

RFMF RESPONSE TO - REPORT OF THE AUDITOR GENERAL VOLUME 2: AUDIT REPORT ON THE GENERAL ADMINISTRATION SECTOR (PARLIMENTRY PAPER NO 100 of 2017) AUDIT FOR 2016 ACCOUNTS

HEAD 19 – RFMF

PART A: FINANCIAL STATEMENT

SRL	ISSUE Audit Opinion	RFMF MANAGEMENT COMMENTS	PAC MANAGEMENT COMMENTS
19.1	<p>1. Included in Total Revenue in the Statement of Receipts and Expenditure is VAT on revenue due from FRCA amounting to \$29,852. VAT receivables are only recognized 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.</p>		<p>VAT on revenue will be recognized only when they are received.</p> <p>The RFMF currently advises FIRCS formally of any credit and requests that it be off set when there is a debit return.</p>

	<p>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.</p> <p>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, I could not confirm the accuracy and completeness of inventory amount.</p> <p>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 totaling \$387,487 for the period ended 31 July 2016. The Project Fund Account transactions were not recorded in the FMIS general ledger.</p>		<p>RFMF will ensure that all funds received will be accounted for within the correct accounting period.</p> <p>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.</p> <p>(Annexure A –Stocktake Hydrographic TMA)</p> <p>The creation of the RFMF Engineer Project account in the FMIS system was not done as per the requirements laid out in the Finance Manual 2014 and Finance Instruction 2010.</p> <p>Approval was given on 19/5/17 by the Ministry of Economy to operate the Engineers Project Trust under FMIS.</p>
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	<p>Without further qualifying the accounts, attention were drawn to the following matters:</p> <p><input type="checkbox"/> 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.</p> <p><input type="checkbox"/> 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.</p>		<p>Thirteen (13) projects are operating in this Trust totaling \$2,378,222.50 RFMF will include the Engineers Project Trust Fund Account Statement of Receipts in the 2016/2017 Annual Financial Statement. (Annexure B – Approval to operate Trust Fund Account)</p> <p>The Force had undertaken this exercise from 2016 completing it in 2017. (Annexure C – Stocktake fixed assets)</p> <p>RFMF has strengthened its internal control and details are explained in 19.6.1 below.</p>
19.2	<p>Statement of Receipt and Expenditure</p> <p>The Republic of Fiji Military Forces recorded revenue totaling \$239,845 and incurred expenditure totaling \$54,271,941 for the seven months period ended 31 July 2016.</p> <p>The financial year end for Government was changed from 31 December to 31 July as stipulated in the Financial Management (Amendment) Act 2016. The financial</p>		<p>The financial year end for Government was changed from 31 December to 31 July as stipulated in the Financial Management (Amendment) Act 2016. The financial statement for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a twelve month period, thus</p>

	<p>statement for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2015 is for a twelve month period, thus the significant variances with comparative balances.</p> <p>The increase in expenditure for Travelling and Communication was due to deployment of personnel for Tropical Cyclone Winston Rehabilitation works in affected areas</p>		<p>the significant variances with comparative balances.</p>
19.3	<p>Appropriation Statement</p> <p>The Republic of Fiji Military Force incurred expenditure totaling \$54,271,941 against a revised budget of \$93,557,733 resulting in savings of \$39,285,792 or 42%.</p> <p>The significant savings was primarily due to the budget being for twelve months while expenditures incurred were only for the seven months up to 31 July 2016.</p>		<p>The significant savings was primarily due to the budget being for twelve months while expenditures incurred were only for the seven months up to 31 July 2016.</p>

19.4	<p>Consolidated Trading & Manufacturing account</p> <p>Total sales decreased by \$892,344 or 93% in 2016 as resources were deployed for Tropical Cyclone Winston Rehabilitation works.</p> <p>Cash at bank decreased by \$259,467 or 28% in 2016 as funds were utilized for ongoing projects from previous years.</p>		<p>Decrease in revenue was due to:</p> <ul style="list-style-type: none"> • the ongoing projects from the previous financial year which was carried forward in 2016 and no new projects were undertaken; • resources were redeployed for TC Winston rehabilitation works; and • the change in the financial reporting period.

PART B: AUDIT FINDINGS

SRL	ISSUE	RFMF MANAGEMENT COMMENTS	PAC MANAGEMENT COMMENTS
19.6	<p>Operating Fund Account (OFA)</p> <p>The RFMF incurred expenditure totaling \$54,271,941 in 2016 against the budget of \$93,557,733 resulting in a saving of \$39,285,792.</p> <p>The following highlights the audit findings relating to OFA.</p>		<p>The savings was due to the change in the government financial year. The recorded 2016 expenditure was only for a period of seven months.</p>
19.6.1	<p>Weaknesses in Internal Control for OFA</p> <p>The review of the Operating Fund Account internal controls systems revealed the following weaknesses:</p> <ul style="list-style-type: none"> • the RFMF purchased tents, photocopiers, generators, weapons and communications equipment for a total cost of \$1,436,471.04. These equipments were 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. Therefore, these indicate the inadequate system of controls in the management of fixed assets to ascertain its existence in ‘good’ 	<p>OAG findings and recommendations are acknowledged.</p> <ul style="list-style-type: none"> • The fixed asset register is maintained and monitored by the Force Inventory Management Cell at Headquarter. The Force, through its IMC will be conducting a 100% Stocktake checks to all RFMF Units in line with the MoE’s National Fixed Asset Frame work. 	<ul style="list-style-type: none"> • The Force has completed the Board of survey and updated the Fixed Asset Register in 2017 which has been sent to Ministry of Economy. (Refer to Annexure C)

