified by the RFMF Internal Auditor.

The Committee was further informed that an officer from OAG is now part of the annual stock take.

Auditor-General's Recommendations

The RFMF should ensure that:

- direct deposits are promptly posted to the FMIS general;
- proper reconciliations are carried out and any errors are investigated and adjusted accordingly; and
- year-end stock take is independently verified.

1.5 Project Account

The following discrepancies were noted from an audit review of the Project Account:

1.5.1 Weaknesses in Internal Control for Project Account

Audit Findings

Audit review of the internal controls system for the Project Account revealed the following weaknesses:

- The revenue collector was not formally appointed by the Chief Staff Officer Finance.
- Distribution Register was not maintained to record all receipt books issued to the revenue collectors.
- Unofficial receipts were used for receipting of revenue from 2009 to July 2016.

- Six blank cheques were signed by the cheques signatories while 103 blank cheques were pre-signed by one cheque signatory increasing the risk of misuse of funds and fraud.
- Commitment Ledger and Local Purchase Order Register was not updated.
- Reconciliations were not prepared for cash balances of \$194,642.2278 and funds received from donor Ministries.
- Contrary to the instructions from the Office of the Prime Minister to construct a 1 x 4 classroom, the RFMF constructed a 1x 5 classroom that resulted in the utilisation of savings from other projects totalling \$28,867.86. Similarly, the cost overruns for some projects were financed from savings of other projects.

Agency Response

The Force informed that it had closed the Engineer's Project Fund Account.

All new projects are receipted under trust fund account and associated expenditures are paid out through FMIS.

The Committee noted that now that the Engineers Project Fund Account is reported under FMIS, all Government accounting documents/procedures are used and followed (Revenue Receipt books, distribution registers, etc.) Furthermore, the accounting function is carried out at the Strategic Headquarters Accounts Section.

Also, the over expenditures had been regularized by the Ministry of Health & Medical Services and is also receipted under the trust fund.

Auditor-General's Recommendations

The RFMF must ensure that:

- Immediate action is taken to address the control weaknesses highlighted; and
- instructions and requirements stipulated in the Finance Instruction and Finance Manual are strictly complied with in future.

1.6 Farm Account

1.6.1 Weaknesses in Internal Control for Farm Account

Audit Findings

Audit review of the internal controls systems for the Farm Account revealed the following weaknesses:

- A total of 24 blank cheques were pre-signed by the Commanding Officer Territorial Force while the cheque book was kept by the Farm Manager who is also one of the cheque signatories for the Farm Account.
- A total of \$21,056 expenditures were not supported with relevant supporting documents such invoices/receipts/statements.
- The Farm Manager used his personal vehicle for official duties without approval of the Commander. Accordingly, the Farm Manager purchased spare parts, claimed for transportation cost, cleaning and fuel for the vehicle.

Agency Response

The Force informed that in the newly revised approved Force structure, the Farm is now under the RFMF's Directorate of Finance, Logistics and Acquisition for better financial management control.

Furthermore, the Force is currently reviewing its Standing Orders Vol. 2 which caters for Stores Accounting and Support Matters after 19 years. Once the revised document is endorsed, all supportive administrative Instructions will also be reviewed and new processes will soon come into effect including the administrative of the RFMF Farm which encompasses a holistic review for the RFMF Farm.

The Force further informed that the current rules and regulations are outdated and do not reflect the current changes in the RFMF.

Auditor-General's Recommendations

The RFMF must ensure that:

- The Farm Manager complies with the instructions stipulated in the General Order and the Administrative Instructions; and
- the anomalies highlighted are investigated and disciplinary action is taken against responsible officers.

1.6.2 Gift of \$100,000 not deposited in the Consolidated Fund Account

Audit Findings

Audit review of the bank statements noted that a cheque of \$100,000 was deposited into the Farm Account instead of the Consolidated Fund Account. However, the purpose of the fund could not be determined as supporting documentation was not produced for audit verification. It was noted that the funds were used to finance the operations of the farm.

Agency Response

The Force informed that the donation was conditional and that it was specifically for the administration and operation of the Farm after TC Winston. Hence the fund was receipted and deposited into the RFMF Farm Account.

It was also noted that the farm is in partnership with the Ministry of Agriculture and the Taiwanese Government. The donation therefore was given in view of this holistic partnership and not specifically to the RFMF.

Auditor-General's Recommendations

The RFMF must ensure that funds received from donors are processed through Ministry of Economy and deposited into the Consolidated Fund Account. In addition, any conditions to a donation should be first be discussed and agreed with Ministry of Foreign Affairs prior to acceptance of donation and receipt of funds or goods.

1.7 Follow Up On Previous Year Accounting and Control Anomalies Raised

During the 2016 audit, the status of the matters reported in the previous year was followed up. These matters have remained outstanding as actions are yet to be taken by RFMF to resolve them.

1.7.1 Non Updating of 2016 Person to Post Listing

Audit Findings

Person to post listing was not maintained by the Human Resource section.

Agency Response

There was an aggressive task undertaken by the institution in terms of capturing all the service personnel it has. This was carried out in order to ascertain the number of staff in the Military Force, their role, and whether it reconciled with the staff that are being paid out of the Force's payroll. A database was created and each individual was profiled.

Auditor-General's Recommendation

RFMF should finalise person to post listing at its earliest.

1.7.2 Items Not Taken on Charge

Audit Findings

Items procured by respective stores such as Supplies, Logistics Support Unit (LSU), Engineers, Medical and Plant Pool were not taken on charge in the tally card by the respective Quarter masters.

Agency Response

Most of the issues pertaining to this have been regularized and outstanding items have been taken to charge, however, this is a work in progress.

Auditor-General's Recommendations

RFMF must ensure that:

- Adequate supervisory checks are in place to ensure stocks are taken on charge when received; and
- Stock card contains basic information such as date of acquisition, quantity received, quantity issued and date of issue are updated, etc.

1.7.3 Planned Capital Projects not Undertaken

Audit Findings

Funds provided in 2014, 2015 and 2016 budget for Kiro Patrol Boat project were not used at all and unused funds went back to the Ministry of Economy.

Similarly, a sum of \$7.5m was allocated in 2015 for the Black Rock Integrated Peacekeeping Centre (BRIPC). As at 31/12/15 only \$7,538 was utilised for the BRIPC project. According to the RFMF, the planned work for 2015 was not carried out because of the delay in finalizing the awarding of tender.

Agency Response

Refer to Agency's response in 1.3.2.1 above.

Auditor-General's Recommendations

The RFMF should:

- ensure that all capital projects are properly planned and adequate arrangements made to implement the projects as quickly as possible when funds are provided; and
- investigate and take appropriate action against officers responsible for implementing these projects for their poor performance.

1.7.4 Engineer Unit & Plant Pool (TMA)

Audit Findings

Overspending in Projects Undertaken by the RFMF Engineer - Capital construction projects undertaken by the RFMF for other ministries and departments revealed cost overruns on a number of projects.

Agency Response

Refer to Agency's response in 1.5.1 above.

Auditor-General's Recommendations

The RFMF should ensure that:

- proper planning and realistic costing of project is done. Any variation in the cost must be justified and consulted with the respective ministries/department in a timely manner before incurring it;
- all agreed cost variations are recovered from the respective ministers and departments so it does not affect the other capital project pending with the RFMF; and
- works Officers must ensure that the project is managed and completed within the budgeted cost and timeframe.

1.7.5 Credit Cost of Goods Sold

Audit Findings

The RFMF's cost of goods sold had a credit balance of \$4,939 contrary to the nature of the account being an expense account.

Agency Response

The operation of the Hydrographic TMA had ceased operation with effect from 01 August 2016.

Auditor-General's Recommendations

The RFMF should verify its TMA balances and rectify errors detected to ensure balances are correctly.

1.7.6 Anomalies in the Operation of Engineers Project Trust Fund Account

Audit Findings

- Total receipts of \$1,985,410 and total payments of \$2,921,204 for the year 2015 were not recorded in the FMIS general ledger.
- Statement of Receipts and Payments for the Engineers Project Trust Fund Account was not included in the Agency Financial Statements.
- The RFMF opened the Engineers Trust Account with the Bank of South Pacific without an approval from the Chief Accountant.

Agency Response

Refer to Agency's response in 1.5.1 above.

Auditor-General's Recommendations

The Force should ensure:

- All transactions are recorded in the FMIS general ledger when incurred;
- The annual financial statements include the Trust Fund Statement of Receipts and Payments for the Project Trust Fund Account; and
- Proper approval is obtained from Ministry of Economy for the operation of the RFMF Engineers Trust account and also liaises with Ministry of Economy to open the general ledger account.

1.7.7 RFMF Farm Account

Audit Findings

The audit noted that the Farm's piggery pan was used by former military officers to rear their personal stock. Even though the feeding and labour engaged are paid by the former military officers it does not benefit the Farm in anyway.

Agency Response

The privately owned pigs will be removed when the Farm acquired pigs for its stocks.

Auditor-General's Recommendation

The RFMF should make arrangement for the pigs that are privately owned to be removed from the RFMF farm piggery.

SECTION 20

Fiji Police Force

Role and Responsibilities

The Fiji Police Force has the important responsibility of keeping the people of Fiji safe by maintaining law and order, protecting property and upholding the law. Every Fijian should feel secure in their homes and free to go about their daily business without any form of criminal violence or intimidation.

Crimes need to be properly investigated, wrongdoers need to be quickly identified and cases need to be brought to trial through Criminal Justice System. To do this, Fiji needs a Police Force that is professional, well equipped and trained, adequately compensated and supported by appropriate technology.

The Government has allocated the Fiji Police Force a total budget of \$126.3 million.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Fiji Police Force resulted in the issuance of an unqualified audit report.

PART B: AUDIT FINDINGS

1.2 Irregularities in the Operating Trust Fund Accounts

Audit Findings

Audit review of the operating trust fund account revealed the following anomalies:

- The operating trust fund account had a credit balance of \$2,365,702.07 as at 31/07/16 which included significant outstanding balances from prior years.
- As at 31 July 2016, the Force's operating trust fund accounts had overdrawn balances totalling \$25,980.05. The Force could not provide reasons for the overdrawn balances.

Agency Response

Accounts with significant balances carried forward to 2016

- The Force informed that it has completed 70% in verifying and reconciling the account.
- Once the tasking will be completed, all the misallocation that are within TFA or RFA will be corrected through journal vouchers.
- However, for adjustments that will require funds, etc., guidance will be sought from the Ministry of Economy.
- The Force is expecting to complete this task by the end of June 2018.
- The total balance yet to be reconciled is \$1,067,072.59 and is currently a work in progress.

Overdrawn Operating Trust Fund Accounts

- The Force informed that this was a one off case where a total amount of \$25,980.05 was overdrawn in various TFA allocations.
- The Committee noted that this anomaly has been identified since salary uploads and payments were made from incorrect account numbers, adjustments have been made to the correct the misallocations.
- The Force informed that the total balance has been cleared.

Auditor-General's Recommendations

The Force should:

- investigate and rectify carry forward balances from prior years;
- ensure that trust funds are not overdrawn at any time and investigate and rectify the overdrawn balances; and
- ensure that controls and supervisory checks in the Accounts Section is strengthened to avoid such discrepancies from incurring in future.

1.3 Revolving Fund Account (RFA)

Audit Findings

Audit review of the Revolving Fund Account-Prepayments and Accrued Income revealed the following anomalies:

- Allocations 1-20101-20999-570101 and 1-20102-20101-570301 had debit balances amounting to \$114,920.52 and \$432.00 respectively which had been carried forward from previous years. Since detailed breakdown of these balances was not provided for audit review, the correctness of the above balances could not be substantiated.
- As at 31/07/16, allocation 1-20101-20101-570301 had a debit balance of \$132,174.09 of which \$120,421.01 relates to carried forward balances from previous years. The audit was also not able to substantiate the closing balance as at 31/07/16 due to errors in the July 2016 reconciliations which were submitted for review.

Agency Response

The closing balance for 2016 was \$132,174.09

- Similar exercise was undertaken as carried out for the Trust Fund account to clear the RFA for previous years accumulative figures back dated to 2014.
- From this account funds are given as Accountable Advance to officers who travel on duty to attend Court, investigations, etc.
- The verification Task Team has also identified that there are misallocations that are within these RFA and TFA which has been corrected through JV and where funds will be required guidance will seek the assistance from the Ministry of Economy to clear the accumulative figures.
- Currently, the Task Force Team is verifying the unidentified balance of \$17,595.88 (of which \$7,033.37 has already been identified) that is for previous year's outstanding balance.

Allocations 1-20101-20999-570101 and 1-20102-20101-570301

- The two above allocations has zero balance and deactivated (inoperative) after consultation with Ministry of Economy (FMIS).

Auditor-General's Recommendations

The Force should:

- ensure that all relevant supporting documents for all RFA accounts are properly maintained and produced for audit scrutiny; and
- investigate and rectify the long outstanding balances in the Revolving Fund Account.

1.4 Misallocation of Capital Purchase Appropriation

Audit Findings

The audit noted that uniform accessories worth \$391,839.05 were procured from the SEG 9 Standard Equipment allocation instead of SEG 5 Uniform and Accessories and Clothing, Equipment and Stores allocations.

Agency Response

- The budgetary fund was allocated in the Capital and Tender that was awarded to a Vendor that included both the operating and capital procurement.
- This was a one-off case and the Force will ensure that Virement process is followed to redeploy (separate) funds to appropriate expenditure allocations before procurement and payments.
- The Capital purchase will be made from SEG 9 Capital allocations and Operating expenditure from SEG 5.

Auditor-General's Recommendations

- The Force should be vigilant and ensure that the capital purchase funds are used for its intended purpose; and
- The Force should also ensure that mispostings are adjusted in a timely manner so that expenditures incurred are properly accounted against the respective budgetary allocations.

1.5 Anomalies noted in the revenue

Audit Findings

Audit review of revenue records revealed the following anomalies:

- Considerable delays were noted in the lodgement of revenue by the Force.
- Instances were noted whereby the total revenue including VAT was posted to the revenue allocation.
- Instances were also noted whereby revenue receipts could not be located although revenue received on the receipts sequence before and after these receipts were found to be banked.

Agency Response

- The Force now has AAOs who are based at various Divisional Police Commanders Offices. These Divisional AAOs are instructed to conduct regular inspections on their Revenue Collectors, provide training, etc. including for the remote and maritime stations. Furthermore, all revenue collectors are reminded again

for the daily banking of revenue collected where the banking facilities are provided, except for the remote and maritime Police Stations within the week.

Taveuni Police Station

- During verification of bank lodgements for the station, it was discovered that there was irregular banking and some receipts were not accounted for. An investigation was carried out by the Police Internal Affairs department and the case is handed over to Director of Public Prosecutions (DPP) in March this year for sanction and further directive on this case. The Force is still awaiting their decision on this case.

Revenue VAT

- This was a one-off case and all efforts have been undertaken to ensure that the money collected from Police Clearances, Fire Arm license, Committal Warrant Fees, etc. is receipted to correct VAT and Revenue allocation and accordingly posted into FMIS GL. The VAT revenue collected is paid monthly to FRCS.

Auditor-General's Recommendations

The Force should:

- ensure that all cash received are banked intact daily;
- VAT portion from the total revenue receipted is posted to relevant VAT allocation (SLG86) and remitted to FRCS on a timely basis;
- investigate the anomalies highlighted and take corrective measures; and
- provide refresher training to revenue collectors and FMIS General Ledger Data Clerk.

5.0 CHAPTER FIVE – AUDIT REPORT ON SOCIAL SERVICES SECTOR (VOLUME 3)

Section 21

Ministry of Education, National Heritage, Culture and Arts

Role and Responsibilities

The Ministry is responsible for the delivery of Education and Training Services to schools, pre - schools, and training centres and it is also responsible for the preservation of the different cultures in Fiji. These include the provision of curriculum frameworks, policy – guidelines, qualified teaching personnel, and programmes support to controlling authorities and education. The Ministry also has responsibilities for ensuring that standards in education are met and maintained through the regulation and recognition of education. Through advisory services, support is rendered to school management for the effective running of schools as well as financial assistance for construction and maintenance of school facilities. The Ministry is also tasked with improving rural education standards and the education opportunities of disabled students and out of school youths. The Ministry has undertaken three (3) new initiatives and these include the establishment of the Fiji Teachers Registration Board, the formulation of the language policy and the establishment of seed capital for Poverty Relief Fund, which also co – funded by private public partnership scheme.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Education resulted in the issuance of an unqualified audit report.

PART B: AUDIT FINDINGS

1.2 Anomalies on Building Grant

Audit Findings

Audit review of the Building Grant records revealed the following anomalies:

- There was no evidence of monitoring done on certain building grant projects. The acquittal reports and the project monitoring reports were prepared and signed-off by school heads and sent directly to the Ministry's Headquarters without being verified by either the District Education Officers (DEO) or the Asset Monitoring Unit (AMU).
- **Financial Reports (audited if practicable) and Progress Reports not submitted:**
Certain schools did not submit financial reports and progress reports.

- **Tender , quotation and approved plan not attached to Building Grant applications:**

The Ministry continued to approve and disburse grant to schools, even though the schools failed to submit the required documentation listed below with the grant application:

- Quotation for works costing \$1,000 or more but less than \$50,000.
- Buildings plans with the proper approval from the Local Authorities and Building Engineers ensuring that the schools building plans are in accordance to the National Building Code.
- Tender approval for works valued \$50,001 or more.

Agency Response

- Much of the funds were diverted towards the rehabilitation of TC Winston.
- The school managers will have to request the Ministry for Building Grants and this is deposited directly into the School's Bank Account and the Treasurer and the Manager are responsible for the administration and operations of these funds.
- All capital projects mentioned in Table 21.3 have been completed except for the school registration number – 9607 and 1309 due to lack of funds and the change of the Building Plan by the school respectively.
- The Ministry conducts regular and vigorous verification and make site visits with the Capital Implementation Unit of the Ministry of Economy.

Ministry of Economy Response

The Committee's attention was drawn to Section 32 (1-4) 'Emergency purchases' of the Procurement Regulations 2010.

Auditor-General's Recommendations

The Ministry should:

- ensure that the Assets Monitoring Unit and District Education Officers verify and inspect the construction of school buildings which have been completed;
- required documents are submitted with the building grant applications; and
- obtain progress report and audited financial statements from the recipients of grants to ensure that all grant moneys are properly accounted for.

1.3 Absence of Signed Agreement

Audit Findings

The audit noted that the Ministry did not have a grant agreement for the grant of \$931,086 paid to Fiji Higher Education Commission.

Agency Response

- The Memorandum of Agreement (MOA) was prepared by the Ministry and Sent to SG's office for vetting on the 6 April 2016.
- However due to the change in the financial year and delay in vetting of the MOA, the Ministry was advised by the SG's office that the agreement will not be vetted and Ministry to submit a new MOA for the new Financial Year.
- For monitoring purposes, the Commission has been submitting quarterly reports to the Ministry and has been up to date with its financial reporting.

Auditor-General's Recommendation

The Ministry should ensure that a grant agreement is signed with the Higher Education Commission prior to disbursement of any further funds.

1.4 Administration of Free Education Grant

Audit Findings

The audit noted the following anomalies in the administration of the Free Education Grant (FEG) by the Ministry.

- **Utilisation of Grant** – Review of the schools audited financial statement for FEG for the 2015 financial period revealed that the grants were not always utilised in accordance with the percentage allocations prescribed in the FEG Policy.

However, the audit could not ascertain the authority to incur expenditure over the allocated percentage as requisite approval from the Permanent Secretary of Education was not provided.

- **Inconsistency in the audited financial statements format** – The audit further noted that some of the audited financial statements were not prepared in accordance with the format prescribed in Ministry's Circular Memorandum dated 09/01/15.
- **Variance in the audited school roll and that actually paid by the Ministry** – Further scrutiny of the grant disbursed to schools revealed variances between the records generated from the FEMIS15 report and the manual records maintained by the Ministry.

Agency Response

Utilisation of Grant

- Management and school heads training has been done systematically
- Launch of New School Management Handbook 2017
- Subsequent follow up training done

- Recruitment of School Heads (JD and KPI) in 2017 and 2018
- System development

Inconsistency in the audited financial statements format

- Check that identified schools were audited by the MEHA audit team.
- System developments have been made in FEMIS and schools are now mandated to generate payment vouchers out of FEMIS.

Variance in the audited school roll and that actually paid by the Ministry

- In Term 3 of 2015, the Ministry did not use Fiji Education Management Information System (FEMIS) for class audits as manual forms were still being used.
- The FEMIS policy came into effect in 2016.
- The FEMIS student roll was being tested at schools for FEG purposes hence the audit issue highlighted by the Office of the Auditor General is incorrect.

Furthermore, the Ministry that in order to ensure that grants are utilised for their intended purpose, the following mechanisms have been put in place:

- The FHEC is required to provide acquittals on a quarterly basis on how the grants were utilised before grants for the next quarter are released.
- Annual audited financials.

Auditor-General's Recommendations

The Ministry should:

- regularly monitor the manner in which FEG recipients utilise the grant to ensure that they are utilised within the allocation percentages stipulated in the FEG Policy;
- ensure that approvals are obtained from Permanent Secretary for Education for utilisation of funds above the allocated percentage as stipulated in the FEG Policy.
- ensure that grants are paid to schools as per the audited school rolls;
- stamp date received all audited financials submitted and maintain database of financials submitted for compliance and other purposes; and
- ensure that all schools comply with the prescribed format of audited financial statement.

1.5 Anomalies in Accountable Advance

Audit Findings

The audit noted the following anomalies in the administration of accountable advance by the Ministry:

- Although accountable advances were not retired within seven days of the completion of travel, recovery of the amount and interest was not made from the salaries of officers concerned.
- Advances were not correctly recorded as certain advances issued were directly charged to expenditure account instead of advance accounts of officers concerned.
- Accountable advances totalling \$224,947 have not been retired as at 31 July 2016. The aging of the outstanding accountable advances indicates that advances totalling \$170,077 have been outstanding since 2015.
- Accountable advances were not always fully retired.

Agency Response

- Ministry has reviewed the advances and all necessary deductions have been done either from source or salary deductions. Ministry now strictly monitors the accountable advances and timely deductions are being implemented.
- On Table 21.10 (Late retirement of Accountable Advance) – deduction has been made from the salaries of all Officers identified.
- Ministry has improved its processes and now all advances are being done through the accountable advance allocation instead of the direct expense allocation.
- Ministry no longer uses the direct expense allocation since January 2017.
- The amounts stated as unaccounted in Table 21.13 are the receipts for which the officers have paid as cash, therefore the acquittals are fully received and retired.

Table 21.13 Accountable Advance Partially Retired

EDP	Amount	Unaccounted	Remarks
56946	\$471.00	\$445.00	Account has been cleared as Officer was able to provide evidence of how funds were utilised.
44028	\$2,100.00	\$535.86	Receipt # 586423 (This was a refund)
55739	\$5,555.00	\$335.30	Receipt # 586408

Auditor-General's Recommendations

The Ministry should:

- ensure that the staffs are regularly reminded to retire any accountable advance taken after on timely basis following completion of trips;

- investigate the reason for officers not fully retiring accountable advances and instigate necessary recovery actions on officers who failed to retire advances within seven days upon return from duty;
- ensure that accountable advances are properly accounted and promptly reflected in expenditures within the accounting period.

1.6 Backlog Audited Accounts for Grant Recipients

Audit Findings

The audit noted that the grant recipients have not submitted the audited accounts and acquittals to the Ministry of Education. Refer to Table 21.14 for details.

Table 21.14: Details of Submission of Audited Accounts and Acquittals

Grant Recipients	Remarks
Fiji Museum	2010 – 2016 audited accounts yet to be submitted to Ministry (Fiji Museum appoints its own external auditor)
Fiji Arts Council	2004 – 2016 audited accounts yet to be submitted to Ministry.

Agency Response

Fiji Museum Update:

- 2006 – 2009 – audit completed but no verification. Auditor requested to proceed with finalizing.
- 2010 – 2014 – Files with FICAC.
- 2015 – 2017 – internal updating of accounts completed. Awaiting Museum auditors to conduct audit.

Fiji Arts Council:

- still working on compiling the documents for audit of accounts.
- The council is facing some financial constraints to conduct the audit as well as in obtaining competitive quotations for an independent audit to be carried out.

Auditor-General's Recommendation

The Ministry should closely monitor the submission of acquittal reports and audited financials to ensure the grant money are utilised for the purpose it was appropriated for.

1.7 Stale Cheques/EFT in Unpresented Listing

Audit Findings

Audit review of the Ministry's unpresented cheque and Electronic Funds Transfer (EFT) listing revealed the following anomalies:

- Stale cheques totalling \$21,401 were still appearing in the unpresented cheque listing as at 31/07/16.

- A total of \$1,021,279 of EFTs are yet to be transferred after a period of six-months since the date of notification to the bank for the transfer.

Agency Response

The Ministry informed that the majority of the entities appearing in the Unpresented cheque listing relates to EFT transactions. This issue has been resolved and GL reconciliation with bank transfer has been done.

Auditor-General's Recommendation

The Ministry should ensure strict adherence to controls such as review of bank reconciliations and timely follow up of stale cheques and pending EFTs by supervisors in the Accounts Section.

Section 22

Ministry of Health and Medical Services

Role and Responsibilities

The Ministry of Health's goal is to provide a health care system that is accessible, affordable, responsive, equitable and of a high quality to the people. In doing so, the Ministry of Health and Medical Services will address its strategic themes of provision of health services, protection of health, promotion of health, productivity in health and people in health to achieve the major outcomes summarised below. To achieve this goal, the Ministry will develop from available resources a comprehensive health delivery system dedicated to primary health care, health promotion and disease prevention. Improvements to the delivery of health services will continue to be pursued by the Ministry and in partnership with key stakeholders including the private sector and development partners. The Ministry will also continue with the training of personnel to address critical staff shortages in health institutions, together with the maintenance and upgrading of health facilities in the rural areas. In addition, services will continue to be provided for the care of the elderly.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts for the Ministry resulted in the issuance of a qualified audit opinion. The qualification issues were as follows:

Agency and State Revenue - Statement of Receipts and Payments

1. Included in the Miscellaneous State Revenue of \$844,360 is License & Other revenue of \$679,454.93 which was posted in error thus overstating Miscellaneous State Revenue by the same amount.

Main Trust Fund Accounts

1. Net adjustments totaling \$875,569 (Note 5 to the accounts) relating to prior year trust fund receipts and payments were made in the current year's general ledger for the (1) Cardiology Services Trust Fund and (2) Sahyadri Trust Fund Accounts to reconcile the closing cash balances held against the two trust fund accounts. Details of the adjustments were not provided for audit review.
2. Proper monthly reconciliation of the cash at bank balance, cash general ledger and cash book for trust fund accounts were not carried out for whole period ending 31 July 2016.

Without further qualifying the accounts, attention was also drawn to the following:

1. The total retention sums calculated on contractual progress payments for capital works made by the Ministry were neither transferred to a separate operating trust fund account nor were they recognised

as capital expenditures during the period. The Ministry was also unable to provide reconciliation for all the retention monies as at 31 July 2016. The Ministry was liaising with the Ministry of Economy on the procedures to record the retained sums.

