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Par Ref No: 6/11-2/59

The Chairperson
Public Accounts Committee
Government House
Suva

Dear Sir

Re: Response to clarification of Audit Issues- Report of the Auditor General on the Audit of Rural Postal Offices Quarterly Returns (PP No. 112 of 2018)

8.1 Lost Data: Financial information relating to 2013 and 2014 was lost due to crash of accounting system

- 1) Physical book records are maintained for offline post offices. These records are always maintained by the respective Post Offices. At the end of the month, a summary report with all the relevant supporting documents are despatched to finance for checking and balancing before data entry into the financial system. The records mainly concentrate on cash transactions incurred during the month. However, the audit was conducted in context of the rural billings to MOE for the net losses incurred by providing rural postal services. The charges are derived from direct and indirect revenue and expenses, which, is not only the records from respective Post Offices but also includes overhead costs apportioned as per the service agreement.
- 2) No back up servers were not in place in 2013. Instead of back up servers, PFL had back up tapes for IMAS system with a month's replication. However, after system change in 2014, the data has been continuously replicated. A Disaster Recovery site has also been established with all the infrastructure including back up servers and daily replication are stored.
- 3) The 2013 data has not been retrieved. However, the hard copies of the data were made available to the auditors for their perusal and verification.

8.2 Difference in Annual Figures

- 4) It should be noted that the financial statements are prepared on an accrual basis and not cash basis. However, the submission for reimbursement to MOE is on a quarterly basis. The final quarter reimbursement is always submitted after the financial statements are audited and finalised. The GL incorporates the actuals for 3 quarters and accrual for the final quarter since the actuals for the final quarter is subject to annual audits. Hence, there will always be variances in terms of what the accrued amount was in the fourth quarter and what the actual losses are after finalising the accounts.

However, any differences that appears between the submissions for reimbursement to MOE and the GL, is adjusted in the subsequent quarter. The reimbursement will be on the actual net loss incurred and not on the accrued amounts.

- 5) Comparative analysis is usually performed with the prior quarter and the same quarter last year. Explanations and documentations are provided for any significant movements. Based on the reports provided and explanations sort, any subsequent queries are discussed and addressed accordingly.
- 6) PFL is working on some revised methods to resolve these variance issues moving forward. This would mean that accounts need to be finalised at the earliest and final numbers are recorded in the GL instead of accruals.

List of Post Offices and Agencies covered under rural postal service agreement is attached as appendix 1

8.3 Explanation for movement between quarters not provided

- 7) The increase in salaries and wages cost of around \$120,000 is over a period of time. It's a gradual increase and not a one-time increase.

The claims that are lodged with MOE, is based on the actual cost incurred in rural Post Offices covered under the agreement. It needs to be understood that apart from wage increases which happened in late 2013 and later in 2016 there are other factors that determine the overall personnel cost. These include;

- i) Staff movement cost
- ii) Overtime cost
- iii) Staff levels deployed in those location with different salary grades
- iv) Acting allowances
- v) Relieving allowances
- vi) Employer FNPF contributions

All the factors mentioned above have impacted the increase in employment cost over the period.

In regards to overall increase in expenditures, the contributing factors includes but is not limited to the following;

- i) Maintenance of building and post masters quarters after TC Winston
- ii) Travelling and transportation cost to rural and maritime Post Offices
- iii) Reclassification of freight charges and correct allocation from 2015
- iv) Increase in rental and insurance cost

- 8) As stated earlier, all reconciliations and verifications are based on the cost and documents provided by PFL. Queries are explained and addressed accordingly.

8.4 Absence of standard operating procedures for rural postal services

- 9) There is no specific central record management system. All financial information provided is kept and stored in the custody of finance and operational information is recorded and stored by respective departments concerned.

However, the management is currently working on automating the rural post offices so that all data and records are captured and stored in a central location in our servers and replicated at the DR server.

- 10) Currently the management is working on reviewing and updating all the operations manual in the organisation. The rural post offices will be part of this review process considering the best practices and better controls.