	<p>condition or that is impaired. Furthermore, audit could not substantiate the completeness of the Statement of Losses.</p> <ul style="list-style-type: none"> The monthly underline reconciliations were not submitted to the Ministry of Finance on a timely basis. Similarly, the quarterly vehicle reports was not prepared and submitted to Ministry of Finance. 	<ul style="list-style-type: none"> During the closure of an accounting period, it took FMIS 3-5 months to completely close the accounts and this affects the due date of the submission of monthly reconciliations to MoE. However monthly reconciliations for financial ending period 31 July 2016 has been submitted to MoE and officers concerned are advised to prepare and submit monthly reconciliations to MoE before the 15th of each month; Quarterly vehicle report will be prepared by the Logistic Support Unit of the RFMF and submitted to HQ RFMF through Chief Staff Officer Logistics for submission to MoE; 	<ul style="list-style-type: none"> The Force had prepared its monthly reconciliations on underline accounts and submitted to it to the Ministry of Economy. All submissions thereafter has been sent to the Ministry before the 15th of each month. (Annexure D – MOE Report) There have been changes to our processes that has stalled the submission of our quarterly reports. This has been addressed and quarterly reports should now be forthcoming. In Annexure E is the monthly return submission from the Logistics Support Unit to HQ RFMF in which the Quarterly Vehicle Return will be prepared. (Annexure E – Vehicle monthly return)
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	<ul style="list-style-type: none"> • there was no segregation of duties. The authorized cheque signatories for the RFMF Drawings Account are the same officers assigned to approve invoices for payments, reviewing and reconciling of financial records before are done. • The revenue collector’s chart for monitoring the revenue was not maintained. • The person to post listing/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 authorized officers) entitled for the various allowances. As such, audit could not ascertain the completeness and accuracy of payroll. 	<ul style="list-style-type: none"> • Change of signatories as recommended will be formalized and OAG will be advised accordingly; • Revenue collector’s chart was maintained when Navy was also authorized to collect revenue. Currently there is only one revenue collector at RFMF and that is at RFMF Strategic HQ’s. This accounting document is now maintained by the Staff Officer Accounts; • The implementation policy on RFMF Working Reorganization Structure have been approved by the Commander RFMF on 08 Dec 2016 whereby Line in Column will be updated accordingly with associated entitlements; and • The Force is working according to its approved establishment and OAG recommendation is noted. 	<ul style="list-style-type: none"> • The change of signatories had been formalized and approved by the MoE. (Annexure F-Change of signatories) • Revenue collector’s chart is now maintained by Staff Officer Accounts and updated as and when the revenue collected is lodged to the bank. (Annexure G – Revenue Collectors Chart) • RFMF has updated its Line and Column (Person to Post) listing in 2017. (Annexure H – Summary of Line and Column)
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19.6.2.1	<p>State of Naval Vessels</p> <p>The audit noted that only two from the five vessels owned by Fiji Navy are fully operational.</p> <p>Moreover, since 2013, a budget of \$2 million has been allocated annually for Kiro Patrol Boat Life Extension Programme. However, the funds were not utilized and were returned to the Ministry of Economy at the end of each financial year. The vessel ran aground on July 15, 2016 and attempts made to salvage the vessel have been unsuccessful.</p> <p>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.</p> <p>The above findings indicate the lack of priority placed in the Life Expectancy Programmes of vessels placing strain on the vessels which are operating.</p>	<p>OAG Findings and Recommendations are acknowledged.</p> <p>In 2010, the Pacific Patrol Boats (PPB) Class RFNS Kiro was due for its Life Extension Program (LEP) refit works. The progress of the LEP project was however greatly hampered by:</p> <ul style="list-style-type: none"> i. the departure from the project in late 2012 of the Australian Project Consultant who had vast experience in PPBLEP; and ii. the sanctions by the Australian Government on all assistance rendered to the LEP Project by all Australian commercial companies that the Fiji Navy was engaging given that the vessel was built in Australia and had all the 	Refer to Management Comments

		<p>spare and maintenance parts for the projects.</p> <p>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.</p> <p>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.</p> <p>These are main circumstances and reasons the Fiji Navy did not fully utilized the \$2 million funds which it</p>	
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		was budgeted for in 2013 for the LEP Project.	
19.6.2.2	<p>Incomplete Work on Life Expectancy Program</p> <p>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.</p> <p>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.</p> <p>The audit noted that the RFMF paid the contractor the contract amount of \$549,146. However, 78 percent of the contractual scope of works valued at \$427,428 was not performed by the contractor.</p> <p>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.</p> <p>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</p>	<p>OAG findings and recommendations are noted.</p> <p>The Fiji Navy encountered some unforeseen problems with LEP Kikau's contract whereby different companies were supplying different parts and work services for the overall implementation of project. It is to be noted that the different parts and works/services complemented each other for instance the company that will install the bridge equipment will depend on the completion and installation of air condition units by another company. At times, the pre-requisite works required for the progress of subsequent works which at times have no available parts from the contracted supplier hinders the continuity and progress of the overall project.</p> <p>During the final stages of procurement of engine parts from overseas, and with other related works/services being put on hold pending the installment of the engine, the Australian government offered to complete the refit. All works were thus</p>	<p>The Payment Schedule did not capture some unforeseen costs when the work began. It is to be noted that it is not until when the vessel is subjected to slipping that the total maintenance and repair works can be ascertained.</p> <p>In this case the company had carried out an extra variation works of 67% which falls 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.</p> <p>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.</p> <p>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.</p>