PART B: AUDIT FINDINGS

1.2 Anomalies in Drawings Account Reconciliation

Audit Findings

Audit review of the Ministry's Drawings Account reconciliations revealed the following anomalies:

- The Ministry did not perform the monthly reconciliations for both (headquarters/western division) drawings account. Instead, the reconciliation for the seven month period was carried out by the Ministry of Economy in consultation with the Ministry. Hence, the errors and omissions made in Drawings account during the seven month financial period were not detected and corrected on a timely basis.
- The Ministry of Economy prepared the seven months reconciliation based on the drawings account bank statements, FMIS system cash book (AP470 report) and drawing general ledger (GL621 report) without any manual cash book record provided by the Ministry. The reports generated from the FMIS old system to perform the reconciliation were noted to be incomplete and hence could not be relied upon to produce an accurate reconciliation of the Drawings Account.
- In this instance, it was noted that the FMIS system cash book (AP470 report in old production) for the period January to July 2016 was incomplete.
- The drawings general ledger (GL621 report) was also incomplete and did not reconcile with the AP470 report as payments totalling \$2,420,283.80 was not recorded in the drawings general ledger but was in the system cash book (AP470 report). Similarly the total payments amounting to \$13,087,032.71 was not captured in the systems cash book (AP470 report) but was recorded in the general ledger.
- The audit also noted a huge amount of EFT payments being presented in the incorrect drawings bank account. It was noted from the reconciliation that payments totalling \$3,702,427 and \$3,979,067 was recorded as foreign EFTs in the Headquarters and Western drawings bank account, respectively.
- Moreover, the Ministry of Health did not carry out an Annual Board of Survey on its Headquarters Drawings account as at 31/07/16.

Agency Response

- The Ministry informed that the Drawings Account Reconciliation has been updated till January for MOH HQ & North, and February for Western drawings reconciliation.

Auditor-General's Recommendations

The Ministry should:

- carry out a Board of Survey on the Drawings account to verify the drawings accounts reconciliation and general ledger records;
- ensure that the Ministry's drawings account is reconciled on a monthly basis;
- review its un-presented cheques listing on a regular basis and make attempts to locate the payees and ensure cheques are presented before they become stale;
- measures are put in place to ensure that proper processes are strictly adhered to when processing payments in the FMIS system;
- consider maintaining a manual cashbook to record details of all payments made during the year; and
- vendor details including bank account details are regularly updated in the FMIS and properly checked before payments are processed.

1.3 EFTs in the Unpresented Cheques Listing

Audit Findings

Audit review of the Drawings Account reconciliation as at 31 July 2016 prepared by the Ministry of Economy revealed the following anomalies:

- Out of the \$1,026,042 recorded as unpresented cheques for Headquarters, a total of \$813,430 or 79% of the total UP listing comprises of EFT payments dating back to 13 January 2016 to 22 July 2016.
- Similarly, for the Western Division unpresented cheques listing, a total of \$170,450 or 99% of the total UP listing comprising of EFT payments dating back to 24 March to 22 July 2016.
- Total payments processed through EFT amounting to \$56,042 dating back to 2015 were cleared as stale in the 2016 general ledger and reconciliation for Headquarters in order to reconcile the Drawings Account general ledger balance to the unpresented cheques listing. Similarly, a total of \$254,250 worth of EFTs dating back to 2015 were also cleared as stale in the general ledger and reconciliation for the Western Division. There was no evidence that the unpresented cheque listings were reviewed to determine whether a replacement cheque should be issued.

Agency Response

The Ministry informed that this has been an on-going issue with Ministry of Economy where MoE will provide a new portal for EFT file update.

Ministry of Economy's Response

The last internal audit conducted was in the last quarter for Northern Office. The Ministry of Economy had allocated a team to audit the Ministry of Health every quarter to audit its HQ General Admin Division.

Auditor-General's Recommendations

The Ministry should:

- ensure that reconciliation of the Ministry's drawings account is reconciled on a monthly basis.
- review the unpresented cheques listing on a regular basis and attempt to locate the payees and encourage them to present the cheques before they become stale; and
- consider maintaining a manual cashbook to record all the payment details made during the year for reconciliation purposes.

1.4 Operating Trust Account Balances carried forward from prior year

Audit Findings

Audit review of the individual balances revealed that the following trust account balances have been carried forward from the previous year without any or minimal movement noted during the year.

Table 22.11: Details of trust fund account balances carried forward

Allocation	Particulars	Balance as at 31/12/15 (\$)	Balance as at 31/07/15 (\$)	Increase / (Decrease) (\$)
1-22101-22999-861106	390 PD Gov Water Rates Charges	33,891.68	33,925.68	34.00
1-22101-22999-861107	391 PD Gov Quarters Electricity	102,544.34	102,544.34	---
1-22101-22999-861309	388 PD PSC Scholarship Loan	70,239.37	71,559.67	1,320.30
1-22101-22999-863201	VAT on revenue	684,573.43	882,257.01	197,683.58

Agency Response

The Ministry informed that it has updated its current reconciliations, however it still faces challenges to reconcile the previous year's reconciliations.

Auditor-General's Recommendations

- The Ministry should ensure that all the monies kept in the trust are cleared and paid to the respective payees accordingly on a timely basis during the month end; and
- The Ministry should also ensure that funds carried over from previous years are investigated and necessary measures are taken to clear them.

1.5 TMA Sales Revenue understated in VAT Returns

Audit Findings

The TMA sales amount as per the FMIS/GL as at 31/07/16 was \$229,464. However, the Ministry stated total sales as \$178,132.62 in its VAT returns for the period ended 31/07/16 resulting in the total sales amount being understated by \$51,331.38 in the VAT Returns.

Agency Response

The total sales by TMA for the period ending 31st July, 2016 was \$178,132.62. This amount was the correct sales amount as per total receipts for the same period. Therefore, the VAT paid on the sales amount for the same period was also correct.

The postings of Total Sales for TMA Posted in FMIS GL was \$229,464.03. A sum of \$51,331.38 was incorrectly posted. Since, the 2016 accounts has been closed and the Ministry is liaising with Ministry of Economy on the adjustment to correct the accounts.

Auditor-General's Recommendations

The Ministry should:

- strengthen its supervisory checks in the accounts section; and
- investigate and take appropriate action to rectify the anomalies noted.

1.6 Trust Fund Account Not Maintained for Retention Sum

Audit Findings

The audit noted that the Ministry did not maintain a Trust Fund bank account to deposit retention sums deducted from the progress payments made to the Contractors for capital works. Instead the Ministry retains the retention fund allocation within its budgetary allocation. On the lapse of authority, the funds are returned to the Ministry of Economy and requested again in the following year's budget submission.

A similar concern was raised in previous years audit report but the Ministry is yet to implement the audit recommendations.

Agency Response

- The Ministry informed that all retention funds are either short released (from MOE) or transferred to FPO trust account.
- The Committee noted that the Fiji Procurement Office has opened a Trust Account for Ministries & Departments for the sole purpose of Retention Sum.

Auditor-General's Recommendation

The Ministry should expedite its consultation with the Ministry of Economy for the approval to open up operating trust fund liability account to cater for the retention funds.

1.7 Unexplained Variance (TMA Cash)

Audit Findings

The Ministry stated Cash at Bank balance of \$576,735.73 in its TMA Balance Sheet as at 31/07/16. However, an unexplained variance of \$8,957.90 was noted between the Cash at Bank balance as per the GL/FS and the Cash at Bank reconciliation which had a balance of \$567,777.83. The variances were carried forward from prior years in the bank reconciliation without any corrective action being taken by the Ministry.

In addition, a variance of \$4,263.16 was noted between the actual cash receipts (\$247,238.35) and total debits (\$251,501.51) balances.

Agency Response

The Ministry informed that any variances noted are identified and rectified accordingly.

Auditor-General's Recommendations

The Ministry should ensure that:

- all reconciliations prepared are thoroughly checked by the Senior Accounts Officer; and
- the variances are investigated and appropriate action taken to rectify them.

1.8 Main Trust Fund Account Anomalies

Audit Findings

The Ministry maintains following trust funds accounts with different bank accounts.

Trust Funds	Balance as at 31/07/16 (\$)
CWM Hospital Staff Amenities	25,316
Cardiac Force	1,022
Fiji Children Overseas Treatment	228,434
Cardiology Services	888,768
Sayhadri Trust	66,147
Total	1,209,687

Audit review of the above main trust fund records revealed the following anomalies:

- approved Standard Operating Procedures (SOPs) were not prepared for all the five trust funds administered by the Ministry;
- monthly trust fund account reconciliations were not prepared; and
- monthly bank reconciliations were not prepared.

Agency Response

The Ministry informed that this is still a work in progress. Monthly trust fund reconciliations are carried out to rectify the unreconciled figures.

Auditor-General's Recommendations

The Ministry should:

- formulate SOPs for the administration of all trust funds; and
- ensure that the trust fund/bank reconciliations are prepared on a monthly basis.

1.9 Accounting of TMA Expenditures

Audit Findings

Audit review of the Bulk Purchase Scheme (BPS) TMA procurement made from the Fiji Pharmaceutical and Biomedical Services revealed that the BPS purchase payment to FPBS are based on the actual cash sales made during the month (total sales invoices raised for the month less total outstanding sales invoices) less the VAT (9%), markup (20%). In addition, payments made by the BPS TMA for the purchase of drugs were not supported with proper invoices from the Fiji Pharmaceutical and Biomedical Services. Moreover, postings in the FMIS general ledger are delayed.

Agency Response

The Ministry informed that invoices are now introduced (to replace picking slips) to properly account for TMA expenditures that is to support the payment of procurement of drugs and supplies from FPBS to BPS.

Auditor-General's Recommendations

The Ministry should ensure that:

- internal requisition order is raised by the BPA TMA for FPBS to prepare invoices;
- payments are made on the invoices are submitted by the FPBS ; and
- posting to the general ledger is done regularly and reviewed for accuracy.

1.10 Expenditure incurred without Budget

Audit Findings

The audit noted that the Ministry had incurred payroll expenditures from the FMIS general ledger allocations which had nil budgets.

Discussion with the responsible officers that the above were misallocations which were due to the allocation change from previous financial year (2015) to the new financial year (2016) and regularization of the above misallocations were to be done by the Ministry of Economy as postings to these allocations are done by the Ministry.

Agency Response

The Ministry informed that it's Salaries and Wages team constantly reconciles and processes adjustments. However, it is working with the Ministry of Economy Salaries to reconcile the payroll code with Cost Centre GL Accounts to fix this mismatch.

Auditor-General's Recommendation

The Ministry should ensure that expenditure ledger accounts are reconciled on a timely basis and any misallocations noted are adjusted to the correct allocations accordingly.

1.11 Anomalies noted in the Sahyadri Trust Fund Account

Audit Findings

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

- The Ministry did not maintain a cashbook to record details of receipts and payments for the period ended 01/01/16 to 31/07/16.
- The monthly reconciliation of the cash at bank balance, general ledger and cash book for the Sahyadri Trust Fund Account for all the seven months period ending 31 July 2016 was not carried out on a timely manner. As a result, errors were not detected on time resulting in an un-reconciled variance between the Bank statement and general ledger balances. It was noted that trust fund related payments totalling \$822,889.60 were made from the consolidated bank account of government instead of the trust account resulting in excess bank balance of trust monies at the end of the year. This error was corrected after 31 July 2016; and
- The Statement of Receipts and Payments for the Sahyadri Trust Fund Account had receipts and payments totalling \$1,055,106 and \$1,047,969, respectively. In contrast, the bank statement for the period 01/01/16 to 31/07/16 had total receipts of \$731,797 and the total payments of \$21.

Agency Response

The Ministry informed that Sahyadri accounts are now fully paid.

Auditor-General's Recommendations

The Ministry should:

- ensure that all receipts and payments are promptly posted in the FMIS general ledger;
- maintain a cash book to record receipts and payments for each main trust fund account; and

- ensure that monthly reconciliation of the cash at bank balance, general ledger and cash book are performed.

1.12 Anomalies noted in the Cardiology Trust Fund Account

Audit Findings

Audit review of the Cardiology Services Trust Fund Account records revealed the following anomalies:

- The total receipts of \$1,159,912 as per the Cardiology Services Trust Statement of Receipts and Payments include prior year's net receipts of \$865,767 which was not previously recorded in the FMIS general ledger.
- The Ministry did not maintain a cashbook to record the details of receipts and payments for the period 01/01/16 to 31/07/16. The records on receipts and payments were maintained in MS Excel worksheet.
- The monthly reconciliation of the cash at bank balance, general ledger and cash book for the Cardiology Services Trust Fund Account for all the seven months period ending 31 July 2016 was not carried out on a timely manner.

Agency Response

The Ministry informed that the Cardiology Trust Fund is now reconciled and GL has been updated. Bank balance and GL figures match.

Auditor-General's Recommendations

The Ministry should:

- ensure that all receipts and payments are promptly posted to the FMIS general ledger;
- maintain a cash book to record receipts and payments for each main trust fund account; and
- ensure that monthly reconciliation of the cash at bank balance, general ledger and cash book are performed.

1.13 Late Submission of Draft Agency Financial Statement

Audit Findings

The audit noted that the Ministry submitted its draft Agency Financial Statement for the period ended 31 July 2016 on 4 April 2017. A hard copy was submitted on 12 April 2017 or seven months after the due date.

Agency Response

- The AFS was submitted as the Ministry had some errors on the GL due to some system error. Currently the Drawings reconciliations are updated and the Ministry informed that this should be a nonissue in the 2017-2018 financial year.

Auditor-General's Recommendation

The Ministry should ensure to submit the draft agency financial statement in accordance with the Finance Instruction 2010 and directive issued by the Ministry of Economy.

1.14 Significant control weaknesses and misallocation of revenue receipts

Audit Findings

Audit review of the revenue receipt books and related records of the Ministry revealed the following weaknesses:

- Incorrect revenue allocations were entered on the revenue receipts and on some instances, the revenue allocations on the receipt books did not match with the revenue allocations on the revenue collectors' analysis sheets.
- Revenue allocations entered on the revenue receipt books were not clear as it was only scribbled on the receipt books making it difficult to establish whether the receipts were posted to correct allocations.
- In some cases, revenue allocations were not entered at all on the receipt books. The above anomalies were prevalent in the hospitals within the Central Division especially the Colonial War Memorial Hospital.
- Moreover, the Ministry recorded a significant increase of \$317,167 or 60% in the Miscellaneous Revenue allocation from \$527,193 to \$844,360 for the period ended 31 July 2016. It was noted that a number of misallocations were made which was not rectified through adjustment.

Agency Response

The Ministry informed that revenue is reconciled and posted accordingly and any mis-posting is adjusted within the year.

Auditor-General's Recommendations

The Ministry should ensure that:

- supervisory checks are strengthened and correct revenue allocations are legibly entered in the receipt books and posted to appropriate general ledger allocations; and
- further investigation is carried out and necessary disciplinary action is instigated against responsible officers.

1.15 Payments made without contract being signed

Audit Findings

Audit review of procurements made by the Ministry revealed the following anomalies:

- The Government Tender Board partially awarded the supply, installation and commissioning of operating theatre equipment at Lautoka Hospital to Company A at the total cost of F\$792,840 VEP.

The Ministry had made an advance payment of \$752,687.35 to Company A via cheque without the contract document being signed by the Ministry. The payment was made for the supply of medical equipment for the Lautoka operating theatre. In addition, it was noted as at the date of audit the items were not delivered.

- Fiji Pharmaceutical and Biomedical Services had issued the Indents and Local Purchase Orders amounting \$727,734.69 to the following contractors/suppliers prior to signing of contract.

Agency Response

The Ministry informed that all payments are now processed after contracts are signed.

Auditor-General's Recommendations

The Ministry should:

- ensure that contracts are signed before indents/purchase orders and payments are processed; and
- follow up on the delivery of the pending items.

1.16 Outstanding Patients Surgery costs – Sahyadri Trust

Audit Findings

Audit review of the Sahyadri Trust Fund records revealed the following anomalies:

- No supplementary agreement was entered into by the Ministry and the Sahyadri Specialty Pacific Hospital Ltd on the approved fees and charges as required under the Section 5 of Joint Venture agreement.
- The Ministry does not have approved SOPs for the Sahyadri Trust Fund Account.
- As at the date of audit, a sum of \$105,554 was owed by patients to government after having undergone surgery in 2016. It was noted that concerted efforts were not made by the Ministry to recover the outstanding amount from the concerned patient/relatives.
- The Ministry does not maintain a patient register or centralized database to keep proper record of all patients that have undergone surgery since 17/09/12; and
- The Ministry did not maintain proper cash books and did not prepare bank reconciliations for the account since its inception in 17/09/12.

Agency Response

The Ministry informed that Government contribution for the patients has been transferred to the trust account and remitted to the vendor.

Furthermore, the remaining funds of the Trust Fund Account as at March 2018 stands at \$20,609.49. The account is currently being audited following which the Ministry will write to Ministry of Economy and transfer the balance to Consolidated Revenue to close the account.

Auditor-General's Recommendations

The Ministry should:

- formalize the fee structure through a supplementary agreement;
- formulate a Standard Operating Procedures for the administration of the Sayhadri Trust Fund account;
- take necessary action to recover the amounts by patients ; and
- maintain a patient register including payment details, up-to-date cash book and prepare monthly bank reconciliations for the account.

1.17 Anomalies in Payments to Company F

Audit Findings

Audit review of the food rations procured from the Company F revealed that a payment of \$9,752.72 was made to Company F via EFT on 15/07/16. The payment related to prior years invoices dating back to 2013 and 2014 and was made on the strength of photocopied invoices.

In addition, Local Purchase Orders were not issued for rations procured amounting to \$3,263.60.

Agency Response

The Ministry informed that this issue has been resolved. All payments are now made on original invoices and not photocopied ones. All payments are also now issued with a Purchase Order.

Auditor-General's Recommendations

The Ministry should ensure that:

- internal controls are strengthened to ensure all payments are processed within the year;
- payments are not made on photocopied documents; and
- all procurements are made through a LPO and in case of emergency/urgency, arrangements are with the Ministry of Economy to issue manual LPOs.

1.18 Payments processed without payment Vouchers

Audit Findings

Audit review of payment records revealed that the Ministry was not raising manual payment vouchers for several payments made during the year.

Agency Response

The Ministry informed that all payments now have a physical payment voucher and system generated voucher.

Auditor-General's Recommendation

The Ministry should ensure that payment vouchers are raised for all payments made with the relevant details recorded in the vouchers as required by the Finance Instructions.

1.19 Local Purchase Orders not raised to engage Aeromedical Services

Audit Findings

Audit noted that Local Purchase Orders (LPOs) were not always raised for engaging the aeromedical services amounting to \$103,428 in 2016.

Agency Response

The Ministry informed of the particulars of the Cheques and EFT as follows:

No.	Cheque EFT No.	Amount	Payment Date	Invoice Date	Date PO Closed (as per closing of Accounts circular)	Details of Payment	Particulars of Invoice
1	1082	19,656	22.07.16	09.07.16 11.07.16	13.06.16	Payment of Mercy Flight to Island Hoppers	Nadi/CWM/Moala CWM/Nadi
2	381	36,900	18.07.16	06.07.16 30.06.16	13.06.16	Payment of Mercy Flight to Joyce Aviation	CWM/Levuka CWM/Vanuabalavu
3	30526	46,872	22.06.16	16.06.16	13.06.16	Payment of Medivac to Island Hoppers	Nadi/CWM/Levuka/CWM /Nadi

The Ministry informed that the services were carried out and payments were made within the financial year against the allocated budget to avoid the carryover of the invoices in the next financial year.

The Ministry further informed that all services are now issued with purchase order before being processed for payments.

Auditor-General's Recommendation

The Ministry should ensure that all procurements are made through LPOs. In case of emergency/urgency such as aeromedical mercy flights, arrangement should be made with the Ministry of Economy to issue manual LPOs.

1.20 Payment Records not stamped 'PAID'

Audit Findings

The audit noted that payment vouchers and supporting documents was not always stamped "Paid".

It was noted that the Cashier was responsible to stamp the payment vouchers. In addition to that, the cashier was supposed to prepare Drawings Account reconciliations and file payment vouchers. The audit also noted that payment vouchers were piled in the Cashiers Room pending stamping and filing.

Agency Response

The Ministry informed that all vouchers are now stamped before EFT processed.

Auditor-General's Recommendations

The Ministry should:

- ensure that all vouchers and supporting documents are promptly stamped "PAID" and filed; and
- ensure that the roles and responsibilities of the Cashier are properly segregated and supervised.

1.21 Payments made on photocopied invoices

Audit Findings

The audit noted that the Ministry on several occasion made payments on the strength of photocopied invoices. In addition, the photocopied invoices were not certified as true copy of originals by the Ministry.

Although similar concern has been raised in previous years audit reports, no improvements have been made by the Ministry. Hence the risk of duplicate and fraudulent payments arising from payments on photocopied and uncertified documents is yet to be mitigated.

Agency Response

The Ministry informed that any payments processed on faxed or scanned invoices are stamped Certified Correct before payments are processed.

Auditor-General's Recommendation

The Ministry should ensure that all payments are processed on original copies of invoices and the use of photocopied invoices is ceased with immediate effect.

1.22 Missing Records

Audit Findings

The audit noted that payment vouchers amounting \$613,065 for payments made in 2016 were missing and the Ministry officials could not locate/produce the payment vouchers for audit verifications. Some of the missing payment vouchers were used to make large payments.

Agency Response

- The Ministry informed that all vouchers are now stamped on the date of payments and filed in sequence of the EFT numbers.
- The Ministry further informed that it maintains a voucher dispatch register to control its vouchers given for audit/investigation.

Auditor-General's Recommendations

The Ministry should:

- ensure that all payment vouchers are properly filed and kept in secured place; and
- investigate and locate the missing payment vouchers.

1.23 Delay in Procurement of Scales

Audit Findings

The contract (CTN 56/2015) to supply the 200*SECA 385-Baby Scales and 100*SECA 310-Hanging Scales was awarded to Yuli Trading Corporation at the cost of US \$178,000 with payment scheduled in three phases as per below:

- Phase 1 – US\$89,000
- Phase 2 – US\$44,500
- Phase 3 - US\$44,500

The terms and conditions required 60% of total phase 1 cost US\$89,000 to be paid within 14 days upon signing of Purchase Order Agreement and 40% to be paid within fourteen days after delivery & training. The delivery period from the factory to Commissioning will be 21 weeks after receiving the official PO.

The audit noted that the signed agreement was not dated and the indent was issued on 03/11/15 with items expected to be received on 29/03/16.

In contrary, the actual 60% payment of the phase 1 cost was made on 23/06/16, or 233 days after the indent was issued and the goods were received on 07/10/16, or 191 days after the expected delivery date.

Agency Response

The Ministry informed that proper procurement planning has been established and followed to ensure minimal or no delay.

Auditor-General's Recommendation

The Ministry should ensure that a proper procurement plan is put in place to ensure that terms and conditions of the contracts are complied with at all times.

1.24 Written confirmation not obtained for engaging 2nd/3rd Aeromedivac Service Options

Audit Findings

The GTB board in its meeting held on 26/11/2014 deliberated on the ministries request. The board directed that option 2 is to be used only if option 1 is unable to provide the services, likewise option 3 is to be used only if option 1 & 2 is unable to provide the same which must be confirmed in writing.

Audit noted that the Ministry did not obtain written confirmations from Options 1 and 2 for not being able to provide the aeromedical service whilst it had engaged the more expensive options (Options 2 and 3), therefore not complying with the GTB approval.

Agency Response

The Ministry informed that certain processes have been established at major hospitals to ensure that written confirmation is obtained for aeromedivac service options.

Auditor-General's Recommendations

The Ministry should ensure that:

- written confirmations are obtained from the cheaper options (option 1 and 2) if they are not able to provide the service on a particular date; and
- if it is not possible to obtain the written confirmation due to emergency situations, this should be formalized subsequently.

1.25 Delivery Lead Times

Audit Findings

The audit noted instances where actual lead time for delivery of certain drugs/consumables were more than the expected period specified in the indent forms, in some cases up to 26 weeks.

Agency Response

- The Ministry informed that proper inventory planning has been established and followed to ensure minimal or no delivery lead times.
- The Ministry further informed that the Warehouse Information System (EPICORE) has been in existence since 2004 and to date, there has not been any review done on it. The option now for the Ministry is to purchase a new system that will make stock take and better manage drugs at all divisional levels.
- The purchase of the new EPICORE system is coordinated through the Office of the Prime Minister and budgetary allocation for the new system is \$500,000.00

Auditor-General's Recommendations

- Given the significant delays noted in delivery, the Ministry should ensure that a proper inventory planning is done to ensure that required drugs/vaccines/consumables are in adequate stock at all time; and
- The Ministry should report the matter to the Fiji Procurement Office for necessary action.

1.26 Procurement above Delegated Authority

Audit Findings

Audit review of procurement records at the Fiji Pharmaceutical and Biomedical Services revealed that although the approval limit for Director FPBS was not specified in the Finance Manual, instances were noted where the Director was approving local purchase orders and international procurement indent forms up to \$127,880.

There was no evidence to indicate that Director FPBS was authorized by PSHMS to approve the purchases.

Agency Response

The Ministry informed that it is currently reviewing its Finance Manual and will address this procurement limit accordingly.

Auditor-General's Recommendations

The Ministry should ensure that:

- Section 2.2.1 of the Finance Manual is complied with; and
- the approval limit for Director FPBS be specified, approved and included in the Finance Manual.

1.27 Payments made from incorrect Capital Projects vote

Audit Findings

Audit noted that an amount of \$62,397.23 was paid for works done at the Keiyasi Health Centre. The expenditure was charged to maintenance of health centre and nursing station allocation instead of the Keiyasi Health Centre allocation.

A proposed audit adjustment to correct the misallocation was rejected due to sufficient funds in the Keiyasi Health Centre allocation as the RIE for the contract payment was not approved. Similar observation was noted for other capital projects which were rectified through adjustments which were approved.

Agency Response

The Ministry informed that capital projects payments are now charged to the relevant and correct FMIS general ledger allocations.

Auditor-General's Recommendation

The Ministry should ensure that capital projects are properly planned and expenditures incurred are charged to correct allocations.

1.28 Delays in Lodgements of Revenue to the Bank

Audit Findings

Audit review of revenue records in the Central Division revealed instances of delayed banking with cash being kept at the respective hospitals for 3 to 98 days.

Agency Response

- The Ministry informed that strict monitoring (at all levels) is consistently done.
- For CWM hospital, it is operated on a twenty four hour basis (24/7) especially the collection of revenue for the emergency department. These are referral cases from health centres, private hospital and clinic, embassy, insurance companies etc. Thus, all revenue collected on Friday afternoon (from 3pm), Saturday and Sunday will be lodged to banks on Monday morning (after 3 days) and if it is a Public Holiday then its 4 days delay because banking will be done on Tuesday. However, for improvement purposes, management at CWM Hospital has implemented two bank runs on Monday (one in the morning to bank the revenue collected over the weekend and one in the afternoon to bank the normal revenue collected on Monday).

Auditor-General's Recommendations

The Ministry should ensure that:

- all revenue collected is banked intact promptly;
- revenue receipts issued are reconciled to the revenue collector's analysis sheets and verified to the bank lodgement forms on a daily basis by supervising officers; and
- the substantial delay in lodgement is investigated and disciplinary action is considered against responsible officers.

1.29 Anomalies in Trust Fund Account Payments

Audit Findings

Audit review of payment records of the Fiji Children's Overseas Treatment Fund trust account revealed the following anomalies:

- The Ministry did not have approved SOPs for the operation of the Trust Fund Account.
- Official local purchase orders were not issued for various procurements made. Instead orders were placed through emails.
- Three competitive quotations were not obtained for procurements made.
- Payments were made on the strength of quotations and invoices and delivery dockets were not attached to confirm that the quantity of items ordered were delivered in full before payment was made.

Agency Response

The Ministry informed that the Standard Operating Procedures for the Fiji Children's Trust Fund is currently being established.

Auditor-General's Recommendations

- The Ministry should formulate SOPs for the administration of the Fiji Overseas Children Trust Fund account; and
- Strengthen supervisory checks over the operation of the account.

1.30 In-service training

Audit Findings

Audit review of the Ministry's in-service training program records noted the following anomalies:

- The Ministry's Human Resources Development and Training Policy covered the period 2012 – 2015. As at the date of audit, the Ministry was yet to review its policy.
- In addition, estimated total bond amount and other relevant details were not filled in the signed bond forms.
- Furthermore, although tuition fees of \$9,450 were paid to the Fiji National University for two doctors, they withdrew from the courses during Semester 1 of 2016. As at the date of audit, no action was taken by the Ministry to recover the cost of training from the officers concerned.

