

DRAFT AUDIT MEMORANDUM
MINISTRY OF LOCAL GOVERNMENT, HOUSING & ENVIRONMENT
FOR THE FINANCIAL PERIOD ENDED 31st July 2016

Section 23: Department of Housing

Section 23	Audit Findings	OAG Recommendations	Ministry's Comments (CSD)	Ministry's assurance that the following reoccurring audit issues not to be repeated in the future and what advice whether these following have been resolved, If not why not?
23.1	Audit Opinion	<p>Qualification Issue</p> <p>The City Wide Informal Settlement Upgrading Trust Fund account had a closing balance of \$7,269 for period ended 31 July 2016. The Department did not maintain proper records including cash books. Proper bank reconciliations were also not performed for the trust account. As a result, the audit was not able to ascertain the accuracy and correctness of the amount reflected in the trust account.</p> <p>The Department did not carry out an annual board of survey to verify the</p>	<p>The City Wide Informal Settlement Upgrading Trust Fund Account had a balance of \$7,269 for the financial period ending 31 July 2016. There were no transaction in the account in 2015 and 2016 financial period.</p> <p>No Annual Board of Survey was done for 2016 (Jan to July 2016)</p>	<p>In 2018, the Ministry has put the submission on 26/3/2018 to rectify the re-occurring audit qualification for City Wide Informal Settlement Upgrading Trust Fund account which had a closing credit balance of \$7,269. The Ministry is closely working with Office of Auditor General and Ministry of Economy to adjust this balance within 2016-2017 accounting period.</p> <p>The Annual Board of Survey for 2016-2017 was undertaken which incorporated the 2016 period's un economical assets which was submitted to Ministry of Economy for approval.</p> <p>The Ministry will submit an update to the PAC committee on this adjustment by 30/4/2018.</p>

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		existence and condition of all assets under its authority contrary to Section 49 of Finance Instructions 2010. The last survey was carried for the financial period ended 31 December 2015.		
23.6	Failure to Prepare Salaries and Wages Reconciliation	The Senior Accountant should ensure that salary and wages reconciliation are performed on a timely basis and filed accordingly	<ol style="list-style-type: none"> 1. OAG's recommendation is noted. 2. Inadequate staffing was an attributing factor. There were three Accounts Staff (SAO/AO/AAO) and two Cos to attend to the daily operational duties. 3. Management is addressing the staffing problem through the 2017-2018 Budget submission for the establishment of Principal Accounts Officer also to substantively fill the two other vacant Clerical Officer post. 	<p>The Accounting Head will ensure that monthly reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted for in the following month to avoid any variance carried over to next period.</p> <p><u>Measures taken to avoid the issue raised again</u></p> <ol style="list-style-type: none"> 1. Provision of FMIS & Payroll training for Accounts Personnel 2. In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations. 3. All underline reconciliations are to be prepared on a monthly basis 4. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times. <p>In relation to the Salaries and Wages Reconciliation is concerned, the Ministry has taken active role in getting the said reconciliation completed.</p>