	<p>works resulting in value of service not being obtained for public funds totalling \$1.9 million.</p>	<p>ceased so that a technical inspection is carried out to determine the work required to be done by the Australians. Hence the status of the project when the audit inspection was carried out by the OAG.</p> <p>The vessel has been sea-lifted to Australia in April and is currently undergoing refit.</p>	<p>As per the management comments, the projected and actual cash outlays were as follows:</p> <p><u>Approved scope of works and variations:</u></p> <table border="1" data-bbox="1465 396 2053 496"> <thead> <tr> <th>Contractual Scope of Work</th> <th>Extra Variations</th> <th>Vat</th> <th>Total approved Works</th> </tr> </thead> <tbody> <tr> <td>\$503,803.77</td> <td>\$268,334.98</td> <td>\$69,492.49</td> <td>\$841,631.24</td> </tr> </tbody> </table> <p><u>Actual scope of works completed and new variations after slipping:</u></p> <table border="1" data-bbox="1465 602 2053 727"> <thead> <tr> <th>Contractual Scope of Work completed</th> <th>New variation after slipping</th> <th>Vat</th> <th>Total approved Works</th> </tr> </thead> <tbody> <tr> <td>\$172,556.36</td> <td>\$368,201.79</td> <td>\$81,113.72</td> <td>\$621,871.87</td> </tr> </tbody> </table> <p>Total of works supplied by contractor: \$621,871.87 Less amount paid by Navy <u>549,146.11</u> Shortfall \$72,725.76</p> <p>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.</p>	Contractual Scope of Work	Extra Variations	Vat	Total approved Works	\$503,803.77	\$268,334.98	\$69,492.49	\$841,631.24	Contractual Scope of Work completed	New variation after slipping	Vat	Total approved Works	\$172,556.36	\$368,201.79	\$81,113.72	\$621,871.87
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19.6.2.3	<p>Waiver of Tender The Government Tender Board approved the waiver of tender for slipping of RFNS Kiro on 15th February 2016.</p>	<p>The GTB Award was made to regularize the procurement process since the works have already been carried out on RFNS Kiro.</p>	<p>Refer to the management comments.</p>																

<p>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 \$283,351.9520 was paid to the contractor following the approval of the Government Tender Board.</p>	<p>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. It was a situation where they need to hasten all processes in order to have the vessel operational again in the shortest possible time before any unforeseen circumstances or events occurs urgently demanding the Navy's service. Awaiting GTB approval hence was not an operational option. Besides there are stringent timeliness in undergoing slipping since this is based on placement.</p> <p>The way forward for the Navy is as follows:</p> <ul style="list-style-type: none">i. preliminary assessment works will be thoroughly conducted so that the Scope of Works can be fully ascertained and total cost incurred is more accurately estimated;	
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		<ul style="list-style-type: none"> ii. only one company to be contracted so that the company will be held responsible and accountable if there is any breach in contract. Furthermore a liquidity clause will be included in the contract; iii. payments to be divided into Payment Schedules, subject to completion of phases; iv. timely provision of progress reports will be submitted to CMDR RFMF; and v. contingency costing is to be included in the contract to cater for any variation which may arise. 	
19.6.3	<p>Capital Construction</p> <p>A budget of \$4.3 million was allocated to RFMF for capital construction.</p> <p>The following discrepancies were noted from audit review of capital construction projects.</p>	OAG findings and recommendations are noted.	

<p>19.6.3.1</p>	<p>Splitting of Contracts</p> <p>Splitting of contracts - means dividing contracts into smaller quantities and amounts, or dividing contract implementation into artificial phases or subcontracts, for the purpose of making it fall below the threshold requiring legislated procurement approval or circumvent the requirement of public bidding for procurements over \$50,000 VIP.21 In order to differentiate and identify a split, the procurement would be classed under one of the following criteria; dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of the regulations.</p> <p>The audit noted that RFMF breached the purchasing procedures by splitting contracts into subcontracts to avoid the tender process.</p> <p>The audit further noted that the contractors were engaged prior to signing of the Memorandum of Agreements (MOA) by both parties. As such, some of the MOA were signed on or after the date the invoice was issued by the contractor.</p> <p>Splitting of contracts results in circumvention of established procurement policies and procedures of Government which are designed to promote accountability and transparency.</p>	<p>The Force will strengthen its internal control by:</p> <ul style="list-style-type: none"> • approval of the Major Tenders Board will be sought for any purchases above \$50,000.00; • MOA are signed by both parties before the engagement of a contractor; • splitting of projects will not be entertained in the next financial year and in compliance to the MoE Splitting of Contracts Policy 2014; 	<p>Further to management comments, the RFMF has reviewed its process to enhance proper vetting of projects are carried out properly before any payment is made. A Capital Project committee is now in place which has representation from Procurement and Finance Staffs. We had acquired the services of qualified procurement and finance staff as civilian staffs to our Headquarters to be part of this team.</p>

<p>19.6.3.2</p>	<p>Breach of terms and conditions of Memorandum of Agreements</p> <p>The remaining 10% of the agreed sum can be claimed at the end of the Defects Liability Period (30 days or 90 days) if there are no defects to the completed works.²³ A liquidated damage of \$100.00 per day shall apply.</p> <p>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.</p> <p>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.</p>	<ul style="list-style-type: none"> • Clauses in the MOA such as liquidated and ascertained damages will be closely monitored; 	<p>The RFMF Force Development Project team (Engineers/ Architects) compliment has been increased to ensure that any issue of oversight by the team is negated. The Project was usually carried out usually by one Officer but we had acquired the service of three qualified civilian staffs to the Project team.</p>
<p>19.6.6.3</p>	<p>Inaccurate Capital Progress Report</p> <p>The preparation of management reports allows senior management to analyze the standing of the agency for a particular period and assists in meeting the management responsibilities imposed by the Act. Timely and accurate management are necessary for effective management decisions.</p>	<ul style="list-style-type: none"> • all progress payment will be verified by the Ministry of Infrastructure and Transport (MoIT) prior to payments and this is to ensure that progress report submitted to managements for decision 	<p>The RFMF needed more clarification on the issue raised to make comment.</p> <p>However, 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 QPPR Report to be</p>