Agency Response

The Ministry informed that the bond records are now properly maintained.

Auditor-General's Recommendations

The Ministry should ensure that:

- the human resource development and training policy is revised and updated;
- bond records are properly filled and maintained;
- appropriate action is taken to recover the amount paid for the officers tuition fees; and
- appropriate disciplinary action is taken against officers responsible for failing to perform their work diligently.

1.31 Schedule of Open Indents and Commitment at year end not provided

Audit Findings

The Fiji Pharmaceutical and Biomedical Services could not provide the list or schedule of pending commitments/open indents as at 31 July 2016 despite numerous requests made to the Senior Accountant.

However, audit review of a sample of subsequent payments in the current year revealed that significant amounts of funds were paid from the 2016 budgetary allocations for prior year indents.

Agency Response

The Ministry informed that this has been provided accordingly.

Auditor-General's Recommendations

The Ministry should ensure that:

- proper control mechanisms are put into place to ensure that schedule of open indents or commitments are maintained; and
- expenditures pertaining to current period are met from the year's budgetary provisions.

1.32 Provisional Tax Not Deducted

Audit Findings

Audit noted that the Ministry did not deduct Provisional Tax from various contractual payments made during the year totaling \$210,332.02

Agency Response

The Ministry informed that provisional tax for the contractual payments are now deducted and paid as and when contractual payments are made.

Auditor-General's Recommendations

The Ministry should ensure that:

- that Provisional Tax of 5% is deducted from future claims from the contractors listed above; and
- taxation regulations are complied with at all times.

1.33 Unauthorised use of Journal Voucher for cash flow adjustment

Audit Findings

Audit noted that Ministry did not follow the normal process of virement of funds and cash flow adjustment where the Permanent Secretaries approval was warranted whilst making procurement of medical forms. Instead, it was noted that the Ministry purchased the medical forms amounting to \$121,000 using the Postages allocation and a journal voucher was later raised to adjust for the misallocation after the cash flow adjustments for the Stationery allocation had been approved.

Agency Response

The Ministry informed that proper procedures are now consistently followed to ensure that all Journal Vouchers are authorized.

Auditor-General's Recommendation

The Ministry should ensure that proper procedures are adhered to at all times when faced with cash flow issues or insufficient budgetary allocations by way of an approved cash flow adjustments or virement.

1.34 Excess and out of stock drugs reports as at 31 July 2016 not provided**Audit Findings**

The following reports were not submitted for audit review by the Fiji Pharmaceutical and Biomedical Services despite numerous requests made with the management of the FPBS:

- Excess stock report as at 31 July 2016; and
- Out of stock report from January to July 2016

Agency Response

The out of stock drug report for end of July 2017 was provided accordingly and this issue has now been resolved.

Auditor-General's Recommendation

The Ministry should put in place measures to ensure that monthly stock reports are prepared and submitted to management on a timely basis and are available for audit verification on request.

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.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts for the Ministry resulted in the issuance of a qualified audit opinion. The qualifications are as follows:

1. The City Wide Informal Settlement Upgrading Trust Fund account had a closing balance of \$7,269 for period ended 31 July 2016. The Department did not maintain proper records including cash books. Proper bank reconciliations were also not performed for the trust account. As a result, audit was not able to ascertain the accuracy and correctness of the amount reflected in the trust account.

Agency Response

The Ministry put up a submission in 2018 to rectify this recurring issue and is working closely with OAG and Ministry of Economy to adjust the balance of \$7,269 within 2016 – 2017 accounting period.

2. The Department did not carry out an annual board of survey to verify the existence and condition of all assets under its authority contrary to Section 49 of Finance Instructions 2010. The last survey was carried for the financial period ended 31 December 2015.

PART B: AUDIT FINDINGS

1.2 Failure to prepare Salaries and Wages Reconciliation

Audit Findings

Salaries and Wages expenditure for the Department of Housing totalled \$209,392 for the period 01/01/16 – 31/07/16. The audit noted that the Department did not prepare salaries and wages reconciliation for the financial period.

Agency Response

- The Accounting Head will ensure that monthly reconciliations will be carried out and any variances or anomalies that are identified will be accurately accounted for in the following month to avoid any variance carried over to next period.
- In relation to the Salaries and Wages Reconciliation is concerned, the Ministry has taken an active role in getting the said reconciliation completed.
- In 2016-2017 accounting period, all reconciliation for Salaries has been completed for Head 23 & 37. Partly wages reconciliation is completed and the remaining is due to complete before 13/4/2018.

Auditor-General's Recommendation

The Senior Accountant should ensure that salary and wages reconciliation are performed on a timely basis.

1.3 Non Utilisation of Funds for Lagilagi Housing Projects

Audit Findings

The Department of Housing was provided a sum of \$3.2 million in the 2016 Budget Estimates to carry out the Lagilagi Housing project. However, audit review revealed that the Ministry did not utilise the funds and the project was not implemented during the period.

It was noted that the Department of Housing had submitted the request to incur expenditure on 27th May 2016. However, the Ministry of Economy returned the submission on 13th July 2016 as the Grant Agreement had expired on 31st December 2015

Agency Response

- The Ministry has internally instructed Peoples Community Network (PCN) to prepare the audit report for 2015 Government Grant for Lagilagi Housing Development Project before it will release the 2016-17 Grant for Lagilagi Housing Development Project.
- For the information of the Committee, the audit of PCN has been conducted in 2015 and 2016.
- The department also continues to attend project management site meetings organized project managers – AAPI Design, Quantity Surveyor, William Associates, Structural Engineers – Shiri Singh Associates, Building Service Engineer – ALSOP Associates and PCN.

Auditor-General's Recommendation

The Department should ensure that proper planning is carried out to ensure that funds made available for development projects are utilised for intended purpose.

1.4 Delay in Processing First Home Buyers Applications

Audit Findings

Audit review of the First Home Buyers program revealed the following anomalies:

- As at 31/07/16, the Department had only utilised a sum of \$1,195,000 or 30% of the budget to assist applicants under the First Home Buyers program. This comprised of seventy nine (79) recipients of \$5,000 grants and eighty (80) recipients of \$10,000 grants. As a result, a significant amount of funds allocated for First Home Buyers program was not utilised by the Department.

- A similar trend was also noted in past years where substantial amount of funds made available in the respective year's budget was not utilised by the Department. Over the past five years, a total of \$32.7 million was provided for First Home Buyers assistance but only \$7.7 or 23.6% million was utilised. As a result, the first home buyers were deprived of government assistance.
- It was noted that there were significant delays in the processing of grant applications after it was received from the banks. From the sample of application reviewed, the Department took an average of 109 days to provide final approval for the grant to the applicants.

Agency Response

- During the audit period, the Department of Housing have been processing and approving First Time Home Buyers Application at a turn- around time of 71 days instead of 106 day as highlighted in this audit report.
- The Department of Housing response was that last year, the Department had committed a **24 days** turnaround time for processing First Time Home Buyers Grant and it is still committed to this undertaking.
- This commitment is clearly reflected in average monthly processing time for First Time Home Buyers Grant from August 2017 to March 2018
- Furthermore, the Department of Housing had continued with a **two tier processing system** [first with Department of Housing internal process and the second with the Ministry Housing Grant Committee approval with a turn-around time of twenty one [28] days upon receipt of the First Home Buyers Application from the commercial banks including Housing Authority.
- The main reason for the delay in the processing of FTBG Application was that the application process and approval had undergone various multilevel scrutiny's which took a lot of time hence delaying the whole process.

Auditor-General's Recommendations

- The Department should ensure that the processing time for applications is reduced to improve the Department's service delivery; and
- The Department should also review its current strategies for increased utilization of budget to increase home ownership.

1.5 Anomalies in General Ledger Reconciliations

Audit Findings

The audit noted that the Department did not prepare and submit its monthly reconciliations for various general ledger accounts for the period January to July 2016.

Agency Response

- The Committee was informed that this was a legacy issue whereby its Finance Unit was still not in full capacity and inadequate staffing.
- However, the Committee notes that the Ministry ensures that monthly reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted in the following month to avoid any variance carried over to next period.

Auditor-General's Recommendations

The Department should ensure that:

- the monthly reconciliations for the various general ledger accounts are prepared, signed and submitted for Permanent Secretary's endorsement in a timely manner; and
- signed reconciliations are submitted to the Ministry of Economy and copies retained by the Department for future reference.

1.6 Board of Survey not conducted

Audit Findings

Audit noted that the Board of Survey was not carried out for the financial period ended 31 July 2016.

Agency Response

- The Committee was informed that the Annual Board of Survey for 2016 period (Jan 2016 to July 2016) was undertaken together with the 2016-2017 (August 16 to July 17) in 2017 which incorporated the 2016 periods assets and other inventories. The 2016-2017 Board of Survey report has been submitted to Ministry of Economy for approval.

Auditor-General's Recommendation

The Department should ensure that a Board of Survey is carried out in accordance with Section 49 of the Finance Instruction and a copy is available for audit verification.

Section 24

Ministry of Women, Children and Poverty Alleviation

Role and Responsibilities

The Ministry of Women, Children and Poverty Alleviation oversees two of Government's most important Departments: the Department of Social Welfare and the Department of Women. These two Departments support Government's efforts to break down barriers thrown up by gender, age, and economic standing.

Department of Social Welfare

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

Department of Women

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.

The 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.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Women, Children and Poverty Alleviation resulted in the issuance of an unqualified audit opinion.

PART B: AUDIT FINDINGS

1.2 Tropical Cyclone Winston Funds Assistance to Welfare Beneficiaries

Audit Findings

The Ministry received an additional sum of \$20,246,790 from the Ministry of Economy in March 2016 to assist the Social Protection Programs recipients after Tropical Cyclone Winston.

The audit noted the following anomalies in the administration of funds:

- Cabinet decision on the use of the grant was not provided to audit;
- Ministry paid a sum of \$19.9 million to all the recipients of the Social Protection Program regardless of whether they were affected by Tropical Cyclone Winston while the balance of \$0.3 million was returned to Ministry of Economy;
- The Ministry did not have Standard Operating Procedures (SOPs) on the utilisation of the \$20.2 million provided by Ministry of Economy; and
- Audit review of payments made to recipients revealed that Poverty Benefits Scheme beneficiaries were paid an amount of \$600, while Social Pension Scheme and Care & Protection recipients were paid the amount of \$300.

Agency Response

- The Ministry was given the additional funding by MOE after TC Winston and was directed to allocate these funding to all the social protection recipients as part of government's TC Winston rehabilitation programs. This was a decision made by Government during a time when the country was in a state of emergency and the Ministry was directed to implement immediately.
- This was the first time Government had used the social protection platform as part of its rehabilitation programs in the aftermath of a natural disaster.
- Payments of these additional funds to recipients were done using the existing system which only required the depositing of the allocated amounts to recipients bank accounts or the printing of vouchers to those in maritime locations.
- There was no need to develop a new system. The approved amount for the recipients differs in the different programs, a decision that was made at executive level. PBS beneficiaries were given the amount of \$600, while SPS and C&P recipients were given the amount of \$300. It was initially agreed that these amounts be paid for 3 months (PBS - \$200x3=\$600; SPS & C&P - \$100x3=\$300, however, it was finally agreed by management that because of the nature and severity of the disaster that the funds be paid to the recipients in one installment.

Auditor-General's Recommendation

The Ministry should prepare SOPs for any such programs implemented in the future.

1.3 Distribution Anomalies of Help for Home Initiative (HFHI) Program

Audit Findings

Audit review of electronic cards recipient records maintained by Vodafone Fiji revealed the following anomalies:

- Recipients were registered with fictitious Voter Registration Number indicating that proper vetting processes were not employed.
- Instances were noted where recipients received the amount of funds contrary to the prescribed amount which indicates that correct amounts were not loaded into the cards.
- A number of recipients who were assisted did not reside in affected areas.
- In some cases, funds were not loaded into cards distributed to recipients.

Agency Response

- The MWCPA works with the list of names provided by NDMO who had done the initial assessment after the cyclone. Part of the process is the provision of ID cards, (any valid ID card which could include FNPF, TIN, Voter ID, Driving Licence and Social Welfare ID), only when an applicant does not have any valid ID were they referred to the Election Office team for the making of a new ID card.
 - ✓ ID card - MWCPA will check with FEO on the numbers recorded as per ID provided by the recipient. Few forms checked have same number recorded.
 - ✓ Addresses – Applicants who had their houses completely destroyed and had moved to live with relatives during the time of application would have filled in those addresses. MWCPA will extract the forms and verify with applicants.
 - ✓ Varying amount – Complaint cases which was initially approved with an amount and later verified to be eligible for a higher amount was adjusted with additional amount. For example if land type was verified not to be informal and had total damage then amount of approved \$1500 was adjusted with approved \$5500 for \$7000 eligibility, likewise, those initially approved \$3,000 were adjusted with \$4,000 to make it \$7,000
 - ✓ No Funds in card – network fluctuations continued in some areas due to the damage after the cyclone. Cases that were registered in such areas were recorded offline and did not have funds uploaded instantly. These cases were updated later by Vodafone HQ team.
- The MWCPA is working with MOE and Vodafone to rectify these anomalies.

Auditor-General's Recommendations

- The Ministry should ensure that proper and detailed vetting processes are adopted to ensure accuracy of information processed to avoid mismanagement and fraudulent activity; and
- The Ministry in consultation with the Ministry of Economy should investigate the anomalies identified above.

1.4 Unbudgeted Expenses – Diversion of Funds to Cater for DISMAC Operation

Audit Findings

The audit noted that the Ministry paid a total of \$440,966 to staff as overtime contrary to the approved 2016 Appropriation Act and Budget Estimates. The audit established that the payment of overtime was made from the Operating Grant and Special Expenditure funds.

The audit could not ascertain the authority for the payment as approval from Ministry of Economy for the Ministry to transfer funds from the above account to pay overtime was not provided.

Agency Response

- Ministry's staffs were engaged for DISMAC operation and as per the NDMO's circular all funds utilized in this operation are to be met internally by the ministry.
- The budget allocation used was authorized by the PS Women, Children & Poverty Alleviation.
- The Ministry has expanded its portfolio to cover 2 thematic areas i.e. Gender & Climate Change
- The Committee noted that the Ministry at that time did not have any logistical funding hence, was not meeting the shortfall during the TC Winston period, therefore it was recommended that the Ministry should request for additional funding from the Ministry of Economy to address situations that arise such as TC Winston

Ministry of Economy's Response

The Ministry should have made an application for virement to the Ministry of Economy, however, this did not eventuate hence the audit finding.

Auditor-General's Recommendation

The Ministry should ensure that approval of Ministry of Economy is obtained for the transfer of funds.

1.5 Liability at Period End – Unpaid 2016 Overtime Payments

Audit Findings

Audit noted that a total of \$329,900 was vired from the Poverty Benefit Scheme allocation to in outstanding overtime for the period 01/01/16 to 31/07/16.

Agency Response

The Ministry has now collated all OTs irrespective of DISMAC or HFH two months away from the due date of submission to MoE to avoid late payments.

Auditor-General's Recommendation

The Ministry should ensure that current year's liabilities are settled within the current year and expenditures incurred are correctly charged to the relevant expenditure allocation and to the correct accounting period.

1.6 Advance Payments at Year End – Misstatements in the General Ledger System

Audit Findings

While the total average pay-outs for the Social Protection Program in the first six months were approximately \$2,599,279, the audit noted that the monthly pay-outs in July totalled \$5,271,362 which increased by 103% from the average monthly pay-outs for the first six months.

The audit established that the July 2016 pay-outs also included payments for August 2016 resulting in the significant increase in the pay-outs in July. It is apparent that budgetary provisions available for whole of 2016 were used to make the advance payments.

Agency Response

- The Bank payments for month of August are done in end of July due to changes in financial year that is on 31st July, 2016 and the new financial year for 2016-2017 begins in August.

- This was always the case for the previous years when it comes to the end of financial year as bank payments for the next month is done before to allow timely payments to all the Ministry's social protection programmes recipients.
- Also, payments are done in consultation with Budget Division of the Ministry of Economy and funding proposals are approved through respective RIE approval.

Auditor-General's Recommendation

The Ministry should consult Ministry of Economy to adjust the August 2016 pay-outs to the new financial year commencing in August 2016 to avoid misstatement in the Statement of Receipts and Expenditure.

1.7 Misstatements of Social Protection Programs Expenditures recorded in the General Ledger

Audit Findings

Scrutiny of the Standard Expenditure Group six (SEG 6) revealed that in certain instances, funds were diverted to other programs within SEG six (6) and SEG five (5) to finance the shortfalls of allowances for programs which did not have sufficient funds available at a particular period. The audit noted that the adjustments were not made by the Ministry upon receipt of funds for the next period from Ministry of Economy.

Agency Response

- Verified vouchers and noted with the recommendations to ensure that in future, proper adjustments is done as it is currently.
- OAG advised that upon receipt of funds for the next period from the Ministry of Economy, the Ministry must ensure that it makes the correct adjustments.

Auditor-General's Recommendations

- The Ministry must ensure that payments are made from the respective programs expenditure allocations and necessary adjustments are made in a timely manner.
- The Ministry should properly plan the monthly pay-outs and ensure that sufficient funds are available before making payments from a particular program.

1.8 Care & Protection Program – Ineligible Recipients

Audit Findings

Audit review of the Care and Protection Program revealed that in certain instances case files were not reviewed annually.

Although the legal age for payment of allowances under the Care and Protection Program is 18 years, instances were noted where six of the recipients were over the age of 18 years.

The audit further noted that two of the recipients continued to be paid for more than five years without reviews carried out by the Ministry to determine the eligibility of applicant to be assisted from the program.

Agency Response

- The Ministry is currently reviewing all recipients under the Care and Protection Program is carried out at least annually. The Care and Protection Program includes: Poverty Benefit Scheme, Care and Protection Allowance and Social Pension Scheme.

- Following the manual annual review of the Care and Protection Program, the Ministry is currently liaising with the ITC on having a digital platform to synergise the database from the Central platform, a transition from manual recording to digitization of the Ministry's records in its current database.

Auditor-General's Recommendations

The Ministry to ensure that:

- review of recipients under the Care and Protection Program is carried out at least annually; and
- proper mechanisms are put into place so that recipients who are being assisted for more than five years and children above the age of 18 years are easily identified and necessary actions are taken to terminate the provision of assistance to them.

1.9 Failure to Implement Internal Control – Payment Anomalies

Audit Findings

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

- 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;
- Local Purchase Orders were not issued prior to making payments and invoices were not attached to payment vouchers;
- payment vouchers were found to be missing;
- payment vouchers are not verified and checked by authorized officers;
- details on the payment vouchers were incorrect and EFT/Cheque numbers were not stated on the payment voucher;
- payment vouchers were not stamped "PAID";
- invoices were not signed and delivery docket were not attached to the payment records.

Agency Response

The Ministry's has noted the auditor's recommendation and has verified and takes necessary actions in all incomplete documents.

Currently vouchers are being ensured that it completes all necessary checking and verification by the supervising officer before payment is made.

Auditor-General's Recommendation

The Ministry should strengthen compliance with internal controls over payments and take appropriate action for any breaches.

1.10 Fixed Assets Register Not Updated

Audit Findings

Audit noted that the following items purchased were not recorded in the Fixed Assets Register (FAR).

Table 24.15: Details of Computer Hardware's purchased and not recorded in the FAR

Date	Cheque/ EFT No.	Item	Quantity	Amount (\$)
21/07/16	61648	HP Lazerjet Pro M402DN Printer	25	14,625
03/07/16	61585	Laptops	20	34,600
20/07/16	61639	Desktop Computers	60	103,800
22/07/16	61672	Audio System	1	4,350
				157,375

The audit further noted that fixed assets for 2015 were also not recorded in the FAR.

Agency Response

- There has been a team set up in the Ministry HQ where designated will be visiting all Offices located around Fiji.
- As of today, the Ministry has updated its assets that are under the FAR.

Auditor-General's Recommendation

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

1.11 Late and Non-retirement of Accountable Advances

Audit Findings

Audit review of advances issued during the year revealed that advances were not retired on time by most officers or which interest was also not charged.

Audit also noted that advances were approved for payment even though the officers had not cleared their previous advances.

Instances were also noted where the Ministry recorded the retirements and refunds of advance to a different general ledger account.

Agency Response

The Accountable advance was usually paid to Officers travelling to cover accommodation and other incidentals. Now, the Ministry issues a Purchase Order or Direct Payment to the vendor to avoid giving Accountable Advance to the designated officer travelling.

Reasons for delay in acquitting accountable advances are as follows:

- Delay in programs being implemented or activities carried out in the field.
- Delay in returning to the station due to adverse weather conditions.

Currently, the Ministry is taking action for not acquitting accountable advances on time and they are as follows:

- Officers are reminded by email when accountable advances are due.
- Officers are now surcharged for not acquitting accountable advances on time.

Auditor-General's Recommendation

The Ministry should ensure that outstanding advances are recovered on a timely basis, recoveries are properly accounted and advances are not issued to officers who have outstanding advances.

Section 25

Ministry of Youth and Sports

Role and Responsibilities

The Ministry of Youth and Sports is responsible for:

- The formulation and implementation of policies and programs aimed at enabling youths to meet challenges of their generation and create a better future through informed choices; and
 - The promotion and development of sports and its infrastructure both in the urban and rural areas in recognition of the important role of Sports in nation building, and to create a vibrant and highly competitive sports industry which will be economically beneficial to Fiji.
-

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Youth and Sports resulted in the issuance of an unqualified audit report.

PART B: AUDIT FINDINGS

1.2 Monitoring of Grants to Youth Clubs

Audit Findings

Audit Review of the program records revealed the following anomalies:

- The audit noted that the Ministry did not have approved SOPs for administration of youth grant. However, as at the date of the audit – 22/12/16, the Ministry was in process of reviewing its youth grant program and formulating of SOPs.
- The Ministry does not have a structured information database to consolidate and capture information on the types of assistance provided to the youth groups, location of the groups and the project progress and evaluation reports.

Although the Ministry provided some monitoring reports for audit verification, however it was not able to provide details on number of the projects monitored against those assisted in last three years.

As at the date of audit the Ministry was at its initial consultation process of establishing its database.

Agency Response

- It was noted that the administration of grant amounting to \$5000.00 or above submits quarterly reports and are monitored closely.
- However, the Committee was informed that there were grants given amounting to \$2000.00 to youth groups, faith based organisations and non-governmental organisations in the areas of youth training who were not submitting quarterly updates to the Ministry as they were not mandated to.
- The Ministry has now established SOPs for monitoring of grants to Youth Clubs.
- The Ministry has developed a monitoring and evaluation framework for Youth Grants, which will be implemented upon review and endorsement by the Permanent Secretary – this is to assess impact/outcome.
- The Ministry now has a database:

Phase 1 of the database is complete as at September 2017 captures information including:

- Training Facilities
- Programmes and Participants
- Sports Facilities
- Youth and Sports club registration information

Phase 2 will capture:

- all Grants and assistance to Youth Clubs
- Google mapping
- Sports Grants to Schools and Sports Clubs and equipment provided
- Electronic reporting of those Youth and Sports clubs being monitored

Ministry of Economy Response

- MoE informed the Committee of the following provision in the Finance Manual 2011 on the administration of grants:

'For grants approved over \$5000, a grant agreement must be prepared in accordance with Finance Instruction 16-(1) and signed by the PS or Deputy PS and an authorised representative of the recipient before payment is made.'

Auditor-General's Recommendation

The Ministry should formalize its SOPs, ensure all projects assisted are effectively monitored and establish a database to consolidate and capture information to assist in reviewing the effectiveness of the program and improving policies and guidelines.

1.3 Valelevu Training Centre

Audit Findings

As part of its development plans to refurbish training facilities around Fiji, the Ministry intended to carry out the construction of a double story building at the Centre to ease the constraint of training rooms experienced at the Centre.

Audit review of the project records revealed following anomalies:

- No public tender was called; instead the project cost of \$140,000 was divided into three sub-phases. The Ministry engaged the service of Contractor A for the first phase through three competitive quotations at a cost of \$42,050.
- The three quotations obtained by the Ministry were not broken down into three sub-phases identified by the Ministry.
- Review of the quarterly project progress report, discussions with the Project Officer and audit site visit on 02/12/16 revealed the contractor did not carry out the following works:
 - Laying of timber piles with required reinforcement and spikes, bracing and concrete filling;
 - Construction of steel beam on top of pile, bolting and straight attached to piles;
 - Welding of plates for floor joist; and
 - Evenly distribution of floor joist according to the support plates and welded and bolted according to the specific size of bolt and nut.

Despite incomplete works, the Ministry paid a sum of \$37,845 being 90% of the total contracted sum to the Contractor.

Agency Response

- The Ministry failed to abide by the procurement guidelines whereby projects costing more than \$50,001 must undergo the Tendering Process instead of obtaining 3 Competitive quotes from the vendor.
- Initially, the cost of the construction of a double-storey building at the Valelevu Training Centre was estimated to be \$140,000. However, the Committee noted that the revised cost is \$1.2m.
- The Ministry clarified that the initial building structure was to be wooden however, following consultations with the Ministry of Economy's Capital Implementation Unit and the Ministry of Infrastructure and Transport, it was recommended that the structure especially the pile beams be concrete resulting in the cost difference.
- Due to wet weather conditions including TC Keni and a delay in the supply of cement during the initial stages, revised completion date is now the first week of June 2018.
- The Ministry effectively consults with the Construction Implementation Unit (CIU) and MOIT (Ministry of Infrastructure and Transport) for all capital projects to ensure compliance to Building Standards and Financial Regulations.

Auditor-General's Recommendations

- The Ministry should ensure public tenders are 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).
- Full payments of contractual amount should only be made after receipt of completion certificate for contracted services.

1.4 Monitoring of Capital Grants Provided to Fiji Sports Council (FSC)

Audit Findings

The Ministry provided grant of \$1.4 million to the Fiji Sports Council (FSC) in 2016. Over the past two years the Ministry provided total of \$3.6 million as grants to FSC.

On 25/7/16, Ministry of Economy approved the request to redirect \$229,404.60 from the released capital grant in 2016 to fund the procurement of three vehicles and the on-going upgrade of the FMF Gym.

The audit noted that the Ministry did not inspect or monitor the capital projects undertaken by the FSC to ensure whether the funds were used for its intended purpose. In addition, the Grant Agreement between the Ministry and FSC did not have any provision to allow the Ministry to follow up on the results of the programs implemented by FSC using the grant funds.

Agency Response

- The Ministry organizes a joint inspection from the Ministry's Project Unit, Sports Section and Finance to inspect the work for Capital Grants provided in 2016/2017 financial year.
- The Fiji Sports Council, through the Memorandum of Agreement, provides quarterly acquittals of all grants released including Capital Grants.
- The FSC provides monthly project progressive reports.

Auditor-General's Recommendations

The Ministry should:

- include provisions in its grant agreement to monitor grant funds utilized by FSC; and
- carry out timely monitoring of the capital projects done by the FSC under the grant agreement.

1.5 Anomalies noted in Accountable Advance Balance

Audit Findings

Audit review of the Revolving Fund Account (SAG 57) monthly reconciliations revealed credit balances in Accountable Advance balances amounting \$37,570 which was contrary to the nature of the account. The credit balances dated back to year 2008.

In addition, it was noted that the Ministry has outstanding Accountable Advance balance amounting to \$12,987 accumulated from 2011.

Agency Response

The Ministry consulted the Ministry of Economy (FMIS), OAG and IAGG and is in the process of resolving this issue as it relates to 2008 – 2013.