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				<p>In 2016-2017 accounting period, all reconciliation for Salaries are completed for Head 23 & 37. Partly wages reconciliation is completed and the remaining is due to complete before 13/4/2018. The Ministry will also complete the 2016 pending reconciliation and provide PAC an update by 30/4/2018.</p> <p>With the limited resources (staff personnel) and appointment of Manager Finance in account section, we will ensure that all the backlog work are completed and submitted to Ministry of Economy.</p> <p>The Ministry will submit the said reconciliation reports to the committee before end of April 2018.</p>
23.7	Non Utilization of Funds for Lagilagi Housing Projects	The Ministry should ensure that proper planning are conducted thoroughly for development projects and are implemented according to plan to ensure economic development and reduction in poverty	<p>The Department of Housing states that Prudent Project Planning and Management was continuously implemented since its inception of the Cabinet Decision No. 263 in 24 September 2013 till to-date throughout the Project Construction Works at Lagilagi Housing Project.</p> <p>Despite the Non Utilization of Funds in the 2016-2017 Financial Year, given the short Time Frame of 7 months from January to August, the Construction Works was continuously implemented for Phase 2 throughout the whole 7 months.</p> <p>The Department of Housing had to await the submission of 2015 Annual Financial Accounts Report by Peoples Community Network before proceeding to submit Request to Incur Expenditure Application (RIE) dated 27 May 2016 towards the Budgeted \$3.2 million.</p> <p>Upon receiving notification of Expiry of Grant Agreement by Ministry of Economy dated 13 July 2016, the Department of Housing proceeded in seeking necessary approvals for the</p>	<p>The non-utilization of the 2016 Lagilagi Housing Development Project is contributed by both internal and external factor,</p> <p>The Ministry has internally instructed Peoples Community Network (PCN) to prepare the audit report for 2015 Government Grant for Lagilagi Housing Development Project before it will release the 2016-17 grant for Lagilagi Housing Development Project. This is part of Ministry good governance and prudent financial practice.</p> <p>The department also continues to attend project management site meetings organized project managers – AAPI Design, Quantity Surveyor, William Associates, Structural Engineers – Shiri Singh Associates, Building Service Engineer – ALSOP Associates and PCN.</p>

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			<p>extension of Grant Agreement to the Solicitor General's Office.</p> <p>The Solicitor General's Office had requested for the official confirmation of availability of Funds and necessary approval by Ministry of Economy.</p> <p>The Ministry of Economy granted Approval of Virement of \$3.2 Million from 1 st Time Home Buyers Grant of \$10 Million for Completion of the Lagilagi Housing Development Project Phase 2 on 16 November 2016.</p> <p>With the approvals received from Solicitor General's Office dated 30 January 2017 and the Amended Grant Agreement signed by the Department of Housing and Peoples Community Network dated 30 January 2017 , the Ministry had released as according to Payment Schedule as stipulated in Clause 3 of the Addendum of Grant Agreement as shown below in Table 1;</p> <ol style="list-style-type: none"> 1. 1st Grant Payment of \$800,000 on 9 February 2017;and, 2. 2 nd Grant Payment of \$1,100,000 on 9 March 2017 <p>Table 1: Clause 3 Payments : Signed Addendum of Grant Agreement between the Ministry and the Peoples Community Network Dated 30 th January 2017</p> <ol style="list-style-type: none"> 1. 1st Payment: To be made upon the signing of the Addendum for Lagilagi Housing Development Project. 2. 2nd Payment: Upon submission of satisfactory completion reports and verification by the Ministry for Lagilagi Housing Development Project building 3. 3rd Payment to be made on or after 31 March 2017 upon submission of satisfactory completion reports and verification by Ministry for Lagilagi Housing Development Project building works. 	<p>Also, monthly reports on both financial and physical reports of the said project is submitted to the department and Ministry of Economy for project monitoring purposes.</p> <p>Current status on Lagilagi Housing Projects, phase 2 are as follows:</p> <ul style="list-style-type: none"> - 40 Units completed with completion certificates issued by Project Manager on 17/1/2018 - Remaining 36 Units to be completed by end of April 2018.