	<p>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.</p> <p>Therefore, inaccurate capital progress reports were submitted to Management for information and decision-making.</p>	<p>making are accurate in all aspects; and</p>	<p>sent to MOE. This is in ensuring that the integrity of the report is maintained as the report was used to be compiled and submitted by the RFMF Project Engineers.</p>
19.6.3.4	<p>Provisional tax not withheld</p> <p>A business making commission payment or payment under a contract for services where there is a written agreement is required to withhold 5% withholding tax (also known as provisional tax).</p> <p>The audit noted that the RFMF did not withhold 5 percent withholding tax from payments made to contractors.</p>	<ul style="list-style-type: none"> • Comply with requirements of FRCA for Provisional Tax deductions for all contracted service providers. 	<p>Further to management comment, the Force has been complying with the requirements of FRCA and 5% Withholding tax has been deducted from all payments made to contracted companies.</p>
19.6.4	<p>Weak Internal Controls in the Management of Food Rations</p> <p>All units will forward to Supply Company a daily rations state form. The daily ration state form will compile the daily state ('living in' strength the previous day and the strength increase/decrease during subsequent 24 hrs.) and the ration strength forecasts seven days in advance.</p> <p>Supply Company will compute from the information contained in the Daily Ration State the Unit's entitlement to complete rations. The</p>	<p>OAG findings and recommendations are noted.</p> <p>The Force Supply Company has jurisdiction and command over all the QEB Messes; so the stock and ledger cards are kept at Supply Company HQ.</p> <p>It is now compulsory for all Messes to raise the Daily Ration Demand form</p>	

	<p>Unit's entitlement will be posted each day to a Ration Reconciliation Book and totalled at the end of each month. When supplies are uplifted or delivered at the store the supplies will be brought on charge from the Requisition Form or the Invoice to the Ledger Stock Card.</p> <p>Unit Daily Ration States will be completed by Supply Company and breakdown of ration issues to Messes will be made on Daily Ration Demand (DRD) forms. Receipted DRD will be checked and then posted daily to the Ledger and Stock Card. Supply Company will maintain a record of the Ration Reconciliation Books showing the number of rations demanded daily by each unit and the number of rations to which the unit is entitled. This record will show as a unit credit or debit the extent of under-drawing or overdrawing of rations and will be available to units on request at any time.</p> <p>The following weaknesses were noted from the review of the internal controls over the management of food rations.</p> <ul style="list-style-type: none"> <input type="checkbox"/> 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. <input type="checkbox"/> RFMF's Supply Company did not maintain a Ration Reconciliation Book that records the 	<p>and submit to the Supply Company for the purchasing of rations as recommended.</p>	<p>Further to management comments, the Force is now complying with the regulations governing the supply and accounting of food rations by:</p> <ul style="list-style-type: none"> • 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
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	<p>number of rations demanded and entitlements for each unit.</p> <p><input type="checkbox"/> RFMF's Supply Company did not prepare the Daily Ration Demand Form.</p> <p>Refer to Appendix 19.6 for examples.</p> <p>The above finding indicates non-compliance to regulations governing the supply and accounting of food rations hence increasing the risk of mismanagement of rations.</p>		<ul style="list-style-type: none"> RFMF's Supply Company is preparing Daily Ration Demand and posting daily to the Ledger and Stock Cards.
19.6.5	<p>Breach of Government Tender Board Approval</p> <p>For the supply of fresh and frozen root crops, vegetables, fish, meat, eggs, margarine and ice cream the government has contracts mainly with Freshet International, Joes Farm and Ashabhai & Company. For the supply of general food items the government has contracts mainly with Morris Hedstrom, Pacific Hai An Corporation, Punja & Sons, Hardip Narayan & Sons Ltd and Ashabhai & Company.</p> <p>From a samples 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.</p> <p>The above finding indicates non-compliance with Government Tender Board approval which</p>	<p>OAG findings and recommendations are acknowledged.</p> <p>The Force purchased items from non-contracted suppliers due to the following reasons:</p> <ol style="list-style-type: none"> Items were urgently needed for TC Winston HADR deployment; Unavailability of items with contracted suppliers; Poor quality of the items supplied by the contracted suppliers; and 	<p>Further to Management Comments, Commander RFMF have endorsed a new RFMF Procurement Manual. The manual encapsulates all the procedures to be followed in dealing with contracted and non-contracted suppliers.</p>

	<p>may result in uneconomical purchases or purchase of goods and services of substandard quality.</p>	<p>d. Proximity of supplier to the area of work.</p> <p>The RFMF Farm also operates as a reserve Unit for the RFMF and provides for the institution in times of need at lower prices than the tendered prices. The Force purchased vegetables from the time as a mitigation measure when the country faced shortages of this commodity after the aftermath of cyclone Winston.</p> <p>The RFMF Logistic Support Unit (LSU) has been advised to provide evidence when contracted Suppliers cannot supply goods and services due to items out of stock. This is to be reported in writing on the Payment Voucher.</p>	
19.6.6	<p>Adopt a School Program</p> <p>Proper management of expenditure is fundamental in ensuring that value for money is obtained in delivering services to the community. Cost effective internal controls within the purchasing and payments systems also plays an important part in ensuring that waste of funds, over – expenditures and corruption do not occur.</p> <p>The RFMF transferred \$20,000 from the Drawings Account to the TMA account as</p>	<p>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.</p>	<p>Refer to management comments.</p>