How it started:

- When this issue was highlighted in the audit report as at 31 July, 2016:
- 27/7/17 FMIS met Internal Audit and OAG to identify a way forward including the Ministry possibly writing off the balances.
- Details of variances were also collected to substantiate the anomalies.
- 10/8/17 PS Youth and Sports requested PS Economy for a special audit.

- 24/8/2017 Meeting with team FMIS to discuss on the credit outstanding RFA.
- 19/9/17 special audit begins.
- Relevant documents for audit compiled.
- 28/9 – 3/11/17 audit in progress.

Progress to date:

- All possible details of records extracted as per outstanding advances on the list.
- Adjustments carried out where Audit and Ministry agrees.
- Adjustments to clear some refundable amounts to officers still employed and also received some outstanding amounts that were not cleared by some staff previously.
- Adjusted some mispostings and had them posted by FMIS team (March 2018).
- Upon completion of the verified adjustment , the Ministry has now through PSYS written to PS Economy on 5 April 2018 to request authority to write off of the balance of corresponding debits and credits due to lack of document trails as verified by special audit. The Ministry is yet to receive approval / comments from the Ministry of Economy for proposed adjustments.
- The Ministry now ensures the accountable advances guidelines as per revised finance manual issued on 11 October 2016 and Standard Operating procedures are applied to curb the issue in future.

Auditor-General's Recommendations

The Ministry should:

- make direct deduction from salaries to recover all outstanding Accountable Advances;
- investigate and rectify credit Accountable Advance balances; and
- take appropriate action against officers responsible for not performing their duties.

Section 26

Higher Educations Institutions

Role and Responsibilities

As part of its investment in education, Government provides grants to a number of tertiary institutions in Fiji that allow them to provide world class education and training for Fiji's young people. Government supports these institutions so that they can expand their operations, improve the quality of their offerings, and become more involved in our national development. These grants complement Government's "topper's scheme" and the Tertiary Loans Scheme [TELS] by ensuring that Fiji's tertiary institutions offer programs that are relevant to the needs of students and to the nation's needs. The grants are administered by the Higher Education Commission which sees that they are targeted towards building local skills and capability in areas of national priority. This provides Fiji with well-trained young people who will boost economic productivity, improving the lives of all Fijians. In return for these grants, Government has very high expectations of these institutions to develop governance structures that improve the quality of education of children and that plug into that nation's development efforts. Higher Education Institutions grants are specifically allocated to institutions that qualify for funding by Government according to the funding model approved by Cabinet. These are those that have been fully accredited with the Fiji Higher Education Commission and have charitable trust status.

The Higher Education Institution Grants is provided for the following Institutes:

- University of the South Pacific
- Fiji National University
- University of Fiji

In addition, the following institutions will also be provided with special funding:

- Corpus Christi
- Fulton College
- Monfort Boys Savusavu
- Monfort Boys Veisari
- Sangam Institute
- Vivekananda Technical Centre

In addition to its operating grant, FNU will receive a capital grant for work on its Labasa campus in Macuata in 2015. A new allocation is provided for preparatory works for the establishment of FNU's teaching hospital that will be established in Lautoka to train doctors, dentist, nurses and other allied workers for Fiji and the region. The hospital will also provide advanced medical and surgical procedures to local communities. Government plans to provide a total of \$10 million for this project and the remaining cost will be sought from development partners.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 grant provided to the Higher Education Commission resulted in an unqualified audit opinion.

PART B: AUDIT FINDINGS

1.2 Backlog and Audited Accounts of Education Institutions not submitted to FHEC

Audit Findings

Audit noted that some of the grant recipients did not submit their audited accounts to the Fiji Higher Education Commission (FHEC) as required under their respective grant agreements.

In addition, the audit noted that the Ministry did not include in the grant agreement for the Sangam Institute of Technology to submit audited accounts.

Agency Response

The Fiji Higher Education Commission confirmed that this audit issue has been resolved. For the period in question, there is only one Higher Education Institution (HEI) with outstanding audited financials. The HEI has been audited by the FHEC Review Committee and is currently preparing its audited reports for submission according to an agreed timeframe with the FHEC. As a result of this and other factors, the annual grant disbursement of this HEI has been reduced. The FHEC has written to the Ministry of Economy providing advice on these issues.

As per Section 48 – (1) of the *Higher Education Act 2008*, the FHEC requires all HEIs to provide an annual report of the previous year including audited financial reports when required. However, the submission of audited financial reports by HEIs receiving government grant is mandatory as stipulated in Part 6.3 (a) of the signed agreement.

To ensure that audited reports are submitted, the FHEC has the following mechanism in place:

- i. It is a requirement in the Funding Memorandum of Agreement (as explained above);
- ii. The FHEC can withhold funding from the HEIs for non-compliance; and
- iii. The FHEC has a monitoring system in place

Auditor-General's Recommendations

- The Commission should ensure that all grant recipients submit their audited accounts as per the grant agreements.
- The grant agreement between the Fiji Higher Education Commission and Sangam Institute of Technology should include timely submission of audited financial statements.

6.0 CHAPTER SIX – AUDIT REPORT ON ECONOMIC & INFRASTRUCTURE SECTOR (VOLUME 4)

Section 30

Ministry of Agriculture

Role and Responsibilities

The Ministry is responsible for guiding Government's agricultural policy, which is focused on helping Fijians provide for themselves and their families by strengthening the Fijian agricultural sector, with special attention paid to competitive exports. The agricultural policy is also directed at responsibly managing competing demands for land and boosting Fiji's food security. The Ministry has gradually moved from a Government led approach to a demand driven approach, listening and responding to the needs of farmers and the opportunities in the market. The "Green Growth Framework for Fiji" furthermore highlights the need to address food security through improved farm efficiency and the establishment of a coordinated mechanism to manage competing demands for land.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts for the Ministry resulted in the issuance of a qualified audit opinion. The qualifications were as follows:

Trading and Manufacturing Account

- The Ministry transferred \$457,469 of excess cash from TMA operations to the Consolidated Fund Account with the Ministry of Economy. The journal entry passed to effect the transfer had a nil effect on the general ledger. As a result, this amount was still reflected in the Consolidated TMA Balance Sheet. Consequently, the cash amount of \$559,372 and TMA Surplus Capital Retained of \$1,125,622 in the Consolidated TMA Balance Sheet as at 31 July 2016 are both overstated by \$457,469.

Trust Fund Account

- Appropriate supporting documents for adjustments amounting to \$318,494 to the Cash account for the Trust Account were not provided to audit. In addition, there was a variance of \$354,402 between the detailed listing of beneficiaries of the Trust Account and the amount recorded in the general ledger. As a result, audit was unable to ascertain the accuracy and completeness of the closing balance of \$684,162 reflected in the Trust Statement of Receipts and Payments.

PART B: AUDIT FINDINGS

1.2 Non- submission of Annual Accounts for audit – Agriculture Marketing Authority (AMA)

Audit Findings

Audit noted that the Agriculture Marketing Authority (AMA) did not submit its annual financial statements to the Auditor General for the years 2010 to 2015 for audit.

Agency Response

- The Ministry informed that the AMA was set up by Government to boost subsistence farmers for the production and sale of crops located in isolated areas.
- The authority buys locally produced products directly from the Farmers and sells the product at the various AMA outlets including exporting
- The Authority's budgets come under Head 30 through the Ministry's budget and the last audit conducted was in 2009
- At the time of audit, the Office of the Auditor-General has been continuously following up with the authority on the status update of their annual financial records.
- The reason for the delay was because the Fiji Independent Commission Against Corruption (FICAC) had taken the records for the year 2010 and was not able to carry out the audit from then onwards.
- It was noted that with the new Board Management, the authority is currently working on a draft financial report for the 2010 Financial Year to be submitted for auditing.

Auditor-General's Recommendation

The Ministry together with the Authority should make a concerted effort to obtain the accounting records from FICAC, in order for the annual financial statements to be prepared and submitted to the Auditor General for audit.

1.3 Overseas Purchase of Livestock

Audit Findings

Audit noted that the Ministry imported sheep and goats at a total cost of \$407,224 from Australia on 13/04/16, through a company owned by an Expatriate Technical Advisor to the Ministry.

The following anomalies were noted:

- Anomaly in the waiver of tender as according to regulations, the Government Tender Board may approve the purchase or engagement if there is only one supplier for the goods;
- The Minister of Economy can only approve waiver of tender in relation to the provision of urgent infrastructure development and services;
- The Ministry had to re-route the consignment from Sydney to Melbourne due to quarantine issues, which resulted in additional freight costs which were not budgeted for. Payment vouchers from the Trade Commission in Sydney relating to the new route amounted to AUD \$8,649. However, invoices were not attached to support the payment;
- Supporting documents provided by the Ministry for payments made on its behalf by the Trade Commission in Sydney did not include invoices for payments amounting to AUD\$73,573.05;

- Funds used for the purchase were originally budgeted and approved for the rehabilitation of the beef and dairy industries;
- There was no Memorandum of Agreement between the Ministry and the supplier.

Furthermore, audit noted that although the Ministry had carried out the Annual Board of Survey as at 31 July 2016, stock-take reports were not prepared for the sheep and goats which were purchased.

Agency Response

- The Ministry informed that the funds allocated for importation of cattle was diverted due to outbreak of Theileria disease in New Zealand
- It was instead used for Breed Improvement Activity under Livestock Rehabilitation Programme for the importation of new sheep and goat breed to supplement the demand in the meat sector.
- The purpose of the importation (embryo of cattle imported from Australia) was to improve the current bloodline and traits of breeds (Fiji Fantastic and Anglo Nubian) that are pure breeds located in the Government Research Station and some private farms around Fiji and the success rate of this initiative stands at 50% which is meeting the threshold of calves being introduced in Fiji for the first time.
- A consultant was involved with the arrangement until the purchase was completed.
- Due to the limited time and technical nature of the purchase, the Animal, Health & Protection Unit of the Ministry was not able to acquire competitive quotes hence the only option was to carry out window purchasing which hand picking livestock through companies recommended by the Consultant.

Auditor-General's Recommendations

The Principal Accountant should ensure that:

- proper planning and budgeting is carried out prior to undertaking major purchases;
- tenders are called for procurements exceeding \$50,000; and
- budgeted funds should be used for the purpose it was appropriated.

1.4 Anomalies in Purchase of Rice Harvester Machine

Audit Findings

The following anomalies were noted in procurement of the rice harvester:

- A local purchase order was not attached to the payment voucher which was authorised for payment by the Acting Principal Accountant
- Competitive quotations were not attached to the payment voucher.
- Although, invoice for the rice harvester was dated 31/12/15, payment was made on 8/4/16; after a delay of over three months.

Agency Response

- The Ministry had brought in an additional Rice Harvester Machine which the Ministry felt the need that it would be value for money since letter from the Supplier to the Ministry offering an opportunity to purchase a rice harvester which would include an additional rice harvester at no extra cost.
- It was noted that the Ministry has conducted Procurement Training at all Divisional Level to provide awareness on Procurement guidelines and the requirements to all Officers involved.

Auditor-General's Recommendations

The Ministry should:

- ensure that supporting documents including purchase orders and quotations are attached to the payment vouchers while effecting payments; and
- ensure that payments are made in the year in which expenses are incurred.

1.5 Additional Costs incurred due to revised travel list

Audit Findings

On 05/01/16, Ministry paid a travel agency the amount of \$31,234 for the return airfares for five management staff led by the Minister, to travel to Manila from 10/01/17 to 17/01/17. However, this list was later revised by the Ministry to include only three members of management. Consequently, the Ministry incurred a reissue fee amounting to \$6,850 for the revised list.

Furthermore, the airfares of the two members of management who did not travel with the group could not be fully refunded by the travel agency. Due to the revised travel list, the Ministry incurred losses totalling \$13,613.

Agency Response

The refund of \$7647.78 from Macquarie Travel World was acquired for the 2 Members of Management that did not travel and this issue has now been resolved.

Auditor-General's Recommendation

The Ministry should ensure that proper planning of travel is carried out before payment is made.

1.6 Anomalies in Local Purchase Orders

Audit Findings

Audit review of a sample of procurement and payment records revealed the following anomalies in purchase orders:

- Local Purchase Orders were not issued for the purchase of ginger seeds, photocopy machines, water pumps and motorbikes totaling \$407,510;
- Local Purchase Orders were not signed by an authorised officer for the procurement of water pumps totaling \$48,888; and
- Local Purchase Orders totaling \$60,165 were issued after the date of invoices.

Agency Response

- The Ministry informed that the activities for Ginger planting season begins in July and therefore with the change in Government's fiscal year, the procurement of seeds as the agriculture Ministry have experienced now falls outside the cut off dates for issuing of Purchase Order i.e. 13 June 2016. Any procurement after this date must be done through direct payments with a Proforma Invoice as stated in the Finance Circular 60/36 dated 02 May 2016.
- Similarly the request for the procurement of photocopy machine, water pumps and motorbikes were made after the cut-off date of issuing of Purchase Order and was processed due to the **urgent need** at that point in time.

- The Local Purchase Order for the procurement of water pumps with the amount of \$48,888 was released and signed. The Ministry's agrees with the audit that the Local Purchase Order should be issued before the Invoice is submitted for payment however, in this instances, the Purchase Order was subsequently issued for payment purposes as per the requirement under the Procurement Regulation.

Auditor-General's Recommendation

The Ministry should ensure that requisite internal controls are implemented for all procurements and strict compliance is maintained with the Procurement Regulations.

1.7 No Contract Agreement signed with Supplier

Audit Findings

On 09/06/16, payment was made to an overseas supplier through the Fiji Procurement Office for the purchase of 40 tonnes of Red Pontiac potato seeds for \$96,388. The Government Tender Board had approved the waiver of tender process for this purchase. Although the approval was based on the condition that a legally binding contract was to be entered into by both parties, this was not done by the Ministry.

Agency Response

- The Ministry has a draft contract template which was sent to the Heads of Implementing Divisions to follow, in order to draw up contract documents.
- This is submitted to the Solicitor-General's office for final vetting and the Ministry will now ensure that the procurement guideline and finance manual is adhered to for all procurement above \$100,000 for infrastructure, development and maintenance work and \$20,000 or more for any other procurement of goods and services.

Auditor-General's Recommendations

The Ministry should ensure that:

- a valid contract agreement is entered into with suppliers to safeguard government's interests; and
- procurement regulations are strictly adhered to by officers responsible for purchases and payments.

1.8 Diversion of Funds

Audit Findings

Audit noted that funds amounting to \$551,925 were diverted from capital project expenditure allocations and used for other purposes. In addition, evidence of approval from the Ministry of Economy for the diversion of funds was not produced for audit verification.

Agency Response

- This was an oversight of the Ministry and the committee was informed that the responsible officers will be identified and issued with warning letters for the breach of the Finance Instructions – not seeking prior approval from the Ministry of Economy for future diversion of funds.
- The Ministry's technical arm is closely working with the Accounts Team in providing timely information in respect to travel related expenses – at least 2 weeks for cash flow purposes.

Auditor-General's Recommendations

The Ministry should ensure that:

- funds are utilised for the purpose it was appropriated for in the Budget; and
- prior approval is obtained from the Ministry of Economy for any diversion of funds.

1.9 Unbudgeted Expenses

Audit Findings

Audit review of capital projects general ledger revealed that some of the expenses recorded in the general ledger were not included in the approved capital project work program thus were not budgeted for.

Agency Response

- The Ministry informed that it failed to seek approval from the Ministry of Economy for the unbudgeted expenses.
- The Ministry will also ensure that future expenses are recorded in the GL within the approved Capital Project Work programs and that changes in activity in the approved RIE's are appropriately approved and authorised
- The Ministry is also putting in all concerted efforts to address unbudgeted expenses issues where proper planning is needed and these warrant improvement

Auditor-General's Recommendations

The Ministry should ensure that:

- expenses incurred are budgeted for in the respective project's work program; and
- proper approval is obtained for any diversion of funds.

1.10 Fixed Asset Register not updated

Audit Findings

Review of a sample of payments for fixed assets revealed that fixed assets worth \$248,877 were not recorded in the Fixed Assets Register.

Agency Response

- The Ministry informed that it is currently updating all of its assets on the register through a matrix to capture the status of fixed assets on the field, years of service and its productive use within the years.
- A comprehensive SOP has been drawn up (Asset Unit and Divisional Officers responsible for FAR) to include reporting timelines with complementary quarterly stock take.

Auditor-General's Recommendations

The Ministry should ensure that:

- all fixed assets owned by the Ministry are properly recorded in the Fixed Assets Register; and
- supervisory checks and controls is strengthened in the Accounts Section and Assets Management Unit in recording of fixed assets.

1.11 Payments not made yet recorded in GL

Audit Findings

Audit noted that expenses totaling \$146,300 were recorded as expenses in the general ledger although payments were not made as cheques were held back by Accounts Section.

Agency Response

- The Ministry informed that it has improved its planning program to ensure that the release of funds and payments are aligned to the planning season for Ginger as there is a special season for planting Ginger. For instance, land preparation that used to start in July/August will now start in June/July.
- Also, it was noted that the Ministry withheld payments to these Companies until the services were fully provided. For instance on the payment for the ginger planting materials, due to the nature of the ginger season, the Ministry needs to process the payment in July for ginger seeds but the supply was actually made in August

Auditor-General's Recommendations

The Ministry should ensure that:

- expenses recorded in the general ledger are paid within the financial period; and
- controls relating to expenditure planning are strengthened.

1.12 Discrepancies in Recording of Rental Income on Government Quarters

Audit Findings

Audit review of the Ministry's Quarterly Return revealed a significant variance of \$120,924 or 77% between the budgeted rental revenue from government quarters and the actual amount recorded in the FMIS general ledger.

Agency Response

- The Ministry informed that the Quarters records have now been reconciled with Payroll reports and that it will continue to monitor and issue reminders for the timely submission of monthly reconciliation for quarters return.
- The Ministry is currently working with the Ministry of Economy on the proper clearance of the \$120,924 highlighted in the Audit Report as the reconciliation is yet to be carried out.
- It was noted that the rental income is directly deposited in the Consolidated Fund Account.
- The maintenance and upkeep of these Government quarters is the responsibility of the responsible Ministry since it is utilised by Agriculture staff and not Construction Implementation Unit or the Public Service Commission (Accommodation).

Auditor-General's Recommendations

The Ministry should ensure that:

- all officers occupying government quarters are paying rent and bond through direct deductions from their salaries or wages; and
- rental income is properly recorded in the general ledger.

1.13 Unauthorised Arrears of Revenue Write-Off

Audit Findings

The audit noted that the Ministry's arrears of revenue for the second quarter of 2016 reported to the Ministry of Economy were \$27,296. However, a total of \$777,106 in revenue arrears was not included as it was written-off by the Ministry without prior approval from the Ministry of Economy. There was also no evidence of whether the Minister of Economy had delegated powers to the Ministry to write off losses.

Review of the aging of arrears of revenue indicated that \$694,611 or 89% of the Ministry's revenue arrears that was written off had been outstanding for more than 5 years.

Agency Response

- The Ministry informed that it has been holding discussions with the Ministry of Economy since February 2018 to go through the write-off procedure. As a result of this discussion, the Ministry is working on collecting documents and reconciling figures to process this write off
- As at February 2018, the Ministry was able to identify and confirmed \$673,296.73 of the total was to be written off.
- It was noted that the Ministry still assists Farmers who are heavily involved in Cocoa Development (Cocoa Revitalisation Program that focuses on the production of Fijian chocolates which are being sold at Denarau), land development and Batiri Pineapples.
- The Ministry did not include the Arrears of Revenue amounting to \$777,106 since it is not captured as Arrears of Revenue in the FMIS. The Committee noted that this Arrears of Revenue could not be written off due to lack of supporting evidence.

Auditor-General's Recommendations

The Ministry should ensure that:

- effective controls are in place to avoid accumulation of arrears of revenue;
- proper documentation and follow up are done to collect arrears;
- stringent measures are taken when arrears are not paid when due; and
- requisite approval is obtained for write-off of arrears of revenue.

1.14 Excess Cash Transferred to CFA not recorded in the FMIS GL

Audit Findings

The audit noted that the Ministry had transferred excess cash from TMA operations amounting to \$457,468.80 to the Consolidated Fund Account. The Ministry posted this to the Cash account in the FMIS but later cancelled the posting. Consequently, this amount has not been in the FMIS general ledger.

Agency Response

- The Ministry informed that it is liaising with the Ministry of Economy in addressing this issue.
- The Committee noted that this issue has now been resolved and a journal voucher was raised to clear the anomaly.

Auditor-General's Recommendation

The Ministry should ensure that postings are done to the correct allocation after these have been reviewed by senior officers.

1.15 Delay in preparation of monthly Underline Account Reconciliations

Audit Findings

Audit noted that all monthly underline accounts reconciliations were not prepared and endorsed by the Permanent Secretary in a timely manner.

Agency Response

- The reconciliations of the underline accounts are now being submitted on time.
- The Ministry relies on the Financial Management Information System (FMIS), to upload final monthly reports for each period which is sometimes late as tabulated below.

Month-End Reports from FMIS Unit of MOE:

Reconciled Month	Date uploaded via FMIS
<i>Jan – Feb</i>	<i>01/04/2016</i>
<i>March</i>	<i>09/05/2016</i>
<i>April</i>	<i>18/05/2016</i>
<i>May</i>	<i>10/06/2016</i>
<i>June</i>	<i>06/07/2016</i>
<i>July</i>	<i>22/09/2016</i>

Auditor-General's Recommendation

The Accounting Head should ensure that monthly underline reconciliations are prepared and submitted to the Permanent Secretary for endorsement in a timely manner.

1.16 Accountable Advance not cleared on time

Audit Findings

Audit noted that advance account had a balance of \$9,498 as at 31 July 2016. The audit could not substantiate this amount as the listing for outstanding advances in the reconciliation for July did not reconcile with closing balance in the general ledger. In addition, the Advance Register was not updated and did not include relevant details.

Furthermore, opening advance balance as at 01/01/16 was \$10,029. From this, advances totalling \$6,967 or 69.5% were outstanding from 2013.

Agency Response

- The Office of the Auditor-General has confirmed that this issue has been resolved and acknowledges the actions taken by the Ministry to ensure more stringent process are followed by its staff
- Responsible officers are continuously reminded of the importance of retaining Accountable Advance through email, telephone and the issuance of memorandum

- However it is noted that some retirement of Accountable Advances were delayed due to the following reasons:
 - Delayed in official trips.
 - Acquittals/documents were not fully completed and properly justified; therefore resubmission was required for retirement purposes.
 - Reconciliation for Accountable Advances taken in previous years is currently under review and attempts are being made to locate source documents for proper verification and justification before necessary steps are taken for its clearance.

Auditor-General's Recommendations

The Ministry should ensure that:

- monitoring and supervision is improved in the Accounts Section so that relevant details are maintained for outstanding advances;
- all advances are retired by officers within 7 days from the date of return to station; and
- Necessary action is taken to clear the outstanding advances by way of salary deductions from respective officers in timely manner.

1.17 Bank Lodgement Clearance (BLC) Account

Audit Findings

Audit noted that the Bank Lodgement Clearance Account has a balance of \$11,975 which does not comply with the requirements of the Ministry of Economy.

Agency Response

- The Ministry informed that this issue has been resolved and that it has taken on board the Auditor-General's recommendation for future improvement.
- The reason for the above anomaly was due to the Bank Lodgement Clearance (BLC) Reconciliation for July could not be zeroed as the amount of \$11,975.33 for the Trading and Manufacturing Account (TMA) was wrongly deposited into the Consolidated Fund Account (CFA) on 27/07/16. These amounts constitute two lodgements of \$9,942.33 and \$2,033.00. The Ministry of Economy advised the Ministry to raise a payment voucher to take out this amount from CFA and deposit it into the TMA hence; this was done in August and was cleared in the August BLC Report.

Auditor-General's Recommendation

The Ministry should ensure that all bank lodgement clearance (BLC) accounts are cleared at the end of the accounting period, in order correctly reflect cash ledger balance.

1.18 Anomalies in Main Trust Fund Account

Audit Findings

The audit noted the following anomalies in the records of the Land Water Resources Management (LWRM) Trust Fund Account:

- A cash book was not maintained;
- Retention monies deposited in the Trust bank account from 30/10/14 to 27/10/15, amounting to \$781,228 were not receipted by the Ministry. The last receipt (No. 663025) was issued on 15 July 2014;

- Monthly Trust Account Bank Reconciliations were not prepared within 5 days after the end of each month, and were also not prepared according to the standard format in the Ministry's Finance Manual;
- Trust Account general ledger records were not updated as a variance of \$354,402 existed between LWRM Trust General Ledger Liability Account and Retention Funds List of Companies (subsidiary records). No reconciliation was performed;
- Journal adjustments amounting to \$318,494 were made to reconcile the Trust Account Bank Reconciliation and the General Ledger. There were no supporting documents provided for these adjustments.

Agency Response

- The Ministry informed that this issue has been rectified and the beneficiaries listing together with the GL balance has now been corrected in the 2016/17 financial year.
- The True Trust Account has now been transferred to the Ministry of Waterways.
- The Committee noted that the amount \$318,494 was an adjustment done by the Ministry of Economy when the Ministry of Agriculture was liaising with them on the reconciliation issues of the 2015 True Trust account.

Auditor-General's Recommendations

The Ministry should ensure that:

- a cash book is maintained for trust fund accounts;
- all retention funds are deposited directly into the trust bank account and receipted on the same day;
- the monthly trust fund reconciliations are prepared in a timely manner in accordance with Schedule 9 of the Ministry's Finance Manual 2013;
- any discrepancies identified in the reconciliation is resolved immediately;
- variances in the trust ledger records is identified and rectified accordingly;
- any adjustments are supported with proper documentary evidence; and
- internal controls on management of trust funds are strengthened.

1.19 Statement of Losses – Unauthorised Losses and Omissions

Audit Findings

The audit noted the following anomalies in Statement of Losses:

- Losses disclosed amounting to \$18,518 were not approved by the Permanent Secretary Economy for write-offs.
- Missing items worth \$20,477 were not substantiated. The Board of Survey conducted at financial year-end recorded these items that were missing and were approved to be written off by the Ministry of Economy.
- There were no Loss Reports to determine if any recovery action had been taken for the missing items.

Agency Response

- The Ministry informed that its Asset Unit is currently redefining the clerical officer Board of Survey job description to include the final collation of all losses returns on a regular monthly basis.
- The SOP for the unit is to take into consideration livestock return from all the division.

Auditor-General's Recommendations

The Ministry should ensure that:

- its Finance Manual is strictly adhered to and only approved write-offs are disclosed in the Statement of Losses;
- Recovery action is taken for the missing items; and
- Internal controls are strengthened over the management and recording of fixed assets.

1.20 Prior Year Issues

The Committee enquired the Ministry on the following issues which were raised during the 2015 audit and remain outstanding as no action has been taken by the Ministry to resolve them. The status of outstanding issues and the Management's proposed actions is set out below:

1.20.1 Issues

The Ministry still has to provide audit with its succession plan, despite numerous request and follow up. It has also failed to obtain approval from the Prime Minister's Office for the reengagements of the retired officers and expatriate staffs who have technical skills.

Agency Response

The Ministry will ensure that it complies with Audit recommendations.

Auditor-General's Recommendations

The Ministry should:

- Develop and implement a succession plan as provided for by PSC to ensure continuity of the organisation.
- Obtain approval from the Prime Minister's office prior to the re-engagement of any retired officers.

1.20.2 Issue

The Ministry avoided calling a tender for procurement of Rice Agro Inputs when total cost was split in two purchase orders.

Agency Response

The Ministry will ensure that the procurement process is followed.

Auditor-General's Recommendation

The Ministry should ensure that tender are called for procurement above \$50,001 and prevent splitting LPO.

1.20.3 Issues

The Ministry failed to obtain Government Tender Board approval when making payment in excess of \$50,000 to a contractor and a solar power provider for various building and maintenance of quarters and solar power installation. Furthermore, all payments made to the solar power provider were without any contractual agreements.

