

MINISTRY OF HEALTH & MEDICAL SERVICES

PAC MEETING SUBMISSION ON TUESDAY – 03RD APRIL 2018

(PARLIAMENTARY PAPER NO.101 OF 2016)- AUDIT OF 2016 ACCOUNTS

Question 1

The Ministry has been issued with a qualified audit report since the 2014 audited accounts. Please provide reasons why the 2016 Audited Accounts for your Ministry has been issued again with a qualified audit report?

The basis for the qualification of audit report (of the Ministry) varies over the years. The details of the qualification basis (for the three year period (2014-2016) is shown in table 1 below:

Table 1: Basis of Qualification of Audit Report (for 3 years)

Year of Audited accounts	Basis of Qualification	Number of audit issues raised
2014 Audit (Jan – Dec)	<ul style="list-style-type: none">▪ Trust Fund account statement of Receipts and Payments had a debit balance of \$149,211 in 2013(31.12.13) and an opening credit balance of \$746,781 in 2014.▪ Differences in the Total Receipts as per the Trust Fund Statement of Receipts and the Trust Fund FMIS GL.▪ Trust Fund bank reconciliation did not reconcile with GL.▪ No trust fund account maintained for the Retention sum deducted from progress payments for capital works.▪ VAT receivables was incorrectly stated in the TMA Balance sheet▪ No detail of adjustment provided for the adjustments made to the Accounts Receivable and TMA Account.	58
2015 Audit (Jan – Dec)	<ul style="list-style-type: none">▪ The variance noted in the closing (31.12.13) and opening balance (01.01.14) for the Cardiology Services Trust Fund Statement of Receipts and Payments.▪ Bank reconciliations for Cardiology services trust fund included direct debits and credits accumulated from previous years.▪ Other true trust (CWM Hospital Cardiac force, Fiji Children Overseas Treatment, CWM Hospital staff fund) transactions not recorded in the FMIS General Ledger.▪ No trust fund account maintained for the Retention sum deducted from progress payments for capital works.▪ The Ministry did not involve the audit to observe the	43

Year Audited accounts	of Basis of Qualification	Number of audit issues raised
	annual stock take at the end of the financial year.	
2016 Audit (Jan – July)	<ul style="list-style-type: none"> ▪ Licence & Other Revenue wrongly posted to miscellaneous state revenue which overstates the miscellaneous state revenue amount. ▪ Adjustments relating to prior year Trust fund receipts and payments were not provided. ▪ Proper monthly reconciliation of trust fund accounts were not carried out in 2016. ▪ No trust fund account maintained for the Retention sum deducted from progress payments for capital works. 	43

Hon. Chair, in general if the basis of qualifications are looked at from 2014 to 2016; the Ministry's qualification statements have decreased since 2014.

In 2014 there was 6 qualification statements, 2015 there was 5 qualification statements and for 2016 there was 4 qualification statements.

Hon. Chair correspondingly the number of audit issues raised has also decreased over the 3 years from 58 in 2014 to 43 in 2016, this means that the Ministry is improving in its attempt to have unqualified audited accounts.

The qualification statements for 2016 are mostly on Trust Fund Accounts.

In 2014 the Ministry had managed to create the General Ledger accounts for the Trust funds in the FMIS system. Upon creation of the General Ledger account, the respective transactions of the Trust Funds were posted in the General Ledger retrospectively from 2012. In this process there was mis-postings thus the differences in balances.

In 2015 we continued with our effort to reconcile the accounts to match the differences in bank balances with General Ledger balances. It was a tedious task yet, we managed to complete and rectify the differences however, it was beyond the audit period therefore, differences reported.

In 2016 it was further noted that there was some miscommunication between the Ministry and the Bank which resulted in the Bank debiting the Ministry's OPERATING Account rather than TRUST FUND Account. These transactions was corrected.

Hon. Chair from August 2017 all trust accounts are now updated in FMIS software and postings are done regularly and reconciled with the bank account. The cashbooks are now maintained.