	<p>assistance in rebuilding a school that was damaged during the Cyclone Winston. The audit noted that:</p> <ul style="list-style-type: none"> <input type="checkbox"/> assistance was already provided to the school by the Republic of Indonesia Defence Force through the government initiative of adopt a school program; <input type="checkbox"/> 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; <input type="checkbox"/> the payment voucher was not authorized, the commitment ledger was not maintained and acquittals were not submitted by the RFMF Engineers to the Principal Accountant for the utilisation of funds. <p>Moreover, the audit could not substantiate the criteria used by RFMF for selecting the school as relevant documentation was not provided for audit verification.</p> <p>As a result, other schools requiring the assistance may have been deprived from the much-needed assistance. The risk of unauthorised expenditure is high when there is no proper authorisation of expenditure.</p>	<p>Parts of works required are 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.</p> <p>The uncertified voucher was a clerical error and RFMF will ensure that all vouchers are certified prior to payment.</p>	

<p>19.6.7</p>	<p>Purchase in excess of tendered amount</p> <p>The Government Tender Board in its Meeting No. 13/2013 on 10/07/2013 awarded the contract for the supply of winter clothing to various companies in Tender No. CTN 46/2013. Supplier A was contracted for the supply of 1,070 round neck Tees (short sleeve) at \$25 per unit cost and for a total cost of \$26,750.</p> <p>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.</p> <p>The above has resulted in unauthorised purchases or over-expenditures.</p>	<p>OAG findings and recommendation is acknowledged.</p> <p>The Force will investigate the reasons for excessive purchases made and will ensure compliance with GTB approval at all times.</p>	<p>The GTB approval was for the supply of winter clothing for 2013 UNDOF deployment and it was erroneously attached to the payment voucher.</p> <p>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 is below \$50,000, approval was sought from the Commander RFMF.</p>
<p>19.6.8</p>	<p>Sea freight payments</p> <p>The air baggage allowance for students and family members will be the standard 20kg. However, on return to Fiji, students may additionally send books and papers etc. by sea freight up to a maximum volume of one (1) cubic meter at RFMF expense.</p> <p>The SO Acts, CSO Fin or SO Trade must not certify a payment as correct unless they are satisfied that: it is in accordance with an LPO, indent, contract, invoice, statement or other</p>	<p>OAG findings and recommendations are noted.</p> <p>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 documentation from freight companies.</p>	<p>Officers on overseas training for 3 months or more are now required to sign a bond before leaving the country. (Annexure I – Bond form)</p>

	<p>authorisation and there is documentation that the goods, services or works have been received.</p> <p>An Officer receiving training at Government expense, including any on aid made available by donor countries and organisations, must be bonded before they proceed on training either on pay or without pay to serve in the Public Service or elsewhere for a specified period.</p> <p>Arrangement for bond will for any period of study up to and including three months, for over three months up to and including one year and above one year will be bonded correspondingly.</p> <p>Audit review of sea freight payments to officers revealed the following anomalies:</p> <ul style="list-style-type: none"> <input type="checkbox"/> sea freight payments, in some cases, were made on the strength of quotations received from the logistic companies; <input type="checkbox"/> 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. <p>Moreover, the RFMF did not bond officers who had undertaken fully-funded overseas trainings. Without the training bond, RFMF may easily lose its investment in training and development of personnel.</p>	<p>Officers on overseas training will be required to sign a bond.</p>	
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	<p>In the absence of relevant supporting documents, there was no evidence to indicate that the officers to whom payments were made had transported their personal equipment.</p> <p>Non-compliance with regulations established to govern procurements and payments of goods and services increases the risk of mismanagement of funds.</p>		
19.6.9	<p>Variations in Payroll</p> <p>Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced. The Warrant Officer Pay shall record the manual payment of the appropriate input form. The form shall be used to update the payroll records in the automated payroll system</p> <p>No manual payment of salary is permitted except upon written approval from the Permanent Secretary for Finance.</p> <p>The audit noted the following anomalies from the review of payroll records:</p> <ul style="list-style-type: none"> <input type="checkbox"/> Variations were noted between the FMIS general ledger and Government Payroll System for payment of allowances. 	<p>OAG findings and recommendations are noted.</p> <ul style="list-style-type: none"> <input type="checkbox"/> The RFMF will ensure that manual payments are updated into the Government Payroll System once payments being effected; <input type="checkbox"/> The Force under the Director of Peacekeeping Operations (DPKO) are working very hard to maintain proper documentation of RFMF personnel deployed for missions; <input type="checkbox"/> The issue was brought up to the management for information and clarification and also to HR division for information and necessary action 	<p>Variations 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. (Annexure J – Variation in payroll)</p> <p>All manual payments are updated into the system, but it has to be noted that the financial year ends in July while the payroll follows the calendar year.</p>