Agency Response

The Ministry has now established a procurement team headed by the Principal Accountant to handle purchases more than \$20,000 and this includes those technical in nature.

Auditor-General's Recommendations

The Ministry should ensure that:

- open tenders must be called for procurements above \$50,001 so that transparency and accountability of the Ministry is maintained at all times. It will ensure the selection of the best available contractors at the most economical cost to carry out a particular task.
- advance payments must only be made for goods procured through overseas shipments or if required under a contract as per section 14(8) of the Finance Instructions.

1.20.4 ADDITIONAL AFS DAM ISSUED

i.

Issue

Included in the Trading and Manufacturing Account (TMA) Balance Sheet is Deposits & Retention of \$22,113. The audit noted that the Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the balances reflected in the TMA Balance Sheet.

Agency Response

Supporting documents have been submitted to the Auditor-General's Office.

Auditor-General's Recommendation

The Ministry should maintain proper records and be able to provide evidence to substantiate accounts and balances reported in its Trading and Manufacturing Accounts.

ii.

Issue

Review of the Ministry's monthly TMA bank reconciliation revealed that a TMA Bank Balance of \$7,877 is included in the FMIS under the overall TMA Bank Balance of \$390,430. The details of this bank account were not made available to audit.

Agency Response

Supporting documents have been submitted to the Auditor-General's Office to correct posting in the FMIS.

Auditor-General's Recommendation

The internal control procedures in the Accounts and TMA Section, specifically supervisory checks should be strengthened to avoid such discrepancies.

Section 32

Ministry of Fisheries and Forests

Role and Responsibilities

The Ministry of Fisheries and Forests is responsible for the formulation of policies that promote best practices (equating conservation and utilisations) that will ensure a sustainable fisheries and forestry sectors.

The Ministry drives this through coordination, consultation and in partnership with resource owners, communities, private sector, government agencies, and non-government organisations, regional and international agencies.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Fisheries and Forests resulted in the issuance of a qualified audit opinion. The qualification issues are as follows:

1. There is an unreconciled variance of \$224,312 between the fishing license fees of \$405,640 and FMIS general ledger balance of \$629,952. Consequently, audit could not confirm the accuracy of revenue amount.

Agency Response

The Ministry of Fisheries' Offshore and Inshore Units are working towards improving their SOPs on the issuance of fishing license fees and also working closely in reconciling with the Ministry of Economy's FMIS Unit in terms of improving their revenue inputs into the FMIS against their records. The checking mechanism will be strengthened.

2. There was no independent audit verification carried out for the Raw Material account balance of \$16,792 and Finished Good account balance of \$1,229 in TMA Balance Sheet as at 31 July 2016. Consequently, audit could not confirm the accuracy and completeness of inventory amount.

Agency Response

In concurring with the audit finding, the Ministry of Forests clarified that the oversight was due mainly to the pressing issues on the TMA Concept project for the salvaging operations to meet with the timber demands post TC Winston. The Committee noted that a verification was made with the Ministry of Economy and OAG in 2017.

3. There is an unreconciled variance amounting to \$113,993 between the opening FMIS general ledger balance of \$79,641 and the opening balance of the Trust Account Statement of Receipts and payments of \$193,634. The Ministry of Economy adjusted the FMIS general ledger but did not provide the relevant audit evidence to support the adjustments. As a result, audit was not able to ascertain the accuracy and completeness of the Main Trust Fund balance.

Agency Response

The Ministry informed that this is a matter for the Ministry of Economy.

PART B: AUDIT FINDINGS

1.2 Governance Issues

Audit Findings

The following governance issues were noted:

- The Ministry's Strategic Plan for the period 2016-2021 were yet to be finalised as at the date of audit; and
- Internal control deficiencies existed in the Operating Fund Account, Trading and Manufacturing Account, and Trust Account. Refer to *Paragraph 1.2.1, 1.3.1, 1.4.1*, for details. Furthermore, some of the audit recommendations for the 2015 financial year are yet to be addressed. Refer to *Paragraph 1.5* for details.

Agency Response

- The Ministry of Forests is about to finalise a 13 year Strategic Development Plan 2018 – 2030.
- The Ministry of Fisheries is still finalising its 5 year Strategic Development Plan 2018 – 2021.
- The Committee was informed that internal controls are being strengthened through additional training, a procurement checklist, the lowering of financial delegations, traffic light reporting, moving fixed assets management, introducing new standard documents and the recruitment of a procurement advisor who will, inter alia, review system, processes and policies and advise on individual high value procurements.

Auditor-General's Recommendations

- The Ministry must ensure that the strategic plan for the period 2016 -2021 is finalised as soon as possible; and
- The Ministry must also ensure that there is regular evaluation of internal controls and corrective action is taken to resolve the weaknesses identified.

1.2 Operating Fund Account (OFA)

The following audit findings were noted in relation to the Operating Fund Account:

1.2.1 Weaknesses in Internal Control for Operating Fund Account

Audit Findings

Audit review of the Operating Fund Account internal controls systems revealed the following weaknesses:

- Furniture and equipment purchased during the year were not recorded in Fixed Asset Register (FAR).
- Monthly underline reconciliations were not submitted to the Ministry of Economy on a timely basis.
- Wages reconciliations for Pay 18 to 32 were yet to be prepared by the Ministry as at the date of the audit.

Agency Response

- The FAR is an ongoing issue for the Ministry of Forests. The processes are being reviewed and the management of fixed assets is being moved into the accounting team. An internal report has been provided

on the locations of divisional assets and a stocktake will be undertaken soon to confirm the locations of all assets

- Reconciliations for 2017 – 2018 are mostly up to date as follows:–
 - Drawings reconciliation from Aug to Nov – signed copies has been submitted to the Ministry of Economy. Dec to March is in progress.
 - IDC Aug – Feb signed and copies has been submitted to MoE.
 - Operating Trust Account Aug to Feb – signed copies sent to MoE.
 - BLC, Imprest, SLG84 Aug – Feb – monthly reconciliation has been submitted to MoE.

Auditor-General's Recommendations

The Ministry should ensure that:

- assets with a value in excess of \$2,000 are recorded in the FAR;
- monthly reconciliation of Underline Accounts is prepared and submitted to Ministry of Economy before the 15th of each month; and
- wages reconciliation for Pay 18 to 32 are prepared and submitted to Ministry of Economy.

1.2.2 Trading & Manufacturing Activity Support Initiative

Audit Findings

Audit noted that the Ministry paid a total of \$2.5million to the Trading and Manufacturing Activity (TMA) account without Cabinet approval. The expenditure was not provided for in 2016 budget estimates. Although, the Ministry of Economy approved the injection of funds to the TMA account, the proposal for the utilisation of the funds was not included in the TMA Support Initiative submissions made to the Ministry.

Agency Response

- The TMA Operation is an ongoing issue which is subject of both internal and external scrutiny including FICAC review.
- The Acting PS has seconded a Ministry of Economy Accounting expert into the TMA to introduce better processes and controls, review whether there is any inter-funding and analyse the cost of operation and pricing.
- A request for quote has been advertised for an independent review of the TMA and a new role of Business Manager created and advertised.

Auditor-General's Recommendations

The Ministry should ensure:

- that Cabinet approval is obtained for unbudgeted expenditure;
- work plans are developed to ensure proper utilisation of funds and a detailed acquittal is
- prepared for the utilisation of the funds; and
- internal control weaknesses within the TMA account are strengthened prior to the implementation of the project.

1.2.3 Payment of Subsistence Allowance

Audit Findings

Contrary to the requirements of General Order 502, the audit noted that the Ministry paid subsistence allowance of \$13,384 to a Temporary Relieving Assistant Officer for the period 5 October 2011 to 24 March 2013. The audit further noted that:

- The officer was appointed on 9 September 2011 and was posted to Vanuabalavu;
- There was only one staff quarters available which was occupied by the officer in charge hence the officer was accommodated in the conference room;
- The subsistence allowance paid was not budgeted for in the 2016 budget. However, payment was made from the Coastal Fisheries Development allocation.

Agency Response

The Ministry no longer has staff living in office accommodation. Staff movements has to go through the Permanent Secretary for approval and recommendations must be in compliance with the General Orders.

Auditor-General's Recommendation

The Ministry must ensure that written directions in the General Order are complied with at all times.

1.2.4 Provisional Tax Not Deducted

Audit Findings

Audit noted that the Ministry did not withhold 5% provisional tax on the contractual payments.

Agency Response

- The Ministry is currently strengthening this issue in terms of compliance and training of the its Finance Officers
- The Ministry will review its processes in relation to withholding 5% Provisional Tax and introduce measures to ensure compliance going forward.

Auditor-General's Recommendation

The Ministry should comply with the requirements of FRCS for Provisional Tax deductions from payments to all contracted service providers.

1.2.5 Revenue

Audit Findings

Audit noted the following anomalies from the review of revenue records:

- A variance of \$224,312 was noted between the audit calculation and FMIS general ledger balance for fishing license fees.
- The Timber Revenue System (TRS) has not been integrated with the FMIS general ledger. Consequently, a variance of \$74,566 was noted between the audit calculation and the FMIS general ledger.
- Furthermore, the TRS was not able to generate the arrears of revenue report nor the debtors register was maintained by the Ministry. Consequently, the Ministry was not able to determine the total arrears of revenue for timber measurement fees.

Agency Response

- The Ministry now maintains a Debtors Register to record timber measurement fees.
- Reconciliation and monthly monitoring of TRS - timber revenue system is done.
- It was noted that this has come up again in the 2016 – 2017 audit whereby the Ministry of Forests maintains a debtors register in the division but could not reflect a true arrears of revenue for timber measurement fees against the FMIS GL as there has not been adequately monthly reconciliations with division against the FMIS Timber Revenue System input. The Ministry informed that this is being rectified.

Auditor-General's Recommendations

The Ministry should ensure that:

- debtors register is maintained for the timber measurement fees;
- regular reports showing arrears of fees are prepared; and
- reconciliation is prepared between the TRS system and the FMIS general ledger and the variances noted are investigated and rectified.

1.2.6 Anomalies in the Underline Account

Audit Findings

The following anomalies were noted from an audit review of the Underline Accounts:

- Variances were noted between the total debits and credits of the Drawings Account reconciliation statement and FMIS general ledger.
- Variances also existed between the reconciliation statement and FMIS general ledger for Operating Trust Account.
- Included in the Unpresented Cheques listing of \$244,799 are Electronic Fund Transfer (EFT) payments amounting to \$38,219 which were yet to be cleared by the bank.
- Travel advances totalling \$443,497 were not cleared within the stipulated seven days resulting expenditure for the year ended 31 July 2016 being understated.

Agency Response

- Drawings reconciliations Aug to No – signed copies submitted to MoE and Dec to Mar is currently in progress.
- Accountable Advances are no longer approved unless it can be confirmed that there are no outstanding previous accountable advances.
- Operating Trust Account reconciliations – the Ministry is in the process of clearing the debits carried forward from previous years. Once these are resolved this issue should not recur, with regular monthly reconciliations.
- SLG 84 reconciliations are up to date and monitored.

Auditor-General's Recommendations

- The Drawings, Operating Trust and SLG 84 account prepared by the Ministry should be reconciled to the FMIS general ledger. Any variances noted should be investigated and necessary adjustments made.
- The Ministry should also ensure that travelling advances are cleared within 7 days of the completion of the travel or recovery should be made from the salaries of staffs concerned.

1.2.7 Inappropriate Usage of Project Funds Provided Through SLG 84

Audit Findings

Audit noted that funds amounting to \$18,358 were diverted from the ITTO project (Community based Restoration and Sustainable Management of Vulnerable Forests for the Rewa Delta) and used for other purposes without the prior approval of ITTO.

Moreover, the following anomalies were noted from the review of the other financial assistance received by the Ministry:

- A total of \$12,060 was received from the Ministry of Economy for the purchase and installation of air conditions units of which \$1,550 was used to pay the airfare of an officer to attend a training workshop in Noumea, New Caledonia.
- The agreement between the Ministry and the donor agencies was not provided for audit verifications for the following assistance received during the year:
 - a) Community Based Restoration and Sustainable Management of the Vulnerable Forests of the Rewa Delta - \$48,211
 - b) Carryover - Purchase of Computers - \$7,967
 - c) Regional Observers Program - Data Entry Technicians - \$44,456

As at the date of this report, the Ministry is yet to provide the agreements for audit verification.

Agency Response

The Acting Permanent Secretary has instructed that funds are not to be utilised for a purpose other than that which is intended. With this, the Ministry has introduced a checklist whereby staff must identify the source of funds and the account balance when requesting for funds to be expended.

Auditor-General's Recommendations

The Ministry should ensure:

- that project funds are only used for the purpose it was provided for by the donor agencies or other government departments; and
- agreements between donor agencies and the Ministry are made available for audit verification.

1.3 Trading & Manufacturing Account

1.3.1 Weaknesses in Internal Controls for TMA Operations

Audit Findings

Audit review of the internal controls for the Trading and Manufacturing Account revealed the following weaknesses:

- The planned performances and profit target for each TMA activity was not documented in the business plan;
- The quarterly performance report for the TMA account was not prepared by the TMA Manager;
- Contrary to Section 8.8 of the TMA Policy 2015, the TMA Manager did not maintain a Fixed Asset Register;

- The stock listing to substantiate inventory balance of \$18,021 was not provided for audit verification;
- Official invoices were not issued for sale of timber. Furthermore, the register for sawn timber was not updated to indicate the number of timber sold. As such, audit could not ascertain the completeness of accounts receivable/debtors in the TMA Balance Sheet;
- The order book for recording the furniture requested by the customers was not maintained by the TMA Manager. Furthermore, the quotations were used as invoices to bill customers; and
- Bank lodgements were not done on a daily basis hence monies receipted for the months of March to July were lodged at the end of July 2016.

Agency Response

- As mentioned in 1.2.2 above, regular reporting and reconciliations are now occurring.
- The issue of lack of monitoring is one contributing factor due to the lapse of responsibilities of the Ministry's Operational Technical personnel, who are also involved in the TMA Operations as a result of under staffing and staff turnover within the Timber Utilisation Division of the Ministry.

Auditor-General's Recommendations

The TMA Manager must ensure:

- that the business plan is prepared in accordance with the TMA policy;
- performance report is prepared and submitted to the Ministry of Economy;
- stock listing is provided and submitted together with the stock-take report;
- internal controls within the trading and manufacturing activity are strengthened; and
- daily bank lodgements are done.

1.3.2 Anomalies in the Trading and Manufacturing Account

Audit Findings

Audit of the Trading and Manufacturing Activity account revealed the following anomalies:

- The raw material used had a credit balance of \$9,469 contrary to the nature of the account being an expense account.
- There were unsupported cash balances in the cash book and unadjusted balance in the FMIS general ledger.

Agency Response

- As mentioned in 1.2.2 above, regular reporting and reconciliations are now occurring.
- The Permanent Secretary has also withdrawn all delegations above \$1000 until the TMA is operating efficiently, effectively, economically and transparently.
- The Ministry is now working closely with the Ministry of Economy's Asset Management Unit and the FMIS Unit in trying to rectify technical issues in relation to the TMA FMIS set-up and to streamline the processes in order for the FMIS system to reflect the true performance of the Ministry's TMA in its Income Statement and Balance Sheet reports as it had reflected distorted figures as a result of these FMIS technical issues.

Auditor-General's Recommendations

The Ministry should ensure that:

- TMA balances are properly supported and rectify errors detected to ensure balances are correct; and
- proper reconciliations are carried out and any variances noted are investigated and adjusted accordingly.

1.3.3 Unsupported Petty Cash Expenditure

Audit Findings

The Principal Accounts Officer approved a substantial amount of \$20,000 as petty cash for the TMA operations in Nasinu and Dawasamu. The audit noted that supporting documentation pertaining to the utilisation of the funds and petty cash reconciliations were not provided for audit verification.

Agency Response

Petty cash has been retired with all supporting documents and acquittals attached.

Auditor-General's Recommendations

The Ministry should ensure that:

- an imprest is only held for incidental payments;
- proper procedure for holding an imprest account as per the Department of Fisheries Finance Manual is followed;
- petty cash reconciliation is submitted on a timely basis; and
- relevant supporting documents are provided for petty cash expenditures.

1.4 Trust Fund Account

1.4.1 Anomalies in the Fisheries Main Trust Fund Account

Audit Findings

Audit review of the Department of Fisheries One-third Subsidy Scheme Main Trust Fund account and related records revealed the following anomalies:

- A variance of \$113,993 was noted between the audited balance and the opening balance in the general ledger for the cash at bank account.
- Although there was no receipt of money nor payments made for the Fisheries Main Trust Fund account during the year, there was a net movement of \$112,281 in cash at bank and trust accounts in FMIS general ledger.

However, an amount of \$1,824 was disclosed as a retention payment in the Trust Statement of Receipts and Payments.

Discussion with the Accounts Officer confirmed that the Ministry of Economy had adjusted the FMIS general ledger. However, the supporting documentation for the adjustment in the general ledger was not provided for audit verification.

- The listings of the one-third contributions for the trust balance of \$191,922 were not maintained by the Ministry.

Agency Response

- The anomalies arose due to some inter-funding between Operating and True Trust Account and the adjustments were made with FMIS to rectify the issue.
- The account has since been used to accommodate retention monies and performance bonds for construction works for both Ministries.
- The Ministry is working on reconciling all the accounts in order to ascertain its true retention balance and to transfer any other balances to the Consolidated Fund Account (CFA).
- In view of the above, the Ministry is requesting:
 - The Ministry of Economy to close-off this Fisheries One third Two Third subsidy scheme Main Trust Account after reconciliation of all transactions; and
 - Open a special Trust Account for retention and other aid fund purposes.

Auditor-General's Recommendations

The Ministry should ensure that:

- The variance highlighted is investigated and rectified;
- Supporting documentation is maintained for adjustments made and provided for audit review when required; and
- a proper trust listing is maintained.

1.4.2 Authorised Cheque Signatory list not up to date

Audit Findings

Audit noted that the file for recording the names, designations and signatures of officers authorised to operate the bank account was not updated. Moreover, three of the cheque signatories are no longer employed by the Ministry.

Agency Response

The Ministry of Fisheries has amended the cheque signatories of the Trust Account and submitted to the Ministry of Economy Treasury Unit.

Auditor-General's Recommendations

The Ministry should ensure that:

- file of the names, designations and signatures of officers authorised to operate bank accounts are updated; and
- cheques signatories for the Trust account are changed.

1.5 Follow Up on Previous Year Issues

The Committee enquired the Ministry on the following issues which were raised during the 2015 audit and remain outstanding as actions are yet to be taken by the Ministry to resolve them. The status of outstanding issues and the Management's proposed actions is set out below:

1.5.1 TRADING AND MANUFACTURING ACTIVITY ACCOUNT

Audit Findings

Following anomalies were noted in the TMA accounts:

- The Ministry did not maintain adequate accounting records to provide sufficient and appropriate audit evidence to substantiate the following balance sheet items accounts receivable \$5,745 and Deposits and Deductions \$26,033 (qualification issue).
- There was a variance of \$20,320 between FMIS GL and Ministry's Cash book balances, there was also no bank reconciliations performed for the TMA cash account.

Agency Response

Refer to management's comments above in relation to TMA.

Auditor-General's Recommendations

- monthly reconciliation process should be strengthened to mitigate various issues highlighted.
- Errors and discrepancies highlighted during the reconciliation process should be corrected promptly, and in consultation with the Ministry of Economy where necessary.
- The draft Agency Financial Statements including the Trade and Manufacturing Accounts are thoroughly checked, balances substantiated and clarified with the Ministry of Economy before they are submitted for audit.

1.5.2 TMA Stock Figures (Qualification issue)

Audit Findings

No independent stock take conducted on the closing raw materials of \$7,322 and closing stock \$2,599 for the year 2015. The signed certificate was signed off by the Principal Accountant. Contrary to the procurement regulation, there were no independent officers from other Ministries to oversee the stocktake.

Agency Response

Refer to management's comments above in relation to TMA.

Auditor-General's Recommendation

The Ministry should ensure that an officer who is independent of the Ministry is present to oversee the stock take process.

1.5.3 Anomalies in the Fisheries Main Trust Fund (Qualification issue)

Audit Findings

Review of the Fisheries 1/3 Subsidy Scheme Main Trust Fund Account Revealed the following anomalies:

Ministry only submitted their signed bank reconciliation up to the month of May.

Agency Response

Refer to 1.4.1.

1.5.4 Medical and Police Reports for New Recruits not Provided

Audit Findings

Medical and Police clearance reports for newly appointed officers were not obtained prior to the appointment of officers. No efforts were also made to obtain the documents after the signing of the contracts.

Agency Response

- These reports are now being provided.

Auditor-General's Recommendations

The Ministry should ensure that:

- Proper vetting of applicants is conducted prior to the appointment of officers as required under General Orders 203.
- Medical reports and police clearance reports are obtained and kept in the respective files to support vetting process carried out.

1.5.5 No Individual Work Plan

Audit Findings

Staff personal files had not IWPs for prior years. Audit was informed that the Ministry advises each employee to develop their own IWP. However, IWPs developed by staff were not reviewed, approved and signed by the relevant authorised officers.

Agency Response

IWPs are being created under the recent Civil Service Reform that is the Performance Management System Framework.

Auditor-General's Recommendations

The Ministry should ensure that:

- IWPs are developed by each employee and are agreed to by the Ministry and the employees;
- A copy of the IWP is maintained in the employee's personal file.

1.5.6 Anomalies in the Underline Account Reconciliation

Agency Response

- Drawings reconciliations August – November signed copies submitted to MoE. December – March in progress.
- Accountable advances are no longer approved unless it can be confirmed that there are no outstanding previous accountable advances.
- Operating Trust Account reconciliations – the Ministry is in the process of clearing the debits carried forward from previous years. Once these are resolved this issue should not recur, with regular monthly reconciliations.
- SLG 84 reconciliations are up to date and monitored.

1.5.6.1 Drawing Reconciliations

Audit Findings

Variance between the drawings reconciliation and the general ledger balances of \$216,033.

Agency Response

See 1.5.6 above.

Auditor-General's Recommendations

- the Ministry should investigate and rectify the variances noted between its reconciliation statements and the general ledger FMIS.
- the Ministry should ensure that monthly reconciliations are carried out properly and accurately.

1.5.6.2 Audit Findings

Following anomalies were noted when scrutinising the underline accounts and related records:

- Variances noted between the FMIS ledger and the Ministry's reconciliation balances. Variances were mainly due to the incomplete reconciliations submitted by the Ministry.
- No reconciliations provided for the accounts payable, advances and receivables allocations.

Agency Response

See 1.5.6 above.

Auditor-General's Recommendations

- Reconciliation of all underline accounts are performed monthly, properly checked and approved on time;
- Procedures relating to the preparation of reconciliation statements as stated in the Finance Manual are complied with to strengthen the reconciliation process; and
- All balances in its books of accounts are accurate and adequately supported.

1.5.7 Misallocation of Expenditures

Audit Findings

The Ministry was charging expenses to unrelated expenditure allocations.

Agency Response

- This is now being resolved with the introduction of a procurement checklist late last year that requires the source of funds and balance to be identified.

Auditor-General's Recommendations

The Ministry should ensure that:

- All purchases made are charged to the correct allocation;
- All necessary expenditure to be incurred for the year is identified and adequately provided for in the Ministry's budget; and
- Accounting information gathered are fairly represented so that proper decision making could be made.

1.5.8 Utilisation of Capital Expenditure Funds for Other Projects

Agency Response

As mentioned in 1.5.7 above.

Auditor-General's Recommendation

The Ministry should ensure that the funds are utilised for their intended purposes as set out in the budget and to avoid unnecessary over expenditures.

1.5.9 Settlement of Previous Years Outstanding Accounts

Audit Findings

Ministry paid for outstanding accounts from 2014 in 2015 contrary to the requirements of the Ministry of Economy Circular Number 25/14. Ministry of Economy advised all Ministries and Departments in 2014 that they would not be facilitating any requests for carry-over of funds from 2014 to the 2015 financial year.

Agency Response

- The Ministry acknowledges this as another ongoing issue and has responded by reviewing outstanding purchase orders monthly.
- End of financial year processes will be strengthened to ensure early engagement with suppliers to get invoices submitted in a timely manner.
- This issue relates to procurement and payments were not done on a timely manner.

Auditor-General's Recommendation

The Ministry should ensure that the current year's expenditures are settled within the current financial period and not carried forward to the next financial year.

Section 33

Ministry of Lands and Mineral Resources

Role and Responsibilities

The Ministry of Lands and Mineral Resources plays a pivotal role in national development and in supporting its economic growth.

The Ministry is focused on developing, reviewing and adopting flexible and market-driven policies to address the challenges faced by land developers, tenants, investors and indigenous landowning units in terms of accessing and utilizing land.

The state owns 4 per cent of land in Fiji. The State's land is located within major urban centres around the country; its effective management is crucial to the national development.

The Ministry of Lands and Mineral Resources is made up of two Departments: the Department of Lands and the Mineral Resources Department.

The Department of Lands is responsible for the effective and efficient administration, development and management of all state land in Fiji. The new Land Use Division, which was established in 2010, helps indigenous landowners put viable land that is currently idle and un-utilized to productive use, under terms and conditions which are attractive to both the landowners and tenants.

The Mineral Resources Department oversees and facilitates the development of the country's mineral sector and groundwater resources. It undertakes studies in relation to geological hazards and mineral and groundwater development. It also manages the development of the mining and quarrying sector.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Lands and Mineral Resources resulted in the issuance of an unqualified audit opinion.

PART B: AUDIT FINDINGS

1.2 Administrative Issues

1.2.1 Governance Issues

Audit Findings

Audit noted that the monthly report of the Accounting Head was not provided to the Permanent Secretary. As such, the following internal controls were either not complied with or were not in place for the financial year ended 31 July 2016:

- The Ministry does not maintain a Gift Register as stipulated in section 5.3.13 of the Ministry's Finance Manual 2013;
- Reconciliations were not performed on a timely basis.
- Imprest Account reconciliations for Department of Lands were not prepared in a timely manner while no dates were stated in the reconciliations for Mineral Resources Department.
- The reconciliation for Department of Lands Accounts Receivable Standard Asset Group (SAG) 56 was not performed. The Department had an unreconciled balance of \$24,225 in the general ledger as a result of mispostings and reversals not properly carried out for double postings.
- The reconciliation for Standard Liability Group (SLG) 84 ledger account 1-33101-33101-840101 was not prepared in a timely manner. The reconciliations for the month of January to July were prepared on 12/8/16. In addition, the audit noted no reconciliation was prepared for SLG 84 general ledger account 1-33301-91011-840602 (withholding tax payable account) which had a closing balance of \$7,584 as at 31/7/16.

Agency Response

- The Ministry now maintains a gift register.
- The Ministry has updated all their reconciliation on a monthly basis. This report is submitted to the MoE and a consolidated report is submitted to Executive Management as an internal control measure initiative that the Ministry has adopted to comply with the Agency Financial Manual and other Accounting Instructions.

Office of the Auditor-General's Response

- The Auditor General has recommended maintaining a Fixed Asset Register as this is a compliance issue which is required under the Ministry's Finance Manual.

Ministry of Economy's Response

- As per General Orders and Finance Instructions, a gift to be categorised as an official gift, the gift must be received by the Office Holder in the capacity as a civil servant. This needs to be recorded in the Gift Register. Gifts such as Tabua and maze have to be returned as per the Government policy.

Auditor-General's Recommendation

The Ministry must ensure that a Gift Register is maintained and reconciliations are prepared in a timely manner as required by the Finance Manual 2013 and Finance Instructions 2010.

1.3 Department of Lands

1.3.1 Failure to Deposit the Retention Sum in the Trust Fund Account

Audit Findings

The audit noted that the Ministry did not transfer the retention funds deducted from the capital projects to the Retention Trust Fund Account. The retention sum was not paid to the Contractors as at 31/7/16 and remained in the capital project budget allocation. This budget allocation was not carried over to the next financial year. As a result, the Ministry will have to divert funds from other allocations to pay for the retention sum in the future.

