

Ministry of Economy
Volume 2 - Report of the Auditor General
PAC Interview
19 June 2018

4.10 Governance Issues

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.

Monthly reconciliation 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. We can confirm that all reconciliations are up-to-date. PSE has reviewed the same. However, going forward we will ensure that she endorses the respective reconciliation reports.

Other control issues which were noted in the Ministry for the financial period ended 31 July 2016 were as follows:

- **Annual Corporate Plan and Strategic Plan was not developed.**
- 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 workplans. 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 4.14 for matters raised as “follow-up” issues.**

This is discussed below at 4.14 and we will address the issue at 4.14.

The following administrative controls were absent:

- **Formal monthly meetings of section heads were not held.**
The meeting minutes has been provided to OAG. Refer to [Appendix 1](#) for details.
- **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; and**
Provisional tax reconciliation has been provided to the auditors. Refer to [Appendix 2](#) for details.
- **Handing over statements as at 31/12/15.**
We have noted the issue raised. 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.

The Ministry of Civil Service in consultation with the Ministry of Economy is developing a guideline and checklist as mentioned in Memorandum attached as [Appendix 3](#). 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; and**

Report on Rice Revitalization Project is attached in [Appendix 4](#).

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

Individual work plan for CIU officers has been attached in [Appendix 5](#). 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.

Table 4.16: Individual Work Plan not provided

EDP	Salary Paid (\$)	Individual Work Plan Provided
61065	80,000	No
92087	45,000	No
60021	45,000	No
91521	45,000	No
95565	15,000	No
95548	15,000	No
95549	15,000	No
47578	39,452	No
61978	29,530	No
93246	29,530	No
94247	35,000	No
92721	25,000	No
63850	19,069	No
53821	19,069	No
90701	Resigned in 2016	No
61942	19,069	No
63022	12,659	No

- **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. Non-submission of records required for audit purposes is a serious breach of the Audit Act 1969.**

The HfH investigation has been submitted to the Police.

4.11 Irrecoverable Surcharge Amount

The Surcharge Unit was established under the Financial Management Act 2004, Part 10 Division 2, Section 67-71. Its main function is to recover cost of assets or money lost by Government through negligence. Upon death or termination of the surcharged officer during the period mentioned in (2) above, full recovery of the outstanding amount must be made from any dues outstanding by Government to the surcharged officers.

The 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 totaling to \$835,057.54. Refer to Table 4.17 for details.

Table 4.17: On-going cases and Irrecoverable Surcharge Cases

Cases	Amount (\$)	Percentage (%)
On-Going Cases		
Civil Case	81,930.69	22.57
Damage to Government Vehicle	252,533.29	69.57
Loss of Government Property	9,981.05	2.75
Loss of Government Funds	9,941.76	2.74
Unauthorised Expenditure	8,579.10	2.36
Total	362,965.89	100.0
Irrecoverable Surcharge Cases		
BOS Deficit	10,977.57	2.33
Civil Case	16,906.88	3.58
Damage to Government Vehicle	219,513.57	46.50
Loss of Government Property	63,367.39	13.42
Loss of Government Funds	93,759.90	19.86
Unauthorised Expenditure	67,566.34	14.31
Total	472,091.65	100.0
Grand Total	835,057.54	

Ineffective recovery procedures and prolonged recovery period has resulted in accumulation of surcharge amount.

The irrecoverable surcharge cases accounts for 56.5% of the total surcharge balance of \$835,057.34 and could lead to write off as the officers with debts have resigned, retired, migrated, deceased and terminated. Analysis of this can be seen in **Appendix 7**.

Recommendation

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

Ministry's Comments

The Ministry of Economy ('MOE') 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 we have 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 we have improved the recovery period to be the same as the employee's employment contract;
- iii. We have 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 have formulated a Debt Agreement template for surcharged officers that have resigned with significant surcharge amounts. The Debt agreement have 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. We are 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. We further plan 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.

OAG should also note that overall, the recovery is on-going and the balance yet to be recovered is decreasing. Further, 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.

4.12 Installation of Accessories on Leased Vehicles

The Lessee agrees with the Lessor that any accessories, parts, tyre replacements and tools which now or thereafter are supplied with or are attached to a Leased Vehicle described in

the Order and Acknowledgement Form and the Acknowledgement of Delivery Form shall be or become 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 the Lessor, elect to require the Lessee to remove the same and make good and damage of such fitting or removal.