	<p>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.</p> <p>Non-reconciliation of the general ledger with payroll system can result in errors and omissions and fraud not being detected and rectified on a timely basis. Moreover, failure to update manual payments in the government payroll system increases the risk of payroll expenditures being misstated at the end of the financial year.</p>	<p>since they are looking after the welfare soldiers; and</p> <ul style="list-style-type: none"> <input type="checkbox"/> The Force will be recruiting civilian staffs for record keeping as recommended. <input type="checkbox"/> Variances reported have been reconciled. 	<p>The gratuity allowance which was paid to officer 25441 is reported in the payroll at the end of the calendar year. It should be noted that the manual payments reported on Appendix 19.7 is for payroll salary that was reversed from the bank due to incorrect account/personal details.</p> <p>This reversal is receipted and paid to the officer through their banks. This transaction does not get updated in the payroll system. (Annexure K – Reversal of salary from the bank)</p>
19.6.10	<p>Revenue not fairly stated in the Financial Statements</p> <p>The cash basis of accounting recognises transactions and events only when cash (including cash equivalents) is received or paid by the entity.</p> <p>Audit review of revenue records revealed the following anomalies:</p> <ul style="list-style-type: none"> <input type="checkbox"/> VAT receivable amounting to \$29,852 has been recognised as revenue during the year; and 	<p>OAG findings and recommendations are noted.</p>	<p>VAT on revenue will be recognized only when they are received. The RFMF currently advises FIRCS formally of any credit and requests that it be off set when there is a debit return.</p>

	<p>□ Income received from marching band performance has not been recognised as operating revenue but is kept in the Band Trust Account.</p> <p>The RFMF purchased new band equipment worth \$408,761 during the year and charges a fee for the band to perform.</p> <p>The above anomalies increase the risk of revenue being materially misstated in the financial statements.</p>	<p>The RFMF Band does not charge fees on official function. The Band however is sometimes invited to perform at charity events or functions where organisers are required to assist in travel and accommodation costs. In these instances funds are sometimes deposited in to the Band Fund for ease of payments and convenience purpose.</p> <p>The RFMF Band is sometimes also tasked to perform outside their (military) regimental core duties for which they are budgeted for, such as visits to affected areas post natural disasters to provide moral support to the affected citizens of Fiji. In these instances the Band Fund is used to assist their deployment.</p> <p>It is to be noted that the RFMF Band is not a money generating entity.</p>	
19.6.11	<p>Anomalies in Underline Accounts</p> <p>The Chief Staff Officer Finance is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.</p>	<p>OAG findings and recommendations are acknowledged.</p>	

	<p>Travelling advances must be recouped within 7 days of the completion of travel by submission of a voucher with documents to support the claim. Where a travelling advance has not been fully expended, it must be repaid to the agency within 7 days of the completion of travel. Where a travelling advance is not cleared within 7 working days of the completion of travel, recovery must be made from the concerned officer's salary within 6 fortnights.</p> <p>The following anomalies were noted from audit review of the Underline accounts:</p> <ul style="list-style-type: none"> • 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. 	<p>The Force will ensure that the travelling advances are cleared within 7 days of the completion of the travel as recommended.</p>	<p>The Accounts Section of the RFMF is regularly monitoring the travel advances to ensure the prompt retirement of accountable advances.</p> <ul style="list-style-type: none"> • It is to be 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. (Annexure L – Final reconciliation statement for Operating Trust Fund Account, Drawings and SLG84) • It is to be 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
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	<ul style="list-style-type: none"> • <input type="checkbox"/> Advances totalling \$39,242 were not cleared within seven days resulting in expenditures being understated <p>The above findings indicate lack of supervisory checks of the personnel responsible for preparing of reconciliations.</p> <p>Failure to settle liabilities and rectify variances on time may result in write offs in future.</p>		<p>been decreased. (Annexure M – Trust account reconciliation statement for April and May)</p> <ul style="list-style-type: none"> • All 2016 accountable advances have been cleared. The Force Account Section are closely monitored the Accountable Advance to ensure the prompt retirement of accountable advance.
19.7	<p>Trading and Manufacturing Account</p> <p>The RFMF has two Trading and Manufacturing Activity (TMA) account namely the Plant Pool and the Hydrographic Service. The Plant Pool was formed in 1978 to construct and develop roads to the inaccessible parts of rural areas in Fiji while the Fiji Hydrographic Service was transferred to the RFMF’s naval division in 2010 to provide accurate Oceanographic and Hydrographic Information and Services.</p> <p>The following discrepancies were noted from audit review of the trading and manufacturing activities.</p>		

<p>19.7.1</p>	<p>Weaknesses in Internal Control for TMA</p> <p>The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.</p> <p>The TMA Manager shall prepare a draft business plan documenting the planned performance and profit target of each TMA activity for the planned year and for the following three years.</p> <p>Chief Staff Officer Finance must ensure that payments documents are processed correctly by having different officers assigned to approving invoices for payments; reviewing and reconciling financial records before payments are done and signing cheques.</p> <p>The TMA Manager shall be responsible for preparing and submitting to Ministry of Finance a monthly reconciliation statement within 15 days after the end of the month.</p> <p>Goods or services shall only be sold at the prices set out in the Schedule of Prices. Any proposed changes in prices must be submitted through the Ministry of Finance to Cabinet for approval.</p> <p>Audit review of internal controls for the Trading and Manufacturing Account revealed the following weaknesses:</p>	<p>OAG findings and recommendations are noted.</p>	<p>Refer to the management comments</p>
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	<p><input type="checkbox"/> the planned performance and profit target for three subsequent years (2017, 2018 and 2019) was not documented in the 2016 business plan.</p> <p><input type="checkbox"/> there was no segregation of duties. The authorised cheque signatories (EDP No. 53431, SB320, 60067 and RT471) for the RFMF TMA Account 59 are the same officers assigned to approve invoices for payments, reviewing and reconciling of financial records before payments are done.</p> <p><input type="checkbox"/> monthly bank reconciliations were not submitted to the Ministry of Economy on a timely basis.</p> <p><input type="checkbox"/> Cabinet is yet to approve the rates at which the vehicles/plants are to be hired.</p> <p>The above findings indicate the existence of weak controls which if not addressed would result in financial losses in the future.</p>	<p>The Force has improved its internal control for financial year ending 31 July 17 by:</p> <p><input type="checkbox"/> Officers concerned had been advised to prepare business plan in accordance with Finance Manual;</p> <p><input type="checkbox"/> Monthly bank reconciliations for TMA are now prepared and submitted to the Ministry of Economy in a timely manner;</p> <p>The charges by the Engineers TMA are still being reviewed before approval is sought from the MoE.</p>	<p>Signatories have been changed. (Annexure N – Change of signatories TMA)</p> <p>Refer to management comments and (Annexure O – Updates from MoE).</p> <p>Refer to the management comment.</p>
19.7.2	<p>Weaknesses in Fuel Management</p> <p>Access to inventory stores shall be limited to the storekeeper. All other officers shall be restricted</p>		