Hon Chair, the process of maintenance and operations of TRUST FUND Accounts are now very carefully followed. There is still some work in progress such as developing SOPs and assigning the Trust Fund duties to a dedicated officer to ensure that the issues raised by the

OAG in relation to the Trust Accounts is not recurring in the next audit reports (2016/2017 & 2017/2018).

Question 2

In the previous PAC submission, the committee was advised that the Ministry is working towards improving their internal Accounting Systems and Processes so that such audit issues do not reoccur in the next audit. The committee has noted your comments highlighted in the Auditor General's Report on each audit findings. However, what assurances can you provide the committee with respect to the following control issues highlighted not being repeated in future and advise whether some of the *reoccurring audit issues* has been resolved? If not, why not?

There is a total of 33 issues highlighted by the Office of Auditor General (OAG) in the 2016 Audit (Jan – July) as recurring issues.

Hon. Chair, out of the 33 issues, 14 (42%) are still recurring issues whilst 19(58%) are no longer recurring issues.

From the 14 recurring issues, 11 issues has been resolved whilst the 3 issues (2, 3 & 7) are still work in progress to be resolved. The Ministry is putting all concerted effort to fix these issues.

Hon. Chair the Ministry is also continuing with its efforts in regular staff training, reorganization of duties, review of its current processes, up skilling of staff, business process re-engineering, regular monitoring and timely and accurate submission of the reconciliations to ensure that these qualification issues are not repeated in future audits.

Question 3 : Standing Order 110(2)

Gender Analysis: The delay in capital projects such as the Keiyasi Health Centre has the Ministry taken into account how some of its capital projects have a Gender Impact on men, women, boys and girls in the community? Has the Ministry ever considered the Gender Balanced Component in any of its planning states to ensure that the Ministry achieves a desired result for the betterment of all people?

Hon. Chair, the MoHMS when plans for any infrastructure whether it's an upgrade, extension or new construction, it always ensures that the infrastructure plan is based on the operational service standards and population needs.

In the planning stages of any infrastructure, the MoHMS considers all aspects such as provision for disability, provision for children, pregnant mothers, elderly persons, provision of preventive care programmes for boys and girls in the community, OHS, Fire etc. The Ministry also considers the location or site in terms of any natural disaster in its planning stages.

Therefore, the Ministry ensures that the any infrastructure development should be accessible, should have the provision of quality health services, availability of necessary resources and should be conducive to every citizen of Fiji.

Appendix 1: Details of Reoccurring issues

Audit Issue No.	Audit Issue	Reoccurring audit issue		Issue resolved		Remarks
		Yes	No	Yes	No	
1.	Anomalies in Drawings Account Reconciliation	√		√		Updated till January for MOH HQ & North, and February for Western drawings reconciliation.
2.	EFT's in the Unpresented Cheques listing	√			√	This is an ongoing with MOE where MOE is to provide a new portal for EFT file update This is a bank issue and needs to be sorted out by MOE and the bank
3.	Operating Trust Account Balances carried forward from previous years	√			√	MOHMS is updated with the current reconciliations, however it still faces challenges to reconcile the previous year's reconciliations
4.	TMA Sales Revenue Understated in VAT Returns	√		√		TMA VAT returns are prepared with the sales report, however there has been some missed postings from FMIS which is being rectified
5.	Trust Account not maintained for Retention Sum	√		√		All retention are either short released (from MOE) or transferred to FPO trust account.
6.	Unexplained Variance (TMA Cash)	√		√		Any variances noted are identified and rectified accordingly.
7.	Main Trust Fund Account Anomalies	√			√	This is still a work in progress. The monthly trust fund reconciliation are carried out to rectify the unreconciled figures
8.	Accounting for TMA Expenditures	√		√		The Invoices are now introduced (to replace picking slips) to properly account for TMA expenditures that is to support the payment of procurement of drugs and supplies from FPBS to BPS
9.	Expenditure incurred without budget	√		√		Salaries and Wages team constantly reconciles and processes adjustments. However, Ministry is working with MOE Salaries to reconcile the payroll code with Cost Centre GL Accounts to fix this mismatch
10.	Anomalies noted in the Sahyadri Trust Fund Account	√		√		Sahyadri accounts are fully paid.
11.	Anomalies noted in the Cardiology Trust Fund Account	√		√		Cardiology TF is now reconciled and GL has been updated. Bank balance and GL figures matches.
12.	Late Submission of Draft Agency Financial Statements	√		√		AFS was submitted as MOHMS has some errors on the GL due to some system error. Currently the Drawings reconciliations are updated, this should be a nonissue in 2017-2018 financial year.