8.5 Delay in submission of additional information required for audit

- 11) The process for information facilitation upon request is quite simple. If the information is readily available, it will be facilitated immediately. In an event, where further work is required in order to provide the specific information, it will be worked on and furnished.

8.6 Invoices not attached

- 12) The payment process for PFL in brief is as follows:

- Payments to be processed on original invoices
- LPO and approvals should accompany all invoices unless it's a contracted service or utility bills
- Invoices should be verified correct and passed for payment by the respective officer responsible
- All payments are either through cheques or bank transfers. No cash payments are permitted

As outlined in the audit report, table 3 has payment vouchers for electricity without invoices. This relates to our Waiyevo Post Office, whereby the electricity is provided by the landlord. The past agreements were inclusive of electricity charges for this particular Post Office. However, this has now changed and we have started to source electricity directly from EFL.

8.7 Variances in payroll between payrun reports and general ledger for rural postal services

- 13) The figures populated in table 4 of the report is incorrect.

- i) Firstly, there are repeated pay periods that have been totalled (please refer to P5/15 which appears twice)

- ii) Secondly, the data sample being selected and tested does not relate to rural post office. These figures are for Suva Mailcentre.
- iii) Thirdly, the comparative done is not complete. The gross pay in payroll system incorporates all the different allowances and benefits paid to the officer. However, when it is integrated to the financial system, all allowances and benefits are segregated to respective ledgers. When the sampling was done, only a particular GL was selected and amounts randomly picked and compared to Payroll data.

In terms of the variances, we can confirm and assure that there is no such variance between the amounts as per GL and payroll reports. Our payroll system and financial systems are tested every year during financial audits performed by Office of Auditor General for its correctness. There has been no issues in terms of the reconciliations and variances between the two systems. All payroll data is integrated to the finance system immediately after processing the pay. A full reconciliation is carried out on a monthly and yearly basis to confirm the transactions executed.

In the company's opinion the comparison should have been only for the payroll relating to the personnel's serving the respective Post offices. The data should have been selected for a rural Post Office on the GL and compared to the payroll data.

However, there are some limitations within the payroll system which has been escalated with the service providers. Due to these limitations, the historical reports generated after a pay calendar year may distort the figures if there is staff movement, resignation and or terminations. Reliance is always on the GL and all claim submissions to MOE is from the GL data.

- 14) Reconciliations have been carried out after every pay period with the GL and payroll reports. Variances, if any, is resolved immediately so that correct personnel cost is reflected in the financial statements. The payroll system was changed in late 2014 and ever since this practise of payroll reconciliation has been in place. The reconciliations are checked and verified by the authorized officers on a monthly basis.

8.8 Overall review of rural postal services

- 15) Rural Postal Services as termed in this context has two separate operations. One is where the operations are owned and conducted by Post Fiji (Pte) Limited. The other is whereby agents are identified and they operate on their own. However, they work closely with the PFL in terms of transactions executed and performed.

In terms of feasibility study on the establishment and operations, PFL operated Post Offices are continuously monitored and controlled from head office. Their operations are under the guidelines of the organisations standard operating procedures. Even though some Post Offices are not commercially viable, but they are still operated to serve the people in the rural and maritime communities.

- 16) The key challenges faced by Post Fiji regarding the rural postal offices is consistent power source, connectivity and accessibility. Hence, we have been continuously switching the operations from manual to automated operations. There is a substantial amount of cost

involved, however, this is necessary to ensure better monitoring and controls and efficient service delivery.

In terms of accessibility, this continues to be a challenge. Post Fiji relies heavy on government vessel trips and tours to maritime. Based on government scheduled trips, we send our audit teams for Post Office checking and verifications. Also there is a high risk of sending the physical cash where accessibility is minimum or low. Under such circumstances, we maintain a high cash reserve with the respective locations to reduce more transfers of physical cash.