	<p>from entering storage facilities unless approval is granted by the store keeper.</p> <p>The inventory bookkeeper shall maintain the inventory register to record incoming and outgoing inventory. The inventory book keeper shall ensure that the register is kept up to date at all times.</p> <p>Ledger cards and Petroleum Oil and Lubricants (POL) receipt issue sheets will be balances with closing balance carried forward. POL receipt and issue sheets will be filed for audit. All tanks will be dipped and recorded on the POL Receipts and Issue Sheets before the first issue each day and at the end of each day. Reconciliation is to be carried out against the Receipt and Issue Sheet.</p> <p>Audit review of the fuel records at the Engineering Division revealed the following weaknesses:</p> <ul style="list-style-type: none"> <input type="checkbox"/> 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; <input type="checkbox"/> the fuel management officer did not carry out daily measurement of fuel in tanks. Consequently, the fuel inventory reconciliation was not performed; 	<p>OAG findings and recommendations are acknowledged.</p> <p>It is to be noted that the TMA stores its fuel for its vehicles on drums and not in tanks as reported.</p> <p>However the staffs concerned had been advised accordingly to regularly update fuel records as and when there's a movement on fuel as recommended.</p>	<p>Further to the management comments, it should be noted:</p> <ul style="list-style-type: none"> • 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;
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	<p><input type="checkbox"/> fuel purchased was not promptly recorded in the fuel inventory book;</p> <p><input type="checkbox"/> the closing stock balance was not carried forward to the subsequent month; and</p> <p><input type="checkbox"/> discrepancies in fuel records were not promptly investigated and rectified.</p> <p>The above findings indicate the existence of weak controls in fuel management and responsible officers are not discharging their responsibilities to ensure the accuracy and completeness of fuel records. Without physical verification, it would be difficult to identify missing fuel and reconcile fuel inventory.</p>		<ul style="list-style-type: none"> • 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. <p>In addition, the review of the RFMF Standing Orders Vol 2 – Stores Accounting. The new Transport Manual has been endorsed by Commander RFMF.</p>
19.7.3	<p>Anomalies in Trading and Manufacturing Activity – Plant Pool and Hydrographic</p> <p>The profit and loss statement and the balance sheet must be prepared on an accrual basis.</p> <p>The Chief Staff Officer Finance is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.</p> <p>Audit review of the Trading and Manufacturing Activity account revealed the following anomalies:</p> <p><input type="checkbox"/> Revenue totalling \$36,695 collected in 2015 has been recorded in the 2016 general ledger. As a result, TMA sales are overstated by \$36,695.</p>	<p>OAG findings and recommendations are noted.</p> <p>The Force had strengthened its Internal Control by discouraging direct deposit to the bank by the clients. All</p>	<p>RFMF will ensure that all funds received will be accounted for within the correct accounting period.</p>

	<p>The TMA Manager confirmed that this was due to the delays in posting of direct deposits to the FMIS general ledger.</p> <p>There was a variance of \$72,007 between the FMIS general ledger and the Statement of VAT account received from Fiji Revenue and Customs Authority (FRCA).</p> <p>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 FRCA.</p> <p><input type="checkbox"/> There was no independent verification carried out for inventory balance of \$25,363. Consequently, audit could not substantiate the accuracy and the completeness of the inventory amount.</p> <p>The above anomalies imply that the Trading and Manufacturing Accounts may not fairly reflect the financial performance and position of the TMA operations.</p>	<p>revenues are to be receipted at HQ and credited to various allocations including TMA.</p> <p>It is to be 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.</p> <p>In addition Vat Returns for the TMA will be checked by the Accounts Section to ensure that vat payments are correct in all aspects.</p>	<p>Refer to management comments.</p> <p>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. (Refer to Annexure A)</p>
19.8	<p>Project Account</p> <p>The Engineers Regiment operates a trust account for construction/extension of teachers' quarters, classrooms, hospital and footbridge.</p>		

	The following discrepancies were noted from an audit review of the Project Account.		
19.8.1	<p>Weaknesses in Internal Control for Project Account</p> <p>The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.</p> <p>Where officers are authorised to collect revenue (revenue collectors), the CSO Finance must provide them with a letter of appointment. The Staff Officer Ledgers shall maintain a distribution register recording all receipt books and other revenue earnings forms issued to Navy/Engineers/Strategic HQ revenue collectors. When cash or bank cheques are received, the revenue collector shall immediately issue an ‘official receipt’.</p> <p>The Commanding Officers of Units must maintain a Commitment Ledger in which he/she shall record all known commitments as required under Finance Instruction 13. The CO’s of units must ensure that the Commitment Ledger is up to date.</p> <p>Audit review of the internal controls system for the Project Account revealed the following weaknesses:</p>	<p>OAG findings and recommendations are acknowledged.</p> <p>It is to be noted that the Force is in the process of closing the Engineer’s Project Fund Account and has been liaising with MOE on the way forward.</p> <p>The MOE have advised the following:</p> <ul style="list-style-type: none"> <input type="checkbox"/> that before closing the account, the RFMF is to reconcile bank records with projects. This exercise was completed in February 2017 by RFMF and reconciliations had been submitted to the OAG office; <input type="checkbox"/> that Funds for new projects to be receipted into GL revenue (SLG 84) . This has now been done for all new projects undertaken; and <input type="checkbox"/> acquittals be submitted progressively to the client and MOE and also when projects are completed. Acquittals are now part of the new RFMF process. 	<p>The Force had closed the Engineer’s Project Fund Account.</p> <p>All new projects are receipted under trust fund account and associated expenditures are paid out through FMIS.</p> <p>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.</p>