In addition to the above, the Ministry does not maintain a Trust Fund Account for keeping the retention funds and also did not utilise the trust fund account maintained by the Fiji Procurement Office for the retention funds. Moreover, the audit noted that the Department did not maintain a Retention Fund Register to record funds retained as retention sum but reliance was being placed on the Project Consultant to maintain all the details in respect to the retention sum.

Furthermore, the audit noted that contrary to the contract agreement between the Ministry and the Contractor in the Vakamasisuasua Industrial Subdivision Project, retention funds were not deducted from the progressive claims. Refer to Table 33.8 for details.

Table 33.8: Details of Retention Funds Not Deducted

Project Name	Details of the Project	Project Cost (VIP) (\$)	Percentage of Retention	Payment as at 31/7/16 (\$)	Retention to be Deducted (\$)
Development of State Land	Vakamasisuasua Industrial Subdivision	1,513,863	10%	261,258	26,126

The above finding indicates that payments were not properly monitored resulting in overpayment of \$26,126 to the contractors for the Vakamasisuasua Industrial Subdivision project.

Agency Response

- The current practice the Ministry is undertaking is that we work to the Interim Payment Certificate (IPC) issued by the Engineering Consultant engaged by the Ministry to oversee all payments in regards to civil work.
- The Ministry has also maintained a register as recommended.
- The Ministry only request for RIE based on the claim amount stated on the IPC which has less the Retention Sum. If the project spills over to the next financial year, the Ministry will then submit a budget proposal for the Retention Sum to be included in the Budget provision in the next financial year.

Auditor-General's Recommendations

The Ministry should:

- ensure that the retention sum deducted from the progress payments are deposited into the trust fund account;
- maintain a register to record details of all retention sum deducted; and
- ensure that the clauses in the contractual agreement in relation to deduction of retention sums are strictly adhered to.

1.3.2 Double posting in General Ledger

Audit Findings

The audit noted that in July, the Ministry of Economy posted \$189,739 to Standard Expenditure Group (SEG) 8 for payment of native land leased to state for Northern Division for the period 1/1/16 – 30/6/16 with journal reference number 'Draw 12'.

Discussion with the officer responsible revealed that the payment was incorrectly listed in the Unpresented Cheques list as at July 2016 and Ministry of Economy adjusted it to SEG 8.

As a result, SEG 8 is overstated by \$189,739. The finding indicates that the Accounts Officer did not reconcile the ledger balances to the general ledger report. As such, the double posting was not identified and corrected in a timely manner.

Agency Response

- The Ministry prepares reconciliation statements on a monthly basis as required by the Financial Instructions. In the process of journalizing of vouchers there was mis-posting of allocation through the FMIS system.
- The Ministry ensures that proper reconciliation is being done for General Ledger to avoid any mis-posting or double posting as the case for due to some misunderstanding between Ministry of Economy and the Ministry which resulted in that double posting.

Auditor-General's Recommendation

The Ministry should ensure that the ledger balances are reconciled to the general ledger reports in a timely manner and errors or misallocations are adjusted accordingly.

1.3.3 Main Trust Fund Account Not Properly Maintained

Audit Findings

Audit review of trust fund account revealed the following anomalies:

- Monthly Trust Fund Account reconciliations was not prepared within five days after the end of each month. The reconciliations for January to June 2016 were prepared on 23/8/2016. The bank reconciliation for July was prepared on 24/11/2016 while the July reconciliation for SLG 89 was not provided for audit verification;
- Trust Bank Account reconciliation (SAG 52) was not prepared using the standard format as in the Ministry's Finance Manual Schedule 9 (pg. 117);
- Trust cash books were not maintained;
- The Ministry did not maintain an updated trust ledger; and
- The postings in the general ledger could not be substantiated due to inadequate supporting documents.

Agency Response

- The Ministry has improved on the submission of monthly reconciliation and ensures that any discrepancies will be resolved and variances in the Trust Ledger records is identified and adjusted accordingly with supporting documents.

- This issue has been rectified and reconciliations for SAG 52 and SLG89 is updated and prepared in timely manner and trust cash book and ledger is also updated.

Auditor-General's Recommendations

The Ministry should ensure that:

- the monthly trust fund reconciliations are prepared in a timely manner in accordance with Schedule 9 of the Ministry of Lands and Mineral Resources Finance Manual 2013; and
- the trust cash book and trust ledger records are properly maintained and updated.

1.3.4 EFT Payments Unpresented as at 31/7/16

Audit Findings

During the review of the Department of Land's unpresented cheque listing, the audit noted that the unpresented cheque listing consists of Electronic Fund Transfer (EFT) payments totalling \$439,587 as unpresented.

In addition, the audit conducted a subsequent testing for sample of unpresented EFT payments and noted that the EFT payments were not appearing in the consecutive month's bank statement (July to December 2016).

Agency Response

The Ministry has since been preparing reconciliation statements on a monthly basis as required by the Financial Instructions. Over the years we have been consistent with our submission of Drawings reconciliation to Ministry of Economy.

Ministry of Economy's Response

The Representative from the Ministry of Economy confirmed that the Ministry has been submitting the reconciliations on a timely basis.

Auditor-General's Recommendations

- Supervisory controls and checks should be strengthened in the Accounts Section to avoid such discrepancies from occurring in future.
- The Department should ensure that the Drawings Account is reconciled monthly and any errors, omissions or misallocations noted are investigated and adjusted accordingly.

1.4 Department of Mineral Resources

1.4.1 Main Trust Fund Account Not Properly Maintained

Audit Findings

Audit review of Mineral Resources Department's trust fund accounts revealed the following anomalies:

- Monthly trust fund account reconciliations were not prepared within five days after the end of each month. Reconciliations for the months of January to March were prepared on 18/7/16 while the reconciliations for the months of April and May were prepared on 27/7/16. The unsigned soft copies of the reconciliation were provided for the month of June and July; and
- The stale and voided cheques were appearing in the unpresented cheque listing.

Agency Response

- The Department has improved on the submission of monthly reconciliation and ensures that any discrepancies will be resolved and variances in the Trust Ledger records is identified and adjusted accordingly with supporting documents.
- For internal control purposes the Department is in the process of reviewing its Management control of the Trust Fund.

Auditor-General's Recommendations

The Ministry should ensure that:

- the monthly trust fund reconciliations are prepared in a timely manner; and
- stale and voided cheques are cleared in a timely manner.

1.5 Prior Year Issues

1.5.1 Rental Being Charged on Expired Leases

Audit Findings

From data obtained from the Crown Land Lease System, the audit noted that the rental revenue was being charged on expired leases. This amounted to \$1,043,573.58 as at the date (4/11/15) of audit.

Agency Response

- The Ministry has taken appropriate approach and stopped charging rental on expired lease. The team responsible has separated the Active and Inactive (expired lease) accounts. For now when lease has expired the system does not allow charging of rental and batching on this expired lease.

Auditor-General's Recommendations

The Department should ensure that:

- Lease rentals are not charged on expired leases; and
- Necessary processes are taken after the expiry of leases.

1.5.2 Arrears of Revenue

Audit Findings

The audit noted that the arrears of revenue for Department of Lands as at 31/12/15 which totalled \$26,980,319 only included crown land lease. The Department was not able to provide arrears figures for the other revenues. The audit also noted that the recovery of arrears of revenue have been slow as the arrears of revenue have been increasing. Although a Taskforce Unit was established in 2008 to enforce collection of land rent, arrears of revenue continue to increase.

Agency Response

- Revenue Management System- the Ministry has put in place a system that captured all other revenue apart from the Land rent.

Auditor-General's Recommendations

Accounting Heads to:

- Ensure correct figures are supported before finalizing the arrears of revenue report;
- Take appropriate steps vigorously follow up for recovery of long outstanding debts;
- Follow up the outstanding debts in accordance with the debt recovery procedures prescribed in the Ministry's Finance Manual; and
- Review the effectiveness of the Taskforce Unit that was established to enforce the collection of land rent.

1.5.3 Anomalies in the Underline Accounts Reconciliation

Audit Findings

Audit noted the following anomalies:

- The preparation of monthly reconciliation statements for the Department of Lands Operating Trust and Revolving Fund Account were not performed on time.
- An amount of \$1,317,407 was recorded as Vat from Provision for Goods & Services under the Operating Trust Fund Account. The balance in this account has always been increasing since it was opened in 2009 to record the VAT collected on revenue and the VAT payment made to FRCS. The audit noted that the Department of Lands had been short debiting this account when payment is made to FRCS resulting in the outstanding balance increasing every year. This balance may be regarded as the amount owed to FRCS.

Agency Response

- The Ministry prepares reconciliation statements on a monthly basis as required by the Financial Instructions.
- The Ministry has been submitting reconciliations on Operating Trust and RFA on a monthly basis to FMIS Division.
- All VAT on Revenue for the past few years has been remitted to FRCA based on correct calculations.

Auditor-General's Recommendations

- Reconciliation statements should be prepared on a monthly basis and the statements should be properly checked and signed off.
- The Ministry should comply with the procedures relating to the preparation of reconciliation statements as stated in the Finance Manual to strengthen the reconciliation process.
- The Ministry should ensure that all balances in its books of accounts are accurate and adequately supported.
- The Ministry should ensure correct calculation of VAT payments made to FRCS.

1.5.4 Department of Lands – Regularity Audit Issues

1.5.4.1 Salary and Wages Reconciliation not prepared on time

Audit Findings

Audit noted that some salary and wages reconciliations were performed and statements prepared very late which would have made it difficult for the Department to detect and act upon any payroll discrepancy in a timely manner.

Agency Response

The Ministry has updated all their reconciliations on a monthly basis. The reports are submitted to MoE on a timely basis.

Auditor-General's Recommendation

The Department should ensure that regular payroll (salaries/wages) reconciliations are performed on a fortnightly/weekly basis and that the reconciliation statements are thoroughly checked by the Principle Accounts Officer to minimize or avoid incorrect payments of salaries and wages.

1.5.4.2 Payments made after the Discount Period

Audit Findings

From the review of sample of payment vouchers for payments of rates to Municipal Councils, audit noted that the Department did not take advantage of the full discount offered by the Municipal Councils by paying within the discount period.

Agency Response

The team responsible within the Ministry has been making payments within the Discount Period.

Auditor-General's Recommendation

The Department should take advantage of the discounts offered by the Councils by planning the requisitioning of funds with the Ministry of Economy within the discount period given by the Municipal Councils.

1.5.4.3 Legislation Governing Crown Lands Act

Audit Findings

Legislations should be reviewed and updated on a regular basis to accommodate changing developments. The Department of Lands is directly governed by the legislations listed below:

- Land Use Decree 2010 (2010)
- Lands Transfer Act (1978)
- Surveyors Act (1978)
- Subdivision of Land Act (1978)
- State Lands Act (1978)
- Agricultural Landlord and Tenants Act (1978)
- Valuation Registration Act (1986)
- State Acquisition of Lands Act (1978)
- Local Government Act (1985)

The audit however noted that the Decrees were released from time to time to amend various sections within the legislations. The whole legislation needs to be reviewed. No evidence existed to indicate that proposals have been made to review the entire legislation. The review of the legislation needs to be done to ensure that the various requirement and amendment to the legislations are harmonized into the main legislation governing the Department of Lands.

Agency Response

Water Policy, Mining Act and Surveyors Registration Act are currently being reviewed by the Ministry.

Auditor-General's Recommendation

The Department should consider making proposals to review legislations governing the Department to ensure that all the different legislations are harmonized.

Section 34

Ministry of Industry, Trade and Tourism

Role and Responsibilities

Creating an internationally competitive economy and stimulating economic growth is one of the Government's top priorities. To do this, it needs to encourage investment, boost trade and support private enterprise.

The Ministry of Industry, Trade and Tourism is responsible for positioning Fiji as an internationally competitive economy. It does this by diversifying and expanding markets, expanding exports, marketing Fiji as the ideal tourist destination, working to improve the manufacturing and commercial sector, improving investors' and businesses' confidence and the ease of doing business in Fiji, improving market access for Fijian-made products and services, ensuring compliance with national and international standards, and improving livelihoods of grassroots communities through cooperatives, micro and small enterprises development.

In 2016, the Ministry will carry out the Fiji Tourism Development Plan, Fijian Made-Buy Fijian Campaign Audit Procedures and a review of the Department of National Trade Measurement and Standards.

The Ministry will also continue with its highly successful micro and small business grant scheme which creates opportunities for many ordinary Fijians and encourages a culture of enterprise and entrepreneurship.

PART A: FINANCIAL STATEMENTS

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Industry, Trade and Tourism resulted in an unqualified opinion.

PART B: AUDIT FINDINGS

1.2 Backlog of Audited Accounts

Audit Findings

The audit noted that the following statutory authorities have not provided audited financial statements for the operating grants received from the Ministry. Refer to Table 34.3 for details of grant assistance provided and the status of the audited financial statements.

Table 34.3: Details of Pending Audited Accounts

Grant Recipients	Pending Audited Accounts	Actual Grants (\$) ⁴
Tourism Fiji	2015	26,500,000
Textile Clothing and Footwear Council	2015	100,000
	2014	100,000
	2013	100,000
Total		26,800,000

Agency Response

The Ministry informed that it is continuously strengthening its processes with regards to the administration of grants. In 2014, it introduced a new recruitment, which is the submission of audited reports. It is pleasing to note that the majority of the statutory organizations and grant recipients are adhering to this requirement and are submitting these documents in a timely manner.

Tourism Fiji and Textile Clothing and Footwear (TCF) Council have already completed their outstanding reports and are now up to date. The Ministry assured that it will closely keep tabs on the organizations through regular issue of reminders and follow ups on the timely submission of audited reports when the timeline draws near.

The Committee was informed that the backlog of audited accounts with respect to Tourism Fiji and TCF Council have been resolved.

Auditor-General's Recommendation

The Ministry should ensure the grant recipients provide the audited financial statements in a timely manner as required in the grant agreement.

Section 35

Ministry of Sugar

Role and Responsibility

The Ministry is responsible for the coordination of the activities and functions of the various institutions that make up the sugar industry with the sole objective of ensuring that Government's commitment to reviving the industry is achieved.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Sugar resulted in the issuance of an unqualified audit report.

PART B: AUDIT FINDINGS

1.2 Grants to Fiji Sugar Corporation Limited (FSCL) on Sugar Development

Audit Findings

Audit Review of the program records revealed the following anomalies:

- The grant of \$4.6 million paid to FSCL for the rehabilitation as per the grant agreement, was actually utilised for cane planting program for which Cabinet approval was not obtained by the Ministry. The grant agreement was also not revised to reflect the changes made to the initial objectives of the grant.
- The cane planting program facilitated by the FSCL included payment for fallow and replant of a total area of 3,425 hectares. The total payment made by the FSCL in this regard was approximately \$6.2million and exceeded the total grant amount received by \$1.6million.
- Project reports were not submitted to the Ministry on a quarterly basis. Instead, only one progress report was submitted on 31 December 2016, which was for work carried out for the whole year.

Agency Response

- The Ministry informed that it is now seeking proper cabinet and parliamentary approval before funds are utilised for other purposes. For instance, ministry obtained a cabinet decision to utilise the Special payment and Sugarcane Development grant for 2016 top-up payment and revised agreements accordingly.
- The Ministry further informed that in 2016, a lump sum payment was made to FSC. All funds are released on a quarterly basis and is required to provide quarterly progress reports.
- Both the progress report and financial reports are verified by the Ministry prior to release of funds.
- Ministry also undertakes quarterly physical monitoring exercise in partnership with FSC and the Sugar Cane Growers Council.

Office of the Auditor-General's Response

OAG informed that proper approvals should be obtained before funds are utilized for other purposes.

Auditor-General's Recommendations

The Ministry should ensure that:

- proper approvals are obtained before the funds are utilised for other purposes and grant agreements are revised accordingly.
- physical inspections are carried out in the field to verify that the works carried out are in line with the requirement of the grant agreement.
- the grant is released on a quarterly basis after quarterly reports have been received and verified.

1.3 Anomalies in Revenue Records

Audit Findings

Audit review of Ministry's records revealed the following anomalies:

- The Ministry did not have revenue records such as government receipt book, revenue collectors' analysis sheet and bank lodgements forms to receive and bank revenue.
- In 2016, the Ministry received a total of \$8,142 as board sitting allowance for the Director of Sugar for attending board meetings for which official government revenue receipts were not issued. Although the allowances were banked, the revenue was not posted in the FMIS general ledger hence was not reflected in the Ministry's Statement of Receipts and Payments as at 31 July 2016.

Agency Response

The Ministry informed that it has obtained receipt book, cash analysis sheet, bank lodgement form from Ministry of Economy and has appointed revenue collectors. Ministry issues all receipt for the directors sitting allowance and has obtained access to FMIS system to ensure that all cash/cheque are recorded in appropriate FMIS Ledger.

Auditor-General's Recommendations

The Ministry should:

- immediately liaise with the Ministry of Economy for revenue records.
- ensure that official government revenue receipts are issued for all cash/cheques received and related revenue records including the revenue collectors' analysis sheets and bank lodgement clearance form are updated accordingly.
- all cash/cheque received by the Ministry are recorded in the appropriate FMIS general ledger allocations.
- consider appointing a competent officer immediately to oversee the overall operations of the Ministry's Accounts Department.

1.4 Supporting documentation to Vouchers Not Stamped "PAID"

Audit Findings

Audit noted that all supporting documentations to the payment vouchers for all payments totalling \$20,020,988 made during the year were not stamped "PAID". However, it was noted that only the payment voucher was stamped "PAID" but was not dated which indicates the date upon which the payment had been effected.

Agency Response

The Ministry informed that it now ensures that all supporting documents are stamped 'Paid' and has strengthened its supervisory checks.

Auditor-General's Recommendations

The Ministry should:

- ensure that all vouchers and supporting documents are stamped "paid" and dated; and
- strengthen supervisory checks over processing of payments.

1.5 No Segregation of Duties

Audit Findings

Audit noted that the Accounts Officer was involved in all phases of the procurement process and there was no segregation of duties within the Accounts Section of the Ministry.

Despite the issue being raised in previous audit reports, no action has been taken by the Ministry.

Agency Response

The Ministry informed that there is now clear separation of duties as LPO's are raised by the Clerical Officer and authorised by an Accounts Officer for amounts less than \$10,000 while payments are made by the Assistant Accounts Officer.

Auditor-General's Recommendation

The Ministry should consider reviewing the job descriptions and tasks carried out by the accounting officers to ensure that control measures are in place to safeguard public funds.

1.6 Irregularities in Accountable Advance

Audit Findings

Audit review of the advance records revealed the following irregularities in regards to advances issued to the Accounts Officer (EDP no. 60106):

- Travel advances were not acquitted with proper source documentations and within the stipulated timeframe.
- Several advances issued were still outstanding and acquittal records were not provided at all. The advances were yet to be recovered from the Officer as at audit date.
- Request for travel and claims made by the officer were not properly justified and scrutinized hence additional claims for refunds were made to the officer upon return to office.
- Moreover, it was noted that several accountable advances issued for meals, subsistence and payment of airfare amounting to \$4,720 were charged to personal emoluments allocation.
- Retirement of advance details was not updated in the Advance Register.

Agency Response

- The Ministry informed that Officers are required to sign the accountable advance form whereby they guarantee accountable advance retirement within 7 days of returning. The Ministry also deducts salary from officers who do not retire advances within the timeframe even after reminders.
- The Committee was informed that the Accounts Officer's case was referred to FICAC and it was awaiting court decision on recovery of advances.
- All travel has to be properly justified which includes travel itinerary, costs involved and purpose of travel and should be approved by the Director.

- The Ministry highlighted that no cash advances for hotel accommodation is provided to officers. Instead, accommodation is done through LPO and the Accounts team verifies each source document before retirement is done.
- The Committee noted that the Ministry has strengthened its supervisory checks. Cash flow adjustments and virement are done in cases of insufficient funds in the particular allocation.
- Furthermore, the Ministry consistently updates the accountable advance register when the retirement is done.

Auditor-General's Recommendations

The Ministry should ensure that:

- Duties performed by the Accounting Officers is reviewed, segregated and supervised.
- Proper measures are put in place to ensure that all travel advances requests made are properly justified before they are approved.
- Proper source documentations are provided and thoroughly scrutinized to substantiate claims made.
- All travel advances are cleared within seven days upon return and any outstanding amount plus interest should be immediately recovered through salary deductions from officers concerned.
- Meals and subsistence claims expenditure incurred are charged to the correct allocation in the Travel and Communications allocations (SEG 3); and
- All relevant details are updated in the Accountable Advance Register upon retirement.

1.7 Anomalies in Reconciliation of Underline Accounts

Audit Findings

Audit review of the Ministry's Underline Accounts revealed the following anomalies:

- Reconciliations were prepared for three to four months instead of on a monthly basis.
- Reconciliations prepared were not reviewed and signed by the Preparer, Accounts Officer and Director.

Agency Response

- The Ministry informed that it is now submitting the monthly reconciliation on monthly basis.
- The reconciliations are prepared by Assistant Accounts Officer, checked by Accounts Officer before the Director Sugar Operations endorses the monthly reconciliation.

Auditor-General's Recommendations

- The Accounts Officer should prepare all the reconciliations on a monthly basis and submit them to Ministry of Economy with copy filed for records.
- Reconciliation of all underline accounts must be signed by the preparer and checked and endorsed by the supervisor and Director.

Section 37

Ministry of Local Government, Housing and Environment

Role and Responsibilities

The Ministry of Local Government, Town Country Planning and Environment is responsible for formulating and implementing local government and urban planning policies, developing Government policy for the protection of the environment and its sustainable use and policing the use of the environment to ensure compliance with Government policy.

The Ministry also partners with other authorities such as National Fire Services, Municipal Councils nationwide, as well as with international donor agencies that conduct environment and climate change programs. The Ministry has three main Departments under its portfolio: the Department of Town and Country Planning, the Department of Local Government and the Department of Environment.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Local Government, Housing and Environment resulted in the issuance of a qualified audit opinion. The qualifications are as follows:

- The Environment Trust Fund account for the Ministry had a closing balance of \$2,781,989 for period ended 31 July 2016. The Ministry did not maintain proper records including cash books. Proper bank and trust reconciliations were also not performed for the trust account. As a result, audit was not able to ascertain the accuracy and correctness of the amount reflected in the trust account.

Agency Response

In relation to the qualification pertaining to the Department of Environment Main Trust Fund account is concerned the Ministry with assistance from FMIS has reconciled the Main Trust reconciliation from 2012 to July 2017. The variance of \$1,033,867.93 between Trust Revenue Account and Bank Account, the Ministry will submit the submission to Ministry of Economy to rectify the variance which had resulted from prior year's mispostings and adjustments by mid of April 2018.

Measures taken to avoid the issue being raised again

1. Provision of FMIS training for Accounts Personnel.
2. In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations.
3. All reconciliations prepared are verified and signed copy of the reconciliation is submitted to Ministry of Economy.
4. All underline reconciliations are to be prepared on a monthly basis.
5. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times.

The Ministry is closely working with Ministry of Economy to adjust this variance.

- The Ministry did not carry out an annual board of survey to verify the existence and condition of all assets under its authority contrary to Section 49 of Finance Instructions 2010. The last survey was carried for the financial period ended 31 December 2015.

PART B: AUDIT FINDINGS

1.2 Failure to prepare Salaries & Wages Reconciliations

Audit Findings

The Ministry of Local Government, Town Country Planning and Environment salaries and wages expenditure totalled \$1,664,868 for the period 01/01/16 – 31/07/16. The audit noted that the Ministry did not prepare salaries and wages reconciliation for the period.

Agency Response

- There was only three personnel in its Accounts Unit with the Principal Accounts Officer being the supervisor and ensures monitoring the operations of the Ministry's accounts
- Also, with the budget submission already put forward through the Ministry of Economy, the Ministry is anticipating to have a total of 6 staff in its Accounts section given that the Department of Environment is now absorbed within the Ministry.

Auditor-General's Recommendation

The Senior Accountant should ensure that salary and wages reconciliation are performed on a timely basis and filed accordingly.

1.3 Delay Implementation of the Laqere Waste Transfer Station Project

Audit Findings

The Ministry of Local Government, Town Country Planning and Environment was provided a total of \$4,021,250 in the 2014 to 2016 budget estimates to construct the Laqere Waste Transfer Station. However, the audit noted that the project is yet to be completed.

Agency Response

- The Waste Transfer station that was intended to be situated in Laqere was going to be a 'sorting station' for waste distribution such wastes that can be recycled, burned or taken to the Naboro landfill for further decomposing.
- The waste landfill in Naboro decomposes 90% of Wastes in the Central Division both industrial and residential which is creating system problems for its decomposing as all wastes whether toxic, biodegradable or recyclable all end up in the landfill.
- Following the consultation with the landowners of Laqere, the local community was very reserved about this new project because of the perception of "bad odour or garbage left in the backyard"
- The Waste Transfer Station will be a new landfill project that will be built underground and the Ministry is still looking for favourable land in consultation with the Ministry of Lands to build this sorting station.

- In building this new sorting station, the Ministry is already working with some other Private organisation on recycling some of the wastes that will be brought in.
- With regards to the actual expenditure incurred – total amount of \$292,612, the Committee was advised that the Ministry will still use some of its planning tools or models which can salvaged that equates to an approximate 50-60% from the total cost incurred.
- The Committee was further advised that with regards to the Naboro landowners, the agreement between the Ministry and the landowners (Community level) has been revised in 2013 and now the disposal of wastes in the Naboro landfill is charged at \$0.78/tonne.

Auditor-General's Recommendation

- The Ministry should ensure that the waste transfer station project is properly planned and implemented.

1.4 Failure to Implement Projects

Audit Findings

The Department of Town/Country Planning and Environment was provided a sum of \$2.67 million in the 2016 budget estimates to carry out three projects, namely Valelevu Sports Complex, Lautoka Botanical Garden Swimming Pool and the New Town Development in Nabouwalu in Bua.

Audit review of the above projects revealed that the Department did not utilise the funds provided by government and the projects were not implemented.

Agency Response

- The department is assisting all municipal councils in their planning of capital projects. The councils have been advised to focus more on the preliminary works of the projects using their resources effectively before requesting any additional government funding. Preliminary works including land security, development approvals, design plans, land surveys, feasibility studies where it is relevant.
- One of the reasons for the delay was due to Tropical Cyclone Winston whereby activities and efforts went towards to salvaging and rebuilding. This was also coupled with the change of the new fiscal year.
- Also, the Committee was advised that the Department now has an engineer in house that will administer or provide technical assistance on the projects intend to be undertaken by the Ministry
- Additionally, site inspection has also been conducted with the Desk Officers from Ministry of Economy to have a fair idea on the project planning while appraise and analyses our new project proposals.
- The department is also strengthening its monitoring roles to these pending capital projects through fortnightly follow up with the councils on the progress of their capital projects and reports to management.

Auditor-General's Recommendation

The Ministry should ensure that proper planning is carried out for all capital projects and these implemented in a timely manner with progress reports provided to all key stakeholders.

1.5 Unreconciled Main Trust Fund Account Balance – Department of Environment

Audit Findings

Audit noted a variance of \$17,210 between the trust fund cash at bank balance of \$2,764,779 recorded in the general ledger and the trust fund liability account balance of \$2,781,989 as at 31 July 2016.

Audit further noted that the Department of Environment trust fund cash at bank account maintained at Westpac Bank Corporation did not reconcile to the general ledger balance as at 31/07/2016. A variance of \$544,564 exists between the trust fund cash at bank recorded in the general ledger (\$2,764,779) and the bank balance (\$3,309,343) contrary to section 32(6) of Finance Instructions 2010.