The Lessee shall not without the written consent of the Lessor make any additions, improvements or alterations to the Vehicle and if the Lessee does so, it will, immediately upon being required to do so in writing by the Lessor, reinstate the Vehicle to its original state at the Lessee's cost and expense.⁷ 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 totaling \$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. Therefore, the expenditure of \$51,829.55 was not properly authorized.

Refer to Table 4.18 for details.

Attached as [Appendix 8 Issues discussed below](#).

Registration No.	Accessories Installed	Amount (\$)	Payment Date	Comments –Status (Vehicle still use)
Year-2014 GP 401	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 714	Supply and installed 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.
Registration No.	Accessories Installed	Amount (\$)	Payment Date	Comments –Status (Vehicle still use)
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 GQ 265 GQ 295	Supply and install canopy and weather shield Supply and install canopy and weather shield Supply and install canopy, 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.

	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		

Bureau of Statistics need was for four-wheel drive covered vehicles. The twin cabs are not our choice vehicles however we have had to make do with them as these were the type of vehicles given to us. Our Pajero fleet is quite old and is no longer safe to take into areas with poor road conditions or in difficult terrain. The vehicles are used to transport our staff for field visits so we 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. Even with the canopies we still have our stuff covered with dust but they do provide sufficient protection. The current fleet of twin cabs (with canopies) are really not suitable for transporting survey officers to the more remote rural locations, as they can only carry 3 passengers at a time so 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, we are mindful that we will liaise with the Lessee.

We have included SUV's that can be used in rough terrains but the monthly rate of leasing the 4x4 SUV's are high. Refer below cost analysis:

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

We have also issued advisory at Whole of Government level on the vehicle lease arrangements as well.

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

Registration No.	Accessories Installed	Amount (\$)	Payment Date	Payment Voucher
YEAR – 2014 GP 401	Supply and Install Canopy	6,024.45	7/4/14	23670
GP 714	Supply and install canopy, side steps and weather shield	7,900.00	16/12/14	00005
YEAR – 2015 GP 778	Supply and install canopy, side steps and weather shield	7,900.00	30/1/15	00002
YEAR – 2016 GP 715	Supply and Install Canopy	6,200.00	1/6/16	00012
GQ 253	Supply and install canopy and weather shield	17,659.45	6/9/16	4532
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	4944
TOTAL		51,829.55		

The above is a breach of the lease agreements that could result in additional cost to the Ministry if the canopies are removed at the expiry of the lease agreements.

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 unauthorized

Payments.

Ministry’s Comments

Audit Recommendations are noted .For our type of work we need four-wheel drive covered vehicles. The twin cabs are not our choice vehicles however we have had make do with them as these were the type of vehicles given to us.

Our Pajero fleets are quite old and are no longer safe to take into areas with poor road conditions or in difficult terrain. The vehicles are used to transport our staff for field visits so we 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. Even with the

canopies we still have our stuff covered with dust but they do provide sufficient protection. The current fleets of twin cabs (with canopies) are really not suitable for transporting survey officers to the more remote rural locations, as they can only carry 3 passengers at a time so in some cases there is a need to make two trips

The above justification is provided by Bureau of Statistics in terms of staff safety and urgency of the matter.

However Bureau of Statistics accepts that this was an oversight on their part in failure to communicate with HQ (Ministry of Economy) in particular with Government Fleet Management Unit to obtain necessary approvals. The decision taken at that time was in the best interest of the safety of official documents and staff In terms of Budget, then it is always the case if a particular procurement has been approved then Ministry/Department needs to source from within if possible. Ministry through its Government Fleet Management Unit has informed all the Ministries and Departments that any installation of accessories in Government leased Vehicles needs prior approval from the lessor.

4.13 Delays in Clearing Goods from Wharf

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, having cost-effective internal controls within the purchasing and payments system plays an important part in ensuring that waste of funds, over-expenditures and corruption do not occur.

The audit noted that a container shipment of medicines consigned for the Fiji Pharmaceutical and Biomedical Services (FPBS) via Suva wharf remained unclear 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 unclear item.

Refer to Table 4.19 for details.

Table 4.19: Details of Payment

Date	Cheque No.	Amount (\$)	Details
24/3/16	5052	48,984.60	Being payment of ports charges for un-cleared container for 253 days.

The negligence of FPO officers resulted in wastage of public funds.