<p><input type="checkbox"/> the revenue collector was not formally appointed by the Chief Staff Officer Finance;</p> <p><input type="checkbox"/> Distribution Register was not maintained to record all receipt books issued to the revenue collectors; and</p> <p><input type="checkbox"/> Unofficial receipts were used for receipting of revenue from 2009 to July 2016.</p> <p><input type="checkbox"/> Six blank cheques were signed by the cheques signatories while 103 blank cheques were presign by one cheque signatory increasing the risk of misuse of funds and fraud</p> <p><input type="checkbox"/> Commitment Ledger and Local Purchase Order Register was not updated.</p> <p><input type="checkbox"/> Reconciliations were not prepared for cash balances of \$194,642.2278 and funds received from donors Ministries.</p> <p><input type="checkbox"/> The RFMF did not comply with the instructions from the Office of the Prime Minister in constructing a 1 x 4 classroom. Instead, the RFMF constructed a 1x 5 classroom that resulted in the utilisation of savings from other projects totalling \$28,867.8679. Similarly, the cost overruns for some projects were financed from savings of other projects.</p> <p>The above findings indicate the existence of weak controls in the operations of the account</p>	<p>The Rotuma Hospital upgrade and extension is a \$2m project funded by the Ministry of Health. The MoH had been advised of the overspending and the Ministry is in the process of acquiring the remaining funds to complete the project.</p> <p>The over expenditure will be regularized once the Force receives the fund from MoH. Acquittals have been provided to MoH and RFMF is expecting the reimbursement soon.</p> <p>This account has been reconciled with a copy forwarded to OAG.</p>	<p>The over expenditures had been regularized by the MoH and is also receipted under the trust fund.</p> <p>(Annexure P – Funds received from MoH)</p>
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	which may lead to financial loses in future if immediate action is not taken to address the anomalies highlighted.		
19.9	Farm Account		
19.9.1	<p>Weakness in the Internal Control for Farm Account</p> <p>The FMF Farm will be audited every quarter and report forwarded to HQ FMF for perusal.</p> <p>All Farm expenditure must be approved by HQ FMF and the account must be kept at the FMF Canteen.</p> <p>Officers who wish to use their own motor vehicles or motor cycles in the performance of their official duties should obtain prior approval from their respective Permanent Secretary or Head of Department. Upon approval the officer may clam for mileage allowance. Allowances in respect of motor vehicles and motor cycles shall be payable at the following rates or at such rates as may from time to time be authorised by the Permanent Secretary for the Public Service:-</p> <p>(a) Vehicles of 2001 cc or over 45 cents per km (b) Vehicles of 1451 cc to 2000 cc 42 cents per km (c) Vehicles of 1001 cc to 1540 cc 38 cents per km (d) Vehicles of 501 cc to 1000 cc 34 cents per. km (e) Vehicles of 500 cc and under 28 cents per km.</p>	<p>OAG Findings and recommendations are acknowledged.</p> <p>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.</p> <p>Furthermore the Force is currently reviewing its Standing Orders Vol 2 which caters for Stores Accounting and Support Matters after 19 years.</p> <p>Once the revised document is endorsed, all supportive administrative Instructions will also being reviewed and new processes will soon be effected including the administrative of the RFMF Farm.</p> <p>The current rules and regulations are outdated and do not reflect the current changes in the RFMF.</p>	Refer to the management comments

	<p>Audit review of the internal controls systems for the Farm Account revealed the following weaknesses:</p> <ul style="list-style-type: none"> □ 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. . <p>The above findings indicate a high risk of fraud and mismanagement of funds in the operations of the farm.</p>		
19.9.2	<p>Gift of \$100,000 not deposited in the Consolidated Fund Account</p> <p>A gift received by an officer in his/her official capacity or donated to the agency must be recorded in a gift register to be maintained by the Chief of Staff HQ. Where the gift in the form of money, it shall be paid into the Consolidated</p>	<p>OAG findings and recommendations are noted.</p> <p>It is to be noted that the donation was conditional and that it was specifically</p>	<p>Refer to the management comments</p>

	<p>Fund as revenue unless gift conditions specify that the money should be held in a trust account and used for a specific purpose.</p> <p>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.</p> <p>As result, the authenticity of the funds received could not be determined.</p>	<p>for the administration and operation of the Farm after TC Winston. Hence the fund was receipted and deposited into the RFMF Farm Account.</p> <p>It is to be noted also 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.</p>	
	<p>The Peacekeeping missions did not carry out a Board of Survey to verify the existence and condition of the assets under its authority contrary to section 49 of the Finance Instruction 2010.</p>		<p>The Directorate of Peacekeeping is about to complete its ledger cards and accounting books updates. A stocktake exercise will be carried out on completion of that after which a Board of Survey will be conducted to write off all unserviceable stores.</p>