Audit also noted that there was no evidence to indicate that the reconciliation was reviewed by the Senior Accounts Officer for its correctness.

Agency Response

With the limited resources (staff personnel) and appointment of Manager Finance in account section, the Ministry will ensure that all the backlog work are completed and submitted to Ministry of Economy.

In relation to the anomalies in the Main Trust Fund Reconciliations, the Ministry has taken an active role in getting the variance rectified and cleared with the assistance from FMIS in 2017-2018 accounting period.

The Ministry will be submitting the submission to Ministry of Economy to rectify the variance which had resulted from prior year's mispostings and adjustments.

The Ministry is closely working with Ministry of Economy to adjust this variance.

As a way forward, the Ministry will ensure that monthly reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted in the following month to avoid any variance carried over to next period.

Auditor-General's Recommendation

The Ministry should ensure that monthly reconciliations are properly carried out and reconciled to the general ledger records and any variances are investigated and rectified on a timely basis.

1.6 Significant Outstanding Debtors for Naboro Landfill

Audit Findings

The Contractor, H. G. Leach (Fiji) Ltd allowed rubbish to be disposed at Naboro Landfill on credit.

The audit noted that the total debtor's balance for the Naboro Landfill as at 08/08/16 was \$1,329,904 out of which \$253,454 has been outstanding for more than 90 days.

The audit established that \$524,291 or 39% of the total debts was owed by four Municipal Councils (Nasinu Town Council, Suva City Council, Nausori Town Council, and Lami Town Council) out of which \$218,744 has been outstanding for more than 90 days.

Although this issue has been raised in previous years audit reports, no improvements have been noted.

Agency Response

- This was related to the events of Tropical Cyclone Winston where there were a lot of rehabilitation works carried out and taking into account the environmental issues post cyclone Winston.
- The Committee noted that \$1,329,904 has been fully recovered from Debtors through a stringent payment process initiated by the Ministry.

Auditor-General's Recommendations

The Ministry should:

- ensure that the Contractor complies with all aspects of the contract agreement and effectively manages the Naboro Landfill Debtors; and
- consider assisting the Contractor in collecting the debts owed by municipal councils.

1.7 Overcharging of VAT on Revenue

Audit Findings

Audit noted that the VAT on revenue was charged at 15% instead of the revised rate of 9%. The general ledger system records of the Ministry indicated that the VAT charged on revenue totalling \$174,573.91 for the period amounted to \$26,229.60. Refer to Tables 37.10 for details.

Table 37.10: VAT on Revenue

Description	Amount as per FMIS (\$)	VAT as per FMIS (15%) (\$)	VAT as per Audit (9%) (\$)	Variance (\$)
Fees – Town Planning	174,574	26,230	15,712	10,518

As a result, the Ministry has overcharged individuals and businesses an amount of \$10,518.

Agency Response

- The Accounting Head has taken active role in getting the revenue data compiled for 2016, 2017 & 2018 period reconciling with the Receipts.
- Any overcharged VAT on Revenue will be adjusted to reflect correct amounts for revenue and its VAT component.

Auditor-General's Recommendations

The Ministry should:

- ensure that VAT is charged at the correct rate; and
- liaise with FRCS for any adjustments to its VAT account.

1.8 Non-submission of Acquittals from Municipal Councils

Audit Findings

Audit noted several grant recipients did not submit acquittals detailing the utilization of grants provided by the Ministry.

Similar concerns were raised in previous years' audit.

Agency Response

- The Ministry has ensured the committee that in future, no grants will be given to the Municipal Council unless the respective Municipal Council's Annual Financial Statements are submitted to the Ministry as stipulated in the Ministry of Local Government, Housing & Environment Finance Manual 2013, Section 3.3.1.

- In addition, the Municipal Councils send their monthly acquittals to the department on all the projects implemented through Government Grant and these reports are presented to management for their information and decision making.
- These acquittals are also submitted to Ministry of Economy when RIE application for de requisition of funds is requested.

Auditor-General's Recommendations

The Ministry should:

- strictly follow up with the grant recipients to submit their acquittals in a timely manner; and
- not provide new grants unless acquittals have been provided for previous grant payments.

1.9 Backlog Audited Financial Statements – Municipal Council & Statutory Authority

Audit Findings

Audit noted that the following Municipal Councils and National Fire Authority have not provided audited financial statements for the grants received from the Ministry to carry out capital projects. Refer to Table 37.13 for details.

Table 37.13: Examples of Municipals and Statutory authority that Failed to Submit Audited Financial Statements

Grant Recipient	Status
Nadi Town Council	•2015 and 2016 draft financial statements yet to be received for audit.
Lami Town Council	•2014 draft financial statements received on 03/08/17. •2015 and 2016 draft financial statements yet to be received for audit.
Savusavu Town Council	•2011 - 2014 draft financial statements to be resubmitted to OAG. •2015 and 2016 draft financial statements yet to be received for audit.
Tavua Town Council	•2014 draft financial statements to be resubmitted to OAG. •2015 & 2016 draft financial statements yet to be received for audit.
Ba Town Council	•2016 draft financial statements yet to be received for audit.
Lautoka City Council	•2014 and 2015 draft account received 31/07/17. •2016 accounts yet to be received for audit.
Suva City Council	•2012 – 2016 draft financial statements yet to be received for audit.
Nasinu Town Council	•2010 draft financial statements resubmitted audit on 07/08/17. •2011 draft financial statements to be re-submitted. •2012 draft financial statements received on 29/08/17. •2013 - 2016 draft financial statements yet to be received for audit.
Levuka Town Council	•2012 and 2013 draft financial statements to be resubmitted to OAG. •2014, 2015 & 2016 financial statements yet to be received for audit.
Nausori Town Council	•2015 draft financial statements received on 16/12/16. •2016 draft financial statements yet to be received for audit.
Rakiraki Town Council	•2015 draft financial statements received on 06/04/17. •2016 draft financial statements received on 19/06/17.
Labasa Town Council	•2016 draft financial statements received on 30/08/17.
National Fire Authority	•2014 - 2016 draft financial statements yet to be received for audit.

Agency Response

- The Committee was provided a list of all 13 Municipal Council's Audited Financial Annual Accounts Progress update as at 27 March 2018 except for National Fire Authority.
- National Fire Authority accounts – The last financial audited for NFA was in 2013 and it had confirmed that the 2014 draft accounts are now ready for audit and OAG will commence its audit at the end of April. Currently, NFA is working with consultant, Ernst & Young, to speed up the completion of the 2015, 2016 (7 months) draft accounts so that audit can continue as soon as OAG finishes auditing the 2014 books of accounts.
- In terms of consistency of submitting the annual accounts to the Office of the Auditor-General with what is highlighted in the supplementary audit report, the Committee was advised that some Municipal Councils are still investigating some variances that has been identified by OAG thus the respective Council is still trying to clear this to ensure that the variance is not carried forward in the next audit.
- The Ministry has in place Municipal Council Finance Managers Bi-Annual Forum to discuss issues pertaining to councils finance management i.e. updates on preparing and reporting of financial accounts of the councils in line with prevailing accounting standards and Local Government Act.
- The councils were advised to submit all their pending financial reports to Office of the Auditor General for auditing. This issue is also been included in the CEOs and SAs assessment where they will be assessed on their deliverables as per their principal accountabilities
- Additionally, the Ministry's Senior Accounts Officer has been tasked to monitor and ensure timely submission of Municipal Council's annual accounts to be submitted to the Ministry for audit purposes and enforce the Ministry's Finance Manual on the submission of acquittals from Council's and Annual Financial Accounts.

Auditor-General's Recommendation

The Ministry should ensure that grant recipients provide the audited financial statements on a timely basis.

1.10 Anomalies in General Ledger Accounts Reconciliation

Audit Findings

Audit noted that the Ministry did not prepare and submit monthly reconciliations or reconciliations prepared were not checked by senior officers for various general ledger accounts for the period January to July 2016.

Agency Response

- The Committee was informed that 90% of the GL Accounts has been addressed and rectified
- The Ministry has taken active role in getting the variance rectified and cleared with the assistance from FMIS in 2017-2018 accounting period.
- The Ministry will be submitting to the Ministry of Economy to rectify the variance which had resulted from prior year's mispostings and adjustments.
- As a way forward, the Ministry will ensure that monthly reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted in the following month to avoid any variance carried over to next period.

Auditor-General's Recommendations

The Ministry should ensure that:

- the monthly reconciliations for the various general ledger accounts are prepared, signed and submitted for Permanent Secretary's endorsement in a timely manner; and
- signed reconciliations are submitted to Ministry of Economy and a copy is retained by the Ministry for records purposes.

1.11 Missing Payment Records – Payment Voucher for Accounts Payable

Audit Findings

Audit could not review payments totaling \$118,485 as payment vouchers were missing.

Agency Response

The Committee was advised that there is now checks and balances in place whereby there will be 3 levels of checking and verification done for all authorised payments and payment vouchers raised.

Auditor-General's Recommendations

The Ministry should ensure that:

- system of record keeping is reviewed and strengthened; and
- all the payment vouchers and supporting documents are made available for audit purposes.

1.12 Panellist for Directors Position

Audit Findings

As per Section 4.2 of the Open Merit Based Recruitment and Selection Guideline, panel members will all be at or above the level of the position.

The job description of the Director Local Government (DLG) as advertised states “the Director Local Government (DLG) will investigate performance of councils and special administrators and work closely with the Special Administrator's”. The role of the DLG requires monitoring and helping in manage special administrators and their municipal councils.

The audit noted that the three member interview panel for the position comprised of Special Administrators of two Municipal Councils with the outgoing Director of Local Government as the third member and Chairman of the panel.

Having two Special Administrators on the interview panel to select the Director Local Government defies open-recruitment practices implying subordinate officers have had an influence on the interview results of their former supervisor and the appointment of their new supervisor who was also one of their colleagues from another municipal council.

Agency Response

- The Special Administrator is appointed by the Minister responsible and reports directly to the line Minister as per the Local Government Act.

- All recruitment of vacant positions of the Ministry will now go through the Open Merit Recruitment Selection (OMRS) Guideline as per CSR MU policy whereby the position being advertised, the panellist should either be on the same level as the vacant position being advertised or higher.

Auditor-General's Recommendation

The Ministry should ensure that the interview panel members are above the level of the position being filled

1.13 Board of Survey not Conducted

Audit Findings

Audit noted that the Ministry did not conduct a Board of Survey for the period ended 31 July 2016.

Agency Response

- The Annual Board of Survey for 2016 period (Jan 2016 to July 2016) was undertaken together with the 2016-2017 (August 16 to July 17) in 2017 which incorporated the 2016 periods assets and other inventories.
- The 2016-2017 Board of Survey report has been submitted to Ministry of Economy for approval.

Auditor-General's Recommendation

The Ministry should ensure that a Board of Survey is carried out in accordance with Section 49 of the Finance Instruction and a copy is readily available for audit verification.

Section 40

Ministry of Infrastructure and Transport

Roles and Responsibilities

The Ministry has authority for the Departments of Transport, Meteorological Services, Public Works, Energy, Water and Sewerage, and Government Shipping Services. It also oversees the Land Transport Authority, the Maritime Safety Authority of Fiji, the Water Authority of Fiji and the Fiji Roads Authority.

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

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

The Department of Meteorology is critical for a nation that is dispersed among more than 100 islands in the middle of an area that is prone to violent storms. It is committed to providing timely and reliable weather, hydrology and climate information to the public on both normal and extreme weather conditions. The public needs to be warned well in advance in order to prepare for extreme events like cyclones, storm surges and flooding, and as quickly as possible in the event of a tsunami. Special emphasis is being placed on disaster preparedness and on mitigating the effects of rising sea levels as a result of climate change.

The Department of Works is the only engineering arm of Government, and is responsible for planning, designing, building, operating, maintaining and upgrading Government buildings, quarters, and electrical services, and for providing electricity in five rural government stations.

The Department of Energy will focus on policy directions which include the provision of electricity services to remote and rural areas; research and development of renewable energy sources such as geothermal, wind, hydro, biofuel and biomass; research into alternative fuels for the transport and industrial sectors and for land transport.

The Department of Water and Sewerage is responsible for the development of the water supply and sanitation sector policies to ensure the provision of safe, clean drinking water and efficient sanitation services to all communities.

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Ministry of Infrastructure and Transport resulted in the issuance of a qualified audit opinion. The qualification issues were as follows:

1. Several Trading and Manufacturing Accounts (TMA) did not disclose Cash at Bank account in the TMA balance sheet as at 31 July 2016 although significant amount of receipts and payments were recorded in the TMA profit and loss statements. Separate cash account general ledgers were also not maintained for these TMAs.

In addition, Consolidated TMA balance sheet had Cash at Bank balance of \$3,766,112 while consolidated bank reconciliation balance was \$2,493,936 as at 31/07/16 resulting in a variance of \$1,272,176.

2. A variance of \$210,188 also existed between the subsidiary debtors' records and the FMIS accounts receivable balance as at 31 July 2016. Since the Ministry did not reconcile the two records, audit was not able to ascertain the correctness of nil accounts receivable balance stated in the Consolidated TMA balance sheet as at 31 July 2016.

PART B: AUDIT FINDINGS

1.1 Trading & Manufacturing Account (Fund 4)

1.1.1 Variance between Consolidated TMA Bank Balance and FMIS General Ledger Balance

Audit Findings

The Ministry showed Cash at Bank balance of \$3,766,112 in its consolidated TMA Balance Sheet as at 31 July 2016. However, the consolidated cash at bank reconciliation had a balance of \$2,493,936 indicating variance of \$1,272,176 between the two records.

The variance was due to the non-posting into the FMIS general ledger of revenue receipts totaling \$1,070,320 and payments totaling \$2,342,496. The case has been under investigation by FICAC since 2009.

Agency Response

- Current period variances are monitored and updated monthly.
- All Reconciliations are checked and signed by SAO.
- Variance under investigation by FICAC is same and the Agency had written to Solicitor General's Office for further opinion regarding write off.
- The Office of the Solicitor General had responded to MoIT on 22/02/18 advising the Ministry to seek write off approval from Minister for Economy, MoIT had submitted to PSE on 19/03/18 for write off regarding the same as mentioned above.

Auditor-General's Recommendations

The Ministry should ensure that:

- all reconciliations prepared are thoroughly checked by the Senior Accounts Officer; and
- variances noted are investigated and appropriate action taken to rectify them.

1.1.2 Recording of TMA Sales and Accounts Receivable in FMIS General Ledger

Audit Findings

Audit noted that the Ministry was recording TMA sales on cash basis of accounting hence TMA credit sales were not recorded in the FMIS general ledger. However, manual records of credit sales were maintained by the respective divisions.

As a result, the Account Receivables Schedule total for all the TMA's had a balance of \$210,188 while the FMIS general ledger showed nil balance for Accounts Receivable as at 31 July 2016.

Agency Response

- The Ministry has now adopted for Cash and Accrual basis of recording of Sales under FMIS compared to previous years.
- Accounts receivable is now captured in the Ministry's Annual Financial Statement so that better Financial Position is reflected of TMA Entities.

Auditor-General's Recommendation

The Ministry should ensure that the accounts receivables schedules are updated and reconciled with the FMIS general ledger on a monthly basis.

1.1.3 Valuation of Inventories

Audit Findings

The Ministry's Consolidated TMA Balance Sheet recorded closing inventory of \$538,192 as at 31/7/16. However, the audit noted that inventory was valued at cost and not at net realizable value.

Agency Response

- The unit costs of items are set and approved by the Ministry of Economy (Asset Management Unit) and MoIT is obliged to comply with this thus the same prices are recorded accordingly in the Stock take.
- The AMU has advised that there will be a review of the overall TMA operations which would include the product rates.

Auditor-General's Recommendation

The Ministry must ensure that closing inventory is recorded at the lower of cost or net realisable value.

1.1.4 Anomalies in VAT reflected in the Deposits and Deductions Balance

Audit Findings

Audit noted that there was a variance of \$166,095.64 between the total amount of VAT receivable as per the FMIS GL balance of \$193,804.44 and the total VAT refunds receivable as per the FRCS Statement of Tax Account of \$27,708.80 as at 31/7/16. Furthermore, audit could not substantiate the variance as VAT reconciliations were not prepared by the Ministry.

Agency Response

- The VAT receivable and payable are now merged to ensure there is no double payment.

- It was noted that the TMA is recorded in accrual basis and the Consolidated Fund Account is recorded in cash basis.
- Anomalies in VAT accounts have been regularized by necessary adjustments in the General Ledger and FRCS has also adjusted the Division's TMA Statement of VAT Account.
- Currently the VAT accounts balances are in Credit as per the nature of the account and the Division is liaising with FRCS regarding refunds due.

Auditor-General's Recommendations

The Ministry should:

- take appropriate action to rectify the anomaly; and
- ensure that adequate training is provided to its accounting staff especially in accounting of TMA operations.

1.1.5 Unreasonable Ceilings for the TMAs

Audit Findings

Audit noted that the current TMA ceilings have not been revised downwards after the transfer of the Department of National Roads to Fiji Roads Authority and the Department of Water to Water Authority of Fiji.

Agency Response

- A submission was done by MoIT to MoE in 10/07/14 for the revision of the TMA ceiling limits.
- Ministry of Economy (AMU) had indicated that they would be reviewing all TMA operations in due course.
- It was noted that any excess recorded in the TMA Account is remitted to the Ministry of Economy.
- However, in instances where the TMA account has recorded an amount less than the required ceiling, this is kept in the Bank and is unable to be remitted.

Auditor-General's Recommendation

The Ministry should liaise with the Ministry of Economy to consider reducing the cash ceilings for the Fuel and Oil and Plant Hire TMA's.

1.1.6 Anomalies in determining the Sale Price for the Joinery TMA

Audit Findings

Audit noted several instances where the Joinery Worksheets were not updated. Important details such as cost of materials and labour were not recorded. In addition, the approved basis or guideline by the Ministry of Economy on determining the mark up of 10-15 % charged by the Joinery TMA was not produced for audit. As at the date of audit (4/11/16), the mark-up was determined by the Foreman as the position of Supervisor was vacant.

Agency Response

- Worksheets are updated as and when jobs are carried out and Job Record Sheets are filled and Surplus and Deficit is calculated and is sent to the Ministry of Economy based on the design and works carried out.
- The Supervisors ensure that there is a profit generated once the job is completed and expenses are not exceeding the selling prices.

- A revised Job Record Sheet (JRS) form had been introduced and implemented for all Divisions which captures all necessary details from procurement costs, production costs and Profits which at the end of the project is signed off by the Divisional Engineers (DEs) to close and complete the JRS.

Auditor-General's Recommendations

The Ministry should ensure that:

- proper monitoring and supervision is provided to subordinate staffs;
- any change in fees and charges is approved by the Ministry of Economy; and
- Joinery Worksheets are updated and sale price determined.

1.1.7 Joinery items sold at a Loss

Audit Findings

Audit noted instances where the prices quoted to the customers for non-standard items were less than the total cost of manufacturing as per the Joinery Worksheet. Thus the items were sold at a loss by the Ministry.

Agency Response

- A revised JRS form had been introduced and implemented for all Divisions which captures all necessary details from procurement costs, production costs and Profits which at the end of the project is signed off by the Divisional Engineers to close and complete the JRS.
- The department ensures that manufacturing costs do not exceed the selling/estimated prices. The Accounts Officers in the department verifies the Job cards to ensure that such losses do not incur in future.

Auditor-General's Recommendation

The Ministry should ensure that the prices quoted to the customers are properly calculated to include the total cost of materials, labour and mark-up charged.

1.1.8 Anomalies in Joinery and Plumber Shop TMAs

Audit Findings

- The audit noted that the sales journals were prepared, approved and posted into the FMIS solely by the AAO responsible for TMA Joinery Account. In addition, the journals for the Joinery and Plumber Shop TMA did not have adequate supporting documents. There was no basis on how the transfer of accrued revenue for the projects which were to be completed for the Ministry from the operating budgetary allocations was journalised to record as sales. Details such as the amount charged for materials used, direct labour and mark-up were not attached.

Furthermore, upon discussion with the Clerical Officer responsible for preparing the journal vouchers, the audit was informed that the journals were prepared and forwarded by the AAO to the Clerical Officer to sign the journals as verified and endorsed.

- The audit also noted instances where receipts for Joinery TMA were wrongly posted into the Plumber Shop TMA general ledger. As a result, the revenue for Plumber Shop TMA was overstated and the Joinery TMA was understated by \$10,020.

- The audit further noted instances where receipts for the Plumber Shop TMA were posted into the Joinery TMA general ledger. As a result, the revenue for Plumber Shop TMA was understated and the Joinery TMA was overstated by \$2,547.

Agency Response

- The above issue was due to the shortage of staff within the Ministry's Finance Unit.
- Journal Vouchers are now approved by AAOs/SAO before posting in the FMIS.
- There are strict control mechanisms in place where AAOs/SAO ensure proper supporting documents are attached with all Journal Vouchers, Purchase Order requests, Payment Vouchers and Schedule of Bills before these are processed.

Auditor-General's Recommendations

The Ministry should ensure that:

- adequate supervision is provided to subordinate staffs;
- all officers comply with the requirements of its Finance Manual;
- there is adequate segregation of duties between those responsible for preparing, approving and posting of the journal vouchers;
- the journal vouchers include supporting documents of the breakdown of jobs to be carried out for that particular month; and
- all misallocations in the general ledger are immediately adjusted to reflect the correct revenue for both TMAs.

1.1.9 Anomalies in Plumber Shop and Plant Hire TMA

Audit Findings

- The audit noted a variance of \$354,217 in the total sales between the Job Record Sheet (JRS) and the general ledger for the Plumber Shop TMA as at 31/7/16.
- The audit also noted instances where payments were incorrectly charged to expenditure allocations that did not relate to that expenditure type for the Plumber Shop and Plant Hire TMAs.

Agency Response

- All Job Record Sheets are issued to the Section as per allocation transfers.
- Ledger Reconciliation is carried out by the Chief Clerks monthly and a Section Ledger Reconciliation Statement is prepared and signed by the Chief Clerks and Checked by SAO monthly.
- Senior Accounts Officer approves all Journal Voucher adjustments and postings in FMIS to the correct allocations.

Auditor-General's Recommendations

The Ministry should ensure that:

- work of subordinate officers are monitored and supervised;
- the variance in sales between the JRS and general ledger is identified and adjusted to reconcile the two records;
- adequate supporting documents are attached to journal vouchers; and

- expenditure is properly reviewed by senior officers and posted to their correct allocations in the general ledger.

1.2 Underline Account

1.2.1 Anomalies in Operating Fund Account

Audit Findings

Audit review of Operating Trust Fund Account for the year ended 31/7/16 revealed the following anomalies:

- The Ministry had five Programs and 20 Activities in the approved budget under Head 40 for 2015 and 2016. Budgetary program numbers 5, 6 and 7 from 2015 were changed as Programs 3, 4 and 5 in 2016 under the same Head.

As at date of audit (18/10/16), the Ministry was yet to transfer the closing credit balances of \$1,859,557 as at 31/12/15 for various operating trust fund accounts from Programs 5, 6 and 7 to Programs 3, 4 and 5 as opening balances as at 1/1/16.

- In addition, details of Security Deposits totalling \$13,209 and Tender deposits totalling \$951,202 were not provided by the Ministry despite several requests.

There was no evidence to indicate that appropriate action was taken by the Ministry taken to clear the amounts.

Agency Response

- All the allocations have been cleared and are inactive.
- The transfer for the credit balance has been done to the new programme in 2017.
- Through the write off process, those balances which could have been substantiated were written off. These balances are inherited figures from past years during the inception of FMIS and figures have been stagnant over those years. Since these are Tender Deposits and Security Deposits, the Ministry would liaise with MOE on the appropriate action to be taken.
- Currently, the Ministry is preparing monthly Trust reconciliations to clear credit amounts from the operating trust accounts in a timely manner.

Auditor-General's Recommendations

The Ministry should:

- liaise the Ministry of Economy FMIS section on the correct classification of the trust accounts above;
- ensure that operating trust account balance are supported; and
- clear the credit amounts from its operating trust fund account in a timely manner.

1.3 Headquarters

1.3.1 Provision of Electricity in Rural Arrears

1.3.1.1 "Grid Extensions" Projects yet to commence

Audit Findings

The audit noted that out of the total \$21.06 million paid for 72 “grid extensions” projects for the last four years, works for projects totalling \$20.48 million or 57 “grid extensions” (79%) is yet to commence.

Agency Response

The costing is done by the Fiji Electricity Authority (FEA) Grid Extension Project and the project costing is determined through the number of customer applications received and the distance.

1.3.1.2 “Grid Extensions” paid for in 2016

Audit Findings

The audit noted the following anomalies from the review of the “Grid Extension Agreement” (“the agreement”) entered into by the Department of Energy:

- Specific timelines for the completion of the each “grid extension” is not stated.
- The “detail of works” for the “grid extensions” in Schedule 2 of the agreement does not have timelines for the completion of the works in stages that includes the negotiations and the consent of the landowners to construct the power poles, the drawing of the design & the scope of work and the construction of the “grid extensions”.
- The “project plan” following the payment for the “grid extensions” in the villages as per the agreement were yet to be finalised between the Department, the contractor and the Department of National Planning (now Strategic Planning Office) as at 12 September 2016 – the date of the audit.
- Although the Department of National Planning is mentioned in the agreement for a consultative project plan, it is not represented in the signing of the agreement.

Agency Response

- In 2016, Government had made a decision to meet the total rural electrification project costs and waive the community contribution. The decision by government contributes to an influx of applications received by the Department. In addition, most of the communities which are ineligible for FEA Grid Extension are now eligible for assistance.
- In 2016, a total of 31 projects were paid to FEA with a total of \$11.5m.
- Out of the 31 projects, 77% have had the grid completed. The remaining 23% will be completed in-mid 2018. These are mainly bigger projects with bigger coverage and higher number of applications.
- It was noted that the Department of National Planning now comes under the Ministry of Economy (Budget Division).
- The contracts have been vetted by the Solicitor General’s office. It would therefore be sufficient to allow the progress of each stage in schedule 2 to be complete within the general timeline stipulated in the signed contracts. This is to allow flexibility for each stage due to unforeseen circumstances that may arise such as delays in way leave negotiations.

Auditor-General’s Recommendations

The Ministry through the Department of Energy:

- should be pro-active in the monitoring of the timely implementation of “grid extensions” projects as per the “Grid Extension agreement” addressing the key issues noted in the implementation of the agreement; and

- enquire with the contractor on the status of the “grid extensions” projects since 2013 or any that may be pending prior to this.

1.3.2 Poor Monitoring of Bua/Macuata Solar Home Systems Projects

Audit Findings

The audit noted that the comments in the inspection report of the houses visited by the contractor indicated that several houses could not be accessed during the inspection.

Audit was informed that the reasons for the houses not being visited by the Contractor was that the customers may have been out in the farms during the contractor’s visit; customers tampering with their systems and not paying their monthly bills and the contractor not having any spares to repair the systems to be operational.

However, the Ministry did not provide a list of house owners for which the meters were tampered with and those not paying their monthly bills.

Agency Response

- In 2016, the Contract for Solar Maintenance was awarded to CBS Power Solutions for the servicing of the Bua and Cakaudrove SHS. The maintenance contract includes 992 SHS for Bua and Macuata 1098.
- It is evident from the Report submitted by the Contractor that some households were not attended to during the time of the contract. The main reasons can be:
 - Owners and family is in Suva or Labasa- as their children attending schools and tertiary education.
 - Owners attending to farming activities.
 - House vacant and owner died/migrated
 - Owners closed their houses to avoid being caught.
- To address the above, the Department have implemented the following actions:
 - Liaising with the Turaga ni Koro and/or Solar Manager on the date of inspection so that villagers are aware and let their house open if they attend to their farms or visit Labasa or Viti Levu.
 - House vacant during maintenance visits, when a house is closed, the contractor should include the reason in the report with the confirmation of the Turaga ni Koro and/or Solar Manager.
 - For houses closed over 3 months, Turaga ni Koro and/or Solar Manager to confirm and advice DOE for the removal of the system, if the owner has died or migrated (Labasa/Viti Levu).
 - The department has also increased its number of staffs at divisions (Western & Northern) to assists in the monitoring of rural electrification projects including solar.
 - The department has also allocated a new vehicle at the northern division to assists in transportation and project visits.