Audit Issue No.	Audit Issue	Reoccurring audit issue		Issue resolved		Remarks
		Yes	No	Yes	No	
13.	Significant Control Weakness and misallocation of revenue receipts		√	√		Revenue is reconciled and posted accordingly, any missed posting is adjusted with in the year.
14.	Payments made without contract being signed		√	√		All payments are processed after signed contracts in place
15.	Outstanding Patients Surgery Costs – Sahyadri Trust Fund Account		√	√		Government contribution for the patients has been transferred to the trust account and remitted to the vendor.
16.	Anomalies in payments to Company F		√	√		This has been resolved. All payments were now made on original invoices and not photocopied invoices. All payments are also now issued with a Purchase Order.
17.	Payments processed without Payment vouchers		√	√		All payments now has a physical payment voucher and system generated voucher.
18.	Local Purchase Orders not raised to engage Aeromedical Services		√	√		All services are now issued with purchase order before been processed for payments
19.	Payment Records not stamped "PAID"		√	√		All vouchers are stamped before EFT processed.
20.	Payment made on photocopied invoices		√	√		Any payments processed on faxed or scanned invoices are stamped Certified Correct before payments processed.
21.	Missing Records		√	√		All vouchers are now stamped on the date of payments and filed in sequence of the EFT numbers. We have also maintained a voucher dispatch register to control our vouchers given for audit/investigation.
22.	Delay in procurement of scales		√	√		Proper procurement planning has been established and followed to ensure minimal or no delay.
23.	Written confirmation not obtained for engaging 2 nd /3 rd aeromedivac service options.		√	√		Certain processes have been established at major hospitals to ensure that written confirmation is obtained for aeromedivac service options.
24.	Delivery Lead Times		√	√		Proper inventory planning has been established and followed to ensure minimal or no delivery lead times.
25.	Procurement above Delegated Authority		√	√		The Ministry is currently reviewing its Finance Manual and will address this procurement limit accordingly.
26.	Payments made from incorrect Capital Projects vote		√	√		The capital projects payments are now charged to the relevant and correct FMIS general ledger allocations.
27.	Delays in Lodgements of Revenue to the Bank	√		√		Strict monitoring (at all levels) is consistently done.
28.	Anomalies in trust fund account payments	√		√		The Standard Operating Procedures for the Fiji Children's Trust Fund is currently being established.

Audit Issue No.	Audit Issue	Reoccurring audit issue		Issue resolved		Remarks
		Yes	No	Yes	No	
29.	In-service training		√	√		The bond records are now properly maintained.
30.	Schedule of Open Indents and Commitment at year end not provided		√	√		This has been provided accordingly.
31.	Provisional Tax Not Deducted		√	√		The provisional tax for the contractual payments are now deducted and paid as and when contractual payments are made.
32.	Unauthorized use of Journal Voucher for cash flow adjustment		√	√		Proper procedures are now consistently followed to ensure that all Journal Vouchers are authorized.
33	Excess and out of stock drugs reports as at 31 st July 2016 not provided		√	√		This has been resolved. The out of stock drug report for end of July 2017 was provided accordingly.