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			<p>Final Payment: Final Payment to be made on 30 September 2017 upon completion of the defects liability period and verification by the Ministry of the rectification works.</p> <p>The Lagilagi Housing Project will continue Bi-Monthly Meeting comprising of Department of Housing, Peoples Community Network, Project Architect & Project Management: AAPi Designs, Building Quantity Surveyors: Williams & Associates, Civil Quantity Surveyors: Quantech Pacific Limited, Electrical Services Engineers: Irwin Alsop Pacific Ltd, Structural and Civil Engineers: Shiri Singh & Associates Ltd, Building Contractor: Fortech Construction Ltd on Thursday; 27 April 2017 will table the Proposed Completion Date targeted for 30 September 2017.</p>											
23.8	Delay in Processing First Home Buyers Applications	<ul style="list-style-type: none"> The Department should ensure that application processing time is reduced to improve the Department's service delivery. Current strategies may need to be reviewed for increased utilization of budget to increase home ownership. 	<p>The first home buyer was administered under Section 50 on the Ministry of Finance Budget Allocation in 2012 & 2013. Therefore it nullifies the Auditor General Comments that the First Home Buyers Grant was administer and monitored by the Department of Housing.</p> <p>The Department of Housing was only handed over to administer and monitor the <i>First Home Buyers Grant</i>, two months after the advertisement of the First Buyer Grant by the Solicitor General on 16/6/2014. Copy of the <i>First Home Buyers Advertisement</i> is attached for information.</p> <p>The Department of Housing had prepared the <i>First Home Buyer Grant Policy</i> on 9/4/15, which approved the Ministry's Executive for to guide the administration and monitoring of this Grant. Copy of the <i>First Home Buyers Policy</i> is attached.</p> <p>With respect to 2014 First Home Buyers Grant, \$10,000.00 was allocated in the Budget and \$1,470,000.00 was expended. 180 First Home Buyers were assisted, 66 first home buyers to buy their readily built homes with total grant</p>	<p>During the Audit period the Department of Housing have been processing and approving First Time Home Buyers Application at a turn- around time of 71 days instead of 106 day as highlighted in this audit report.</p> <p>Table 1 Department of Housing Turn Around Time for processing and Approving First Time Home Buyers Application for the period January –July 2017</p> <table border="1" data-bbox="1487 1142 2107 1415"> <thead> <tr> <th>Month</th> <th>Total Number of HAG Applications</th> <th>Date Received</th> <th>Date Approved</th> <th>Average Date for Approving HAG</th> </tr> </thead> <tbody> <tr> <td>January 2017</td> <td>35</td> <td>15.1/2017</td> <td>17/3/2017</td> <td>62 days</td> </tr> </tbody> </table>	Month	Total Number of HAG Applications	Date Received	Date Approved	Average Date for Approving HAG	January 2017	35	15.1/2017	17/3/2017	62 days
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			<p>of \$330,000.00 and 114 first home buyers to purchase their residential leases and construct their residential homes with total grant of a sum of \$1,140,000.00. This is a 14.7. % budget utilization for four [4] month implementation period instead of 11% as highlighted in the Auditor General Report. If it is one year full Grant implementation, the budget utilization and number of the first home buyer assisted will tripled.</p> <p>In 2015 First Home Buyers Grant, \$6,699,500 was allocated in the Budget and \$2,680,000 was expended. 374 First Home Buyers were assisted, 192 First home buyer purchased their readily built home with total grant sum of \$960,000.00 and 172 First home buyers bought their residential leases and constructed their residential homes with total grant sum of \$1,720,000.00. This is 40 % utilization for a one year financial cycle.</p> <p>With respect to 2016 First Home Buyers Grant, \$4,000,000 was allocated and \$1,195,000.00 were expended. 159 First home buyers were assisted, 79 first home buyers were assisted to buy their readily built homes with total grant of \$395,000.00 and 80 first home buyers to purchase their residential leases and construct their residential homes with total grant of a sum of \$800,000. This is a 30% budget utilization for a six month financial cycle. The Department of Housing could have utilized a projected 60% budget utilization if the 2016 budget /financial years had continued as normal financial year cycle from 1st January 2016 to 31st December 2016 instead of the revised 1st January 2016 to 31st July 2016 Budget cycle.</p> <p>In comparing the total grant budget allocated, budget utilized, number of first home buyer assisted and Implementation Period from 19th June 2014 to 31st July 2016 , the following findings are derived;</p>	<table border="1"> <tr> <td data-bbox="1482 199 1610 264">February 2017</td> <td data-bbox="1610 199 1738 264">19</td> <td data-bbox="1738 199 1865 264">1/2/2017</td> <td data-bbox="1865 199 1993 264">4/5/2017</td> <td data-bbox="1993 199 2114 264">80 days</td> </tr> <tr> <td data-bbox="1482 264 1610 330">March 2017</td> <td data-bbox="1610 264 1738 330">29</td> <td data-bbox="1738 264 1865 330">9/3/17</td> <td data-bbox="1865 264 1993 330">4/5/2017</td> <td data-bbox="1993 264 2114 330">54 days</td> </tr> <tr> <td data-bbox="1482 330 1610 395">April 2017</td> <td data-bbox="1610 330 1738 395">15</td> <td data-bbox="1738 330 1865 395">12/4/2017</td> <td data-bbox="1865 330 1993 395">7/7/2017</td> <td data-bbox="1993 330 2114 395">86 days</td> </tr> <tr> <td data-bbox="1482 395 1610 461">May 2017</td> <td data-bbox="1610 395 1738 461">25</td> <td data-bbox="1738 395 1865 461">18/5/2017</td> <td data-bbox="1865 395 1993 461">7/7/2017</td> <td data-bbox="1993 395 2114 461">50 days</td> </tr> <tr> <td data-bbox="1482 461 1610 526">June 2017</td> <td data-bbox="1610 461 1738 526">50</td> <td data-bbox="1738 461 1865 526">2/6/2017</td> <td data-bbox="1865 461 1993 526">27/9/2017</td> <td data-bbox="1993 461 2114 526">91 days</td> </tr> <tr> <td data-bbox="1482 526 1610 592">July 2017</td> <td data-bbox="1610 526 1738 592">46</td> <td data-bbox="1738 526 1865 592">10/07/2017</td> <td data-bbox="1865 526 1993 592">27/9/2017</td> <td data-bbox="1993 526 2114 592">77 days</td> </tr> <tr> <td data-bbox="1482 592 1610 708"></td> <td data-bbox="1610 592 1738 708">219</td> <td colspan="2" data-bbox="1738 592 1993 708">Average no of day for approval /months</td> <td data-bbox="1993 592 2114 708">71 days</td> </tr> </table>					February 2017	19	1/2/2017	4/5/2017	80 days	March 2017	29	9/3/17	4/5/2017	54 days	April 2017	15	12/4/2017	7/7/2017	86 days	May 2017	25	18/5/2017	7/7/2017	50 days	June 2017	50	2/6/2017	27/9/2017	91 days	July 2017	46	10/07/2017	27/9/2017	77 days		219	Average no of day for approval /months		71 days
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				<p>Furthermore during this review period, the Department of Housing had approved a total of 219 First Time Buyer Application.</p> <p>The Department of Housing response to the Public Account Committee last year had committed a 24 days turnaround time for processing First Time Home Buyers Grant and it is still committed to this undertaking.</p> <p>This is commitment is clearly reflected in average monthly processing time for First Time Home Buyers Grant from August 2017 to March 2018.</p>																																							