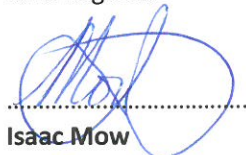
8.9 Inconsistencies in the determination of the rate of allowances

- 17) There has been no standard formula available to determine the allowances to be paid. However, the non-cash accounting agents are paid ranging from \$11.00 to \$20.00 per month based on mail volumes handled. The cash accounting agents are paid ranging from \$80.00 to \$120.00 a month depending on the transactions volumes done at the respective agencies.
- 18) PFL is in the process of reassessing the postal agencies operations and their viability. This is in particular for the non-cash agents who dwell with letters only. Given the fact that letters are declining and phasing out, especially in rural areas, we will reassess these agencies operating continuity. Once the reassessment is done then we will develop a viable formula to determine the agency commission that will be applicable to the existing agents as well as all the new entrants.

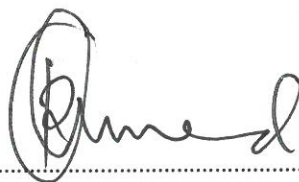
8.10 Expiry and non-existence of Agreements for Agency Commission

- 19) Yes, Post Fiji is aware of all the agreements duly made for remittance collection with various agents and government ministries
- 20) The current management has started monitoring all the contractual agreements for Post Fiji. Where necessary, renewals with new terms and conditions are being discussed and agreed upon. Subsequent to this audit, a number of agreements have been renewed including the family assistance and social welfare, FEXCO, TFL and Connect and other government ministries.
- 21) Yes, the agreement with Department of Social Welfare has been renewed.

Kind Regards



Isaac Mow
Head of Executive Committee



Raiyaz Ahmed
Head of Finance

Appendix 1

List of Rural Post Offices and Postal Agencies

POST OFFICE

Lomaivuna	Nayavu	Vunidawa	Korolevu
Sabeto	Keiyasi	Lakeba Village	Nabouwalu
Namalata	Natewa	Rabi	Seaqaqa
Tukavesi	Wainikoro	Waiyevo	Dreketi
Lekutu	Daria	Kabara	Lakeba Lau
Levuka	Lomaloma	Matuku	Naleca
Naroi	Nasau	Ono I Lau	Qarani
Rotuma	Vunisea	Cicia	Totoya
Dravuni	Moce		

POSTAL AGENCIES

Eastern	Northern	Western	Central
Cikobia I Lau	Naivivvi	Bemana, Sigatoka	Kinoya
Fulaga	Wailevu West, Savusavu	Cuvu Sigatoka	Korovisilou, Navua
Komo	Dreketi, Cakaudrove	Davota Tavua	Lomary
Mabula	Bouma	Kavanagasau, Sigatoka	Makoi
Navuti, Moturiki	Coqeloa, Labasa	Korowaqa, Rakiraki	Muaniweni, Nausori
Namuka I Lau	Kasavu, Savusavu	Lomawai, Sigatoka	Nabukavesi
Narocivo	Kia Macuata	Malamala, Nadi	Nasogo
Ogea, Vunidawa	Korotasere, Savusavu	Nacovi, Nadi	Naqali
Tokalau, Kabara	Korotolutolu, Labasa	Namata, Sigatoka	Navunikabi, Navua
Vadravadra	Lagalaga, Labasa	Raiwaqa, Sigatoka	Navutulevu
Vanuavatu	Lavena, Taveuni	Raunitogo, Sigatoka	Tacirua
Salia	Nabalebale, Savusavu	Tagitagi, Tavua	Viria, Naitasiri
Vatoa	Nabouwalu, Bua	Tova, Ra	Wainibokasi, Nausori
Nawaikama	Nakorovou, Bua	Vatukarasa Nadroga	
	Nasarawaqa, Nabouwalu	Votualevu, Nadi	
	Nasasa, Macuata		
	Natuva, Tukavesi		
	Navakaoa Waibula, Taveuni		
	Saqani		
	Tabia, Labasa		

	Tuvarara, Savusavu		
	Valoca, Labasa		
	Vuna, Taveuni		
	Vunimoli, Labasa		
	Vunivutu, Macuata		
	Wailevu, Village, Savusavu		
	Savusavu		
	Waimaqera, Taveuni		
	Wainigadra, Cakaudrove		
	Waiqele		