Auditor-General’s Recommendation

The Ministry should liaise with the village Turaga Ni Koro and Divisional Engineers for the access to customers’ residence.

1.3.3 Anomalies in Project Records and Delay in Project

Audit Findings

The audit noted in the review of the project records for Repair and Upgrade of Public Building maintained by the Divisional Engineer Central Eastern (DECE) Office that project records were not properly maintained. The following anomalies were noted.

- Complete payment details were not entered in the manual ledgers for three different projects namely Laucala Meteorological Office Quarters, Lami Government Shipping Services (GSS) Quarters and DPP's Office Building 30. Details only of requisitions made for the materials required in the project were entered. As a result, the audit could not quantify actual cost incurred in each of the three projects mentioned above.
- The project for the Repair and Upgrade of DPP's Office Building was delayed for 52 days due to the change in government financial year to 31 July 2016. In addition, lack of required resources such as permanent carpenters also contributed to the delay in completion of works.

Agency Response

- All the particulars relating to Project records are kept in the site ledger which is maintained by the Department of Environment
- This practice ensures improvement in the reporting and analysis of each project since all information will be captured in the Expenditure Ledger.
- The Division has implemented the following:
 - Ensure that all details on requisition, cheque number, PO and invoice records are properly entered in the Expenditure Ledgers
 - Ledgers are weekly and monthly reconciled with GL system and report are been submitted to supervisors
 - Fortnightly Performance Management Reporting (PMR) meeting are done to monitor the physical progress and financial status of the projects
 - Sections Ledgers reconciliation is carried out monthly to verify entries and postings between Ledgers and GL which is checked by the Senior Accounts Officer (SAO DEWCE).
- As for the DPPs Office Building, the Ministry is awaiting reports from Biosecurity Authority of Fiji in regards to the Termites which were found within the building structures at DPP's Office and also the DPP's Office will also have to be re-scoped.

Auditor-General's Recommendations

The Ministry should ensure that:

- individual projects costs are properly accounted in the respective ledgers; and
- all projects are completed within the agreed time frame.

1.3.4 Internal Controls Weaknesses

Audit Findings

The audit noted that the monthly signed report was not provided to the Permanent Secretary contrary to section 60 of the Finance Instructions 2010. As such, the following internal controls were neither checked regularly nor in place for the financial period ended 31 July 2016:

- Unresolved audit issues continued in the new financial year.
- The following administrative controls were absent:
 - The Ministry did not provide for audit the reports on the beacon works carried out in February at Ellington waters for verification contrary to section 2.8.4 of the Ministry's 2016 Agency Finance Manual.
 - The Ministry paid a sum of \$6,862,847 VIP to FEA on 29 July 2016. The Ministry did not monitor the works on a weekly basis. Although progress reports were requested by audit on 5/9/16, no updates were provided contrary to the Agreement between the Ministry of Infrastructure and Transport and FEA for the establishment of the FEA Somosomo Hydro Power Depot in Taveuni.
 - Several instances were noted where the Ministry was incorrectly clearing the retirement of accountable advance to the revenue allocations contrary to section 10.1.15 of the Ministry's 2016 Agency Finance Manual.
 - Two receipt books with were unused while two receipt books with receipt numbers 897151 - 897200 and 897201 - 897250 were already used. Hence these receipt books were not issued in numerical sequence.
 - Receipt books issued to the field officers to collect revenue for the Solar Home Systems were not fully used. As well, the pages of the unused receipts were not recorded.
 - The Ministry paid for an outstanding account from 2013 in 2016 contrary to section 17.2.4 of the Ministry's 2016 Agency Finance Manual.

Agency Response

- The Ministry informed that the vessel and crew had to shelter in Vitogo river in TC Winston, hence the beacon works at Ellington was not carried out and the team later proceeded to Suva.
- \$6.8m was paid to FEA for establishment of the FEA depot in Taveuni and to oversee the operations of Somosomo hydro.
- Somosomo hydro project was commissioned in March 2016. Even though the report was not submitted by DOE; DOE was closely following up with FEA for completion of project.
- The receipt books sequence numbers are not used sequentially as the Receipt Books are issued to Authorized Revenue collectors to collect the solar rental bills arrears in mainland and maritime zones.
- The retirement of advance are now properly checked and approved by the AAO, AO's and SAO's before being journalized to avoid errors and monthly reconciliations are carried out.
- The Ministry is prioritizing the settling of current years within the accounting period. Regular follow-ups are done by PAO and SAO's for all Outstanding Purchase Orders to be paid within the accounting period and not to surpass to the next accounting period.

Auditor-General's Recommendations

The Ministry should ensure that:

- records relating to project works are properly maintained and provided for audit review;
- retirement of accountable advance are journalised correctly;
- receipt books for the Energy Trust Fund are used in numerical sequence and all unused receipts are properly recorded in a register; and
- current year's expenditures are settled within the current financial period and not carried forward to the next financial year.

1.3.5 Payment of VAT from SEG 13 for Operating Grant

Audit Findings

The audit noted that the Ministry paid VAT totaling \$56,064 from SEG 13 for the tendered shipping companies under the Shipping Franchise Scheme Program in SEG 6 contrary to Finance Circular 16/2010. The total VAT paid from SEG 13 for the Shipping Franchise Operating Grant Scheme for the period January – July, 2016 amounted to \$56,064.

Agency Response

- The Shipping Franchise Scheme is a Grant given to vessel operators and should be noted that grants are vat exempt.
- Currently, the Ministry has selected the VAT exempt code in the FMIS system for the vendors whom the Ministry are paying Franchise Scheme Subsidy. This will avoid VAT being deducted.

Auditor-General's Recommendation

The Ministry should ensure that payment of VAT is made from the correct allocation.

1.3.6 Anomalies in Revenue – Fiji Meteorologically Services

Audit Findings

The audit noted that after a lapse of 11 years, FMS is yet to carry out a review of the cost structure with Fiji Airports (FA) and finalise the agreement for the provision of weather services.

The audit further noted variance in revenue from FA amounting to \$103,710 for the period ended 31/7/16. The difference is due to a debit posting of \$86,957 and charging of VAT at 15% instead of 9% totaling \$16,753.

No supporting documents were provided for the debit posting of \$86,957.

Agency Response

- There was laxity in the previous administration where FA had to reimburse Fiji Meteorological Services (FMS) 50% for Meteorological Aviation costs of Nadi Terminal, Nausori International and en-route only and backdating to July 1997; and approved that a review to be funded by FMS of the structure of costs be undertaken and a contract should be entered into between FMS and FA for the provision of weather services to the aviation industry with effect from January 2006 as per the Cabinet Decision CP (05)310 dated 16/8/05

- It was noted that the 50% equates to \$2m - \$3m a year however, FA has only been paying \$50,000 a month.
- FMS and FA are currently working on a Terms of Reference for a consultant to derive a formula for determining the value of the meteorological services provided to FA and mutually agree on the cost to be reimbursed.
- An aviation facility – new radar system was set up in Vatumu Hill and has been in operations since 2012 and a Meteorological office is currently under construction – a manual station or aerodrome situated in Labasa. This set up is aimed at Labasa being recognised as an International Airport.

Auditor-General's Recommendations

The Ministry should ensure that:

- FA complies with the Cabinet Decision and reimburse the FMS 50% of the costs of meteorological services provided;
- a review of the cost structure on the provision of meteorological services to the aviation industry is carried out; and
- revenue is correctly posted in the FMIS general ledger.

1.4 Head 41 – Water Authority of Fiji

1.4.1 Recurring Issue on Retention Funds from the Department of Water and Sewerage

Audit Findings

The audit noted that the Ministry maintained retention money totalling \$1,161,883.81 deducted from the contractors engaged in water and sewerage projects in the Ministry's Operating Trust Fund account.

The retention money reflected in the Operating Trust Fund account was not supported by actual cash to pay off these liabilities. Furthermore, the audit noted that neither the contractors have made any claims for the payment of retention security nor does the Ministry have the supporting documents such as contract documents, completion certificates and progress certificates for the payment of security deposits.

The Department has been carrying forward these balances from the year 2009 and it is highly unlikely that these payments will be made in future as all records relating to the payments were not properly handed over to Water Authority of Fiji from the Department of Water. Although the Ministry maintained a register for the receipt and payment of retention money, the audit could not ascertain the accuracy and correctness of the register as details pertaining to payments were not provided.

Agency Response

- The Ministry has submitted the request to transfer the liability of \$1,161,883.81 to Ministry of Economy which is pending approval. Confirmation on the details of retention funds has been sought from Water Authority of Fiji, upon which submissions will be made to MoE for appropriate actions to be taken.

Auditor-General's Recommendation

The Ministry should liaise with the Water Authority of Fiji to locate the documents relating to the payment of retention deposit monies from the contractors.

1.5 Follow-Up Issues

The Committee enquired the Ministry on the following issues which were raised during the 2015 audit and remain outstanding as actions are yet to be taken by the Ministry to resolve them. The status of outstanding issues and the Management's proposed actions is set out below:

TMA

1.5.1 Department of Government Shipping Services

1.5.1.1 Anomalies in the maintenance of Tally Cards

Audit Findings

The Department keeps 4 different types of stores which comprise of Office Supplies, Fuel and Lubricants, Repair and Maintenance materials and Docking and Maintenance materials.

The Department did not maintain the tally cards for Office Supplies and Repair and Maintenance materials for the year 2015. The audit noted that the tally cards were not updated by the Department's storeman as of the date of audit on 31/3/16 for the Office Supplies, Fuel and Lubricants, Repair and Maintenance materials stores.

Agency Response

The Ministry is facing difficulty in recruiting a qualified storeman who would know the operations of the handling of basic Government Tally Cards through the basic Government exams such as H1, H2, E, etc.

Auditor-General's Recommendations

The Department should ensure that tally cards are updated regularly to record movement of stores; and appropriate disciplinary action taken against those responsible for not performing their duties diligently.

1.5.2 Department of Energy

1.5.2.1 No Delay Damages Charged for Delay in Project Completion

Audit Findings

The GTB awarded the tender number CTN 68/2013 for construction of Electrical Overhead Grid Extension Works and Connection to 24hr Supply to Kadavu to PEL and Muana Hydro to EPCL for \$53,543.20 and \$510,416 respectively.

The construction of Electrical Overhead Grid Extension Works and Connection to 24hr Supply to Kadavu and Muana Hydro project was to be completed by 31/08/14 and 31/07/14 respectively. A penalty charge of \$200 per day is to be incurred by the Contractor if any aspect of the work is not completed on time.

The audit noted that as per the inspection report after the completion date the works were still in progress.

The Department was not able to provide the actual completion date of the project and the completion certificate. However the DOE paid 90% of the project cost and the 10% retention sum to the contractor for Muana Grid

Extension. In addition the DOE also paid 90% of the project cost to the contractor for Kadavu and Koro hydro Overhead grid project. The Department did not claim damages for the delay from both contractors.

Agency Response

The delay is mainly for the late supply of materials from FEA who is a sole supplier which were also not available on time however, the Committee was advised that the Department was the cause of the delay for the supply of materials for the 2 project and not the contractors themselves hence delay damages were not claimed from contractors for works not completed on time as per the contract.

Auditor-General's Recommendations

- Capital projects are properly planned and reviewed to avoid delays.
- Delay damages are claimed from the contractors for works not completed as per the contract.
- Terms and conditions of the contract are complied with at all times.

1.5.2.2 Revenue Arrears for Solar Home System Scheme

Audit Findings

The audit noted that the arrears of revenue for the Solar Home System Scheme fees were prepared up to 30/06/15 only. The Department was still in process of updating the arrears records.

In addition, out of the total arrears of revenue \$548,124 for the Solar Home System as at 30/06/15, the Department managed to recover only \$155,477.80 or 28% as at 30/01/16. A balance of \$548,124 was yet to be recovered by the Department as at 31/01/16.

Agency Response

- Individual household pay \$18/month for the Solar Home System.
- In August 2017, the Department recovered \$250,000 from the balance mentioned in the report
- The Department is yet to recover the remaining balance of appropriately \$135,000 under this Government scheme
- Technical Officers has been deployed to the various Divisions particularly the rural & maritime communities that has the Solar Home System installed in their household and will be expected to produce an updated information with regards to the recovery status of the arrears.
- The committee noted that 3 warning letters are issued to the several users of the Solar Home System should payments are not forthcoming. The consequence of this is that the system will be removed from the various users' non-payment.

Auditor-General's Recommendations

- Update its arrears records on a monthly basis to fairly represent arrears of revenue; and
- Ensure that concerted effort is made to recover the arrears to avoid write offs.

Section 49

Peacekeeping Missions

Roles and Responsibilities

Peacekeeping Missions

The Fiji Military Forces and Fiji Police Force contributes troops to successive international peacekeeping operations for the United Nation (UN) sanctioned missions (United Nations Disengagement Observer Force, United Nations Assistance Mission for Iraq, Multinational Force and Observers) in Syria, Iraq and Sinai.

The UN Security Council mandate for peacekeeping operations calls for security personnel deployed to conflict zones under UN authority to

- maintain or restore international peace and security;
 - disengage the conflict parties;
 - create conditions for peaceful settlement of a conflict;
 - monitor ceasefire peace agreements; and
 - render humanitarian assistance to civilian population in the area of deployment.
-

PART A: FINANCIAL STATEMENT

1.1 Audit Opinion

The audit of the 2016 accounts of the Department of Peacekeeping Mission resulted in an unqualified audit opinion. However, Management's attention was drawn to the following:

- The Peacekeeping Mission did not carry out a board of survey to verify the existence and condition of assets under its authority contrary to Section 49 of the Finance Instruction 2010.

Agency Response

- The Force informed that the Directorate of Peacekeeping is about to complete its ledger cards and accounting books updates.
- A stock take exercise will be carried out on completion of that after which a Board of Survey will be conducted to write off all unserviceable stores.

5.0 CHAPTER SEVEN – GENDER ANALYSIS

The Parliament of Fiji Standing Orders 110(2) specifically states that a committee shall ensure that full consideration will be given to the principle of gender equality so as to ensure all matters are considered with regard to the impact and benefit on both men and women equally.

Office of the Prime Minister

The Committee enquired the Office on how the various projects undertaken by WAF and RFMF had gender impact in the communities.

The Committee was informed that projects undertaken by WAF and RFMF are community based development projects for the rural and the disadvantage groups. All genders have equal opportunities to access better education facilities; community resources centers; foot bridges etc.

One of the requirements under the Small Grant Scheme application form is for the Divisional offices to provide the number of people and households that will benefit from the assistance/ project.

Community development projects enables the women to access resources centers; clean and safe water supply; better health services; better educational facilities; electricity; catering facilities; and income generating projects etc.

Ministry of Foreign Affairs

Below is the breakdown of the Ministry's employees by gender:

	Total Staff Establishment	Females	Males
HQ	74	43	31
Nadi Protocol Office	4	2	2
Missions	55	15	40
Senior Management at HQ	17	7	10
Heads of Missions		2 or 13.33%	

Ministry of Health and Medical Services

The Ministry informed that when it plans for any infrastructure whether it's an upgrade, extension or new construction, it always ensures that the infrastructure plan is based on the operational service standards and population needs.

In the planning stages of any infrastructure, the MoHMS considers all aspects such as provision for disability, provision for children, pregnant mothers, elderly persons, provision of preventive care programmes for boys and girls in the community, OHS, Fire etc. The Ministry also considers the location or site in terms of any natural disaster in its planning stages.

Therefore, the Ministry ensures that the any infrastructure development should be accessible, should have the provision of quality health services, availability of necessary resources and should be conducive to every citizen of Fiji.

Ministry of Agriculture

The Ministry seriously considers gender balance in its workforce and this is evident in the rise of female workers from 23% of the total workforce in 2009 to around 33% in 2017.

The procurement of livestock via its Demand Driven programmes, the rice harvester machine (rice revitalization program), red Pontiac (Potato program), Suzuki motor bikes (Extension program) have different degree of impact on women's participation in the Agriculture sector.

APPENDICES

Appendix One – List of Submissions and Witnesses

Volume 1

1. Ministry of Economy

- Ms Makereta Konrote, Permanent Secretary
- Mr Pankaj Singh, Head of Treasury
- Mr Epeli Waqavonovono, Government Statistician, Bureau of Stats
- Mr Isoa Talemaibua, Head of Budget
- Mr Tevita Tuicakau, Principal Accounts Officer, Debt Unit
- Mr Atin Chand, Assistant Manager, Treasury
- Mr Vinay Krishna, Senior Accounts Officer, Treasury
- Ms Salaseini Raiwalui, Principal Accounts Officer, Policy Unit
- Ms Asenaca Mae, Senior Accounts Officer, Asset Management Unit
- Ms Laisa Baleinukumoto, Accounts Officer, FMIS
- Mr Roko Mataika, Accounts Officer, FMIS
- Mr Veceli Naisinibokola, Accounts Officer, FMIS
- Mr Lorima Bulamainavalu, Accounts Officer, FMIS
- Ms Vamarisi Kotobalavu, Senior Accounts Officer, FMIS
- Mr Mohammed Rahat, Principal Accounts Officer FMIS

Volume 2

1. Office of the President

- Mr Pene Baleinabuli, Official Secretary
- Mrs Alena Mataitoga, Principal Assistance Secretary
- Mrs Kiti Temo, Senior Assistant Secretary
- Mr Krishneel Kumar, Manager Finance
- Mr Saimoni Ratukadreu, Manager Properties

2. Office of the Prime Minister

- Mr Moape Rokosuka, Director Corporate Services
- Mr Akash Sharma, Principal Accounts Officer

3. Ministry of Economy

- Ms Makereta Konrote, Permanent Secretary
- Mr Pankaj Singh, Head of Treasury
- Mr Epeli Waqavonovono, Government Statistician, Bureau of Stats
- Mr Isoa Talemaibua, Head of Budget

- Mr Tevita Tuicakau, Principal Accounts Officer, Debt Unit
- Mr Atin Chand, Assistant Manager, Treasury
- Mr Vinay Krishna, Senior Accounts Officer, Treasury
- Ms Salaseini Raiwalui, Principal Accounts Officer, Policy Unit
- Ms Asenaca Mae, Senior Accounts Officer, Asset Management Unit
- Ms Laisa Baleinukumoto, Accounts Officer, FMIS
- Mr Roko Mataika, Accounts Officer, FMIS
- Mr Veceli Naisinibokola, Accounts Officer, FMIS
- Mr Lorima Bulamainavalu, Accounts Officer, FMIS
- Ms Vamarisi Kotobalavu, Senior Accounts Officer, FMIS
- Mr Mohammed Rahat, Principal Accounts Officer FMIS

4. Ministry of i-Taukei Affairs

- Mr Naipote Katonitabua, Permanent Secretary MTA
- Mr Josefa Toganivalu, Acting Chief Executive Officer iTAB
- Mrs Sereana Matakibau, Director Corporate Services iTAB
- Mrs Marilyn Korovusere, Acting Director Development MTA
- Mrs Loraini Lagi, Acting Senior Accounts Officer MTA

5. Ministry of Defence, National Security & Immigration

- Mr Osea Cawaru, Permanent Secretary
- Mrs Arieta Rokobera, Accounts Officer
- Mr Kanuto Tugaga, Senior Accounts Officer
- Mr Nemani Vuniwaqa, Director Immigration
- Ms Litia Saumaka, Assistant Director Immigration
- Mr Kanuto Tugaga, Senior Accounts Officer – Immigration

6. Ministry of Employment, Productivity and Industrial Relations

- Ms Salaseini Seruilagilagi, Permanent Secretary
- Mr Vilimone Baledrokadroka, Deputy Secretary
- Ms Miriama Raikoti, Director Corporate Services
- Mr Lui Mario, Act Director Occupational Health & Safety Service
- Mr Viliame Nauludugua, Senior Accounts Officer
- Ms Louise Shackley, Senior Admin Officer Human Resources

7. Ministry of Foreign Affairs

- Ms Arieta Moceica, Deputy Secretary Operation
- Mr Josefa Tuima, Director Finance
- Ms Nikita Bali, Principal Assistant Secretary

- Ms Ateca Moceinakete, Senior Accounts Officer
- Mr Luke Ravusoni, Senior Accounts Officer

8. Judiciary

- Mr Yohan Liyanage, Chief Registrar
- Mrs Shannon Toutou, Chief Administration Officer
- Mrs Vasundra Ram, Manager Finance

9. Ministry of Justice

- Mr Sharvada Sharma, Permanent Secretary
- Ms Kamni Naidu, Assistant Administrator General
- Ms Ashika Chand, Principal Accounts Officer

10. Fiji Corrections Service

- Mr Francis Kean, Commissioner
- Mr Sevuloni Naucukidi, SHQ
- Ms Helen Koi, Senior Accounts Officer
- Mr Aporosa Toroca, Accounts Officer

11. Ministry of Civil Service

- Ms Bernadette Welch, Permanent Secretary
- Mr David Raj, Business Manager
- Mr Viliame Nauludugua, Senior Accounts Officer (Ministry of Employment, Productivity & Industrial Relations)

12. Ministry of Rural and Maritime Development and National Disaster Management

- Mr Meleti Bainimarama, Permanent Secretary
- Mr Manasa Tagicakibau, Commissioner Western Division
- Mr Luke Moroivalu, Commissioner Eastern Division
- Mr Jovesa Vocea, Commissioner Northern Division
- Mr Setareki Tale, Commissioner Central Division
- Ms Ana Tora, Director Corporate Services
- Ms Arieta Dimuri, Acting Director Development Services
- Ms Amele Vukeiono, Acting Manager Finance
- Ms Losana Vesukula, Senior Accounts Officer

13. Republic of Fiji Military Forces

- Brigadier General Aziz Mohammed, Deputy Commander
- Captain (Navy) John Fox, Director Force Development
- Commander Lepani Vaniqi, Director Finance Logistics & Acquisition

- Talei Hicks, Chief Staff Officer – Finance
- Mr Ledua Vuli, Principal Accounts Officer
- Mr Vanaisa Ledua, Senior Audit Officer
- Mr Nicholas Peter, Assistant Senior Officer Audit

14. Fiji Police Force

- ACP Mr Itendra Nair, Chief Administrative Officer
- SSP Mr Francis Naqesa, Deputy Human Resource Manager
- Ms Manaini Mills, Senior Accounts Officer
- Ms Ashma Devi, Assistant Accounts Officer

Volume 3

15. Ministry of Education, Heritage and Arts

- Mr Timoci Bure, Deputy Secretary Primary & Secondary Education
- Mr Sukhendra Lal, Director Finance
- Mr Serupepeli Udre, Director Asset Management Unit
- Ms Aleshni Deo, Senior Accountant

16. Ministry of Health and Medical Services

- Mr Ami Prasad, Act Director Finance & Asset Management
- Mr Jeremaia Kalo, Acting Director Fiji Pharmaceuticals & Biomedical Services
- Mr Sanjay Chand, Acting Principal Accounts Officer (Accounting Head)
- Mr Idrish Khan, Principal Accounts Officer (National Accounts)
- Ms Tulia Waqata, Senior Accounts Officer (Audit)

17. Department of Housing

- Mr Joshua Wycliffe, Permanent Secretary
- Mr Koli Boila, Director Housing
- Ms Sainimili Bulai, Environment Officer
- Mr Navin Chandra, Principal Accounts Officer
- Mr Alipate Mataivilia, Senior Accounts Officer

18. Ministry of Women, Children and Poverty Alleviation

- Dr Josefa Koroivueta, Permanent Secretary
- Mr Rupeni Fatiaki, Director Social Welfare
- Ms Venina Duvuduvukula, Acting Principal Accounts Officer
- Mr Emosi Zinck, Acting Principal Assistant Secretary
- Ms Anareta Apole, Assistant Women Interest Officer

19. Ministry of Youth and Sports

- Mr George Francis, Director
- Mr Abdul Rasheed, Senior Coordinator Finance

Volume 4

20. Ministry of Agriculture

- Mr David Kolitagane, Acting Permanent Secretary
- Mr Vatimi Rayalu, Chief Economist
- Dr Apaitia Macanawai, Director Research
- Mr Avinesh Dayal, Director Animal, Health & Protection
- Mr Jone Sovalawa, Director Extension
- Mr Isikeli Bosevakaturaga, Acting Principal Accounts Officer

21. Ministry of Fisheries and Forests

- Mr Sanaila Naqali, Permanent Secretary
- Mr Taniela Naulu, Principal Accounts Officer
- Ms Bernadette Welch, Acting Permanent Secretary
- Ms Sanjana Lal, Conservator of Forests
- Mr Semi Drani, Director Research & Development
- Mr Maciu Waqa, Principal Accounts Officer
- Mr Ashneel Prasad, Senior Accounts Officer TMA (On-secondment from the Ministry of Economy)

22. Ministry of Lands and Mineral Resources

- Mr Malakai Finau, Permanent Secretary;
- Mr Jale Kunawalu, Director Corporate Services;
- Mr Marika Qalo, Senior Accounts Officer; and
- Mr Vono Mafoa, Acting Senior Accounts Officer

23. Ministry of Sugar

- Mr Sanjay Kumar, Director Operations
- Ms Reshmi Kumari, Director Policy and Research

24. Ministry of Local Government, Housing and Environment

- Mr Joshua Wycliffe, Permanent Secretary
- Mr Koli Bola, Director Housing
- Ms Sainimili Bulai, Environment Officer
- Mr Navin Chandra, Principal Accounts Officer
- Mr Alipate Mataivilia, Senior Accounts Officer

25. Ministry of Infrastructure and Transport

- Mr Manasa Lesuma, Deputy Secretary Operations & Works
- Mr Ravind Kumar, Director Meteorological Services
- Mr Mikaele Belena, Acting Director Energy
- Mr Josese Lawaniasana, Acting Director Government Shipping Services
- Mr Sen Jeet, Principal Accounts Officer
- Mr Kaveneel Prasad, Senior Accounts Officer

26. Peacekeeping Missions

- Brigadier General Aziz Mohammed, Deputy Commander
- Captain (Navy) John Fox, Director Force Development
- Commander Lepani Vaniqi, Director Finance Logistics & Acquisition
- Talei Hicks, Chief Staff Officer – Finance
- Mr Ledua Vuli, Principal Accounts Officer
- Mr Vanaisa Ledua, Senior Audit Officer
- Mr Nicholas Peter, Assistant Senior Officer Audit

Office of the Auditor General Representatives during Evidence Sessions

- Mr Abele Saunivalu
- Mr Samuela Tupou
- Mr Manish Dewan
- Mr Shadab Ali
- Mr Mohammed Firoz
- Mr Moshin Ali
- Mr Niraj Kumar
- Ms Lowata Yalovia
- Mr Emmanuel Sami
- Ms Sheetal Chand
- Mr Emosi Rokoleakai
- Ms Sulueti Cakau
- Ms Farisha Bi

Ministry of Economy Internal Auditors

- Ms Lanieta Senibulu
- Mr Tomasi Raqina
- Mr Emosi Dovibua
- Ms Lanieta Senibulu
- Ms Raveena Kumar
- Ms Asinate Taukeinikoro
- Mr Sailosi Sawana
- Ms Ana Waqanisau
- Mr Semesa Masau
- Ms Asenaca Mae
- Mr Mohammed Rahat
- Ms Vamarasi Kotobalavu
- Mr Narayan Swamy
- Ms Vamarasi Kotobalavu
- Mr Dineshwar Prasad
- Mr Seremaia Delana
- Mr Jona Dalaga
- Mr Lorima Bulamainaivalu