Recommendation

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

Ministry's Comments

Audit Recommendations are noted. The Ministry 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. Copy of the indent is attached as **Appendix 9** to which the supplier needs to send FPO the invoice. Also attached is MOE memo issued to ministries and departments to ensure that suppliers are to advise FPO on clearance of goods from the wharf.

4.14 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. The status of outstanding issues is set out below:

Table 4.20: Follow-up on Previous Year Accounting and Control Anomalies

Issues	Recommendations	Current Status	Management's Proposed Action
Ministry of Economy			
Regularity Audit – Head 50 Miscellaneous Services			
<p>SLG 84 Reconciliations not submitted to FMIS Division</p> <p>The following anomalies were noted on the SLG 84 reconciliations:</p> <p>(i) The following Ministries/Department did not submit their SLG 84 December 2015 reconciliation as required under SLG 84 Reporting Guide, section 9.2:</p> <p>a) Bureau of Statistics; b) Ministry of Foreign Affairs; c) Fijian Elections Office; d) Judiciary Department; e) Public Service Commission; f) Ministry of Women, Children & Poverty Alleviation; g) Ministry of Fisheries & Forests; h) Ministry of Lands and Mineral Resources; i) Ministry of Industry, Trade and Tourism; j) Ministry of Sugar; k) Ministry of Infrastructure & Transport; l) Ministry of Local Government, Housing & Environment; and m) Ministry of Health and Medical Services.</p> <p>(ii) The Ministry of Women, Children & Poverty Alleviation; Ministry of Fisheries & Forests; Ministry of Industry, Trade and Tourism; and Ministry of Infrastructure & Transport showed negative general</p>	<p>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.</p>	<p>Several Ministries and Departments have negative balances in SLG 84 accounts as at 31 July 2016.</p>	<p>We duly agree that this was the issue in 2015. As a way forward, Ministry of Economy, through its budget division have requested Ministries and Departments to acquit the SLG 84 funding before the next request is made. Acquittals are available with Budget Division.</p> <p>Follow up FMIS have revealed that they are now receiving reconciliations from most of the Ministries and Departments.</p> <p>For those Ministries and Departments that are not submitting the SLG 84 reconciliation to FMIS, will be dealt with accordingly by the Chief Accountant.</p>

- I. The following Ministries/Department did not submit their SLG 84 December 2015 Reconciliation as required under SLG 84 Reporting Guide, Section 9.2:

The latest update on reconciliation is as follows: **Appendix 10**

Standard Liability Group (SLG84) Recon Updates 2017-2018	
MINISTRY/DEPTs	FMIS Comments

BOS	Recons submission is up to date till March 2018
FOREIGN AFFAIRS	Recons submission is up to date till March 2018
JUDICIAL	Recons submission is up to date till March 2018
HEALTH	Recons submission is up to date till March 2018
HOUSING	Recons submission up till January 2018. Feb-Mar recons will be submitted once PS endorsed.
SOCIAL WELFARE	Recons submission up till December 2018. Jan-Mar recons is in progress.
Fisheries & Forests	Recons submission up till January 2018. Feb-Mar recons will be submitted once PS endorsed.
MINERALS	Recons submission up till February 2018. March recon will be submitted once PS endorsed.
LAND	Recons submission up till January 2018. Feb-Mar recons will be submitted once PS endorsed.
MIT	Recons submission up till December 2018. Jan-Mar recons is in progress.
LOCAL GOVT.	Recons submission up till January 2018. Feb-Mar recons will be submitted once PS endorsed.
TRANSPORT	No reconciliation received as of March 2018. Continuous emails and follow ups have been done yet Ministry fail to respond through recon submissions
WORKS - DECE	Recons submission up till January 2018. Feb-Mar recons will be submitted once PS endorsed.
WORKS - WESTERN	Recons submission up till January 2018. Feb-Mar recons will be submitted once PS endorsed.
WORKS - DEN	Recons submission up till January 2018. Feb-Mar recons will be submitted once PS endorsed.
WORKS - HQ	Recons submission up till January 2018. Feb-Mar recons will be submitted once PS endorsed.

Standard Liability Group (SLG84) Recon Updates 2017-2018	
MINISTRY/DEPTs	FMIS Comments
ENERGY	Recons submission up till January 2018. Feb-Mar recons will be submitted once PS endorsed.
WATER & SEWERAGE	No reconciliation received as of March 2018. Continuous emails and follow ups have been done yet Ministry fail to respond through recon submissions