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			<p>Table 4: Comparison the total grant budget allocated, budget utilized, number of first home buyer assisted and Implementation Period from 19th June 2014 to 31st July 2016</p> <table border="1" data-bbox="734 331 1473 743"> <thead> <tr> <th>Year</th> <th>Budget Allocated</th> <th>Budget Utilized</th> <th>% of Budget Utilization</th> <th>Number of People Assisted</th> </tr> </thead> <tbody> <tr> <td>2014</td> <td>\$10,000,000</td> <td>\$1,470,000</td> <td>11.4</td> <td>180</td> </tr> <tr> <td>2015</td> <td>\$6,699,500</td> <td>\$2,680,000</td> <td>40</td> <td>364</td> </tr> <tr> <td>2016</td> <td>\$4,000,000</td> <td>\$1,950,000.</td> <td>49</td> <td>180</td> </tr> </tbody> </table> <p>Source: Ministry for Local Government, Housing and Environment-2014-16</p> <p>If the Department of Housing was given the First Home Buyer grant to administer with written policy guideline and standard operation procedure with no referral made to the Office of the Solicitor General from 1st January 2014, the projected budget utilization is \$4,410,000 assisting 540 first home buyers for the 2014 Financial Year. For 2015 financial year, the projected budget utilization is \$2,680,000 assisting 364 First Home Buyers. As for 2016, the projected budget utilization is \$3,900,000 assisting 360 First Home Buyers.</p> <p>The Department should ensure that applications processing time is reduced to improve the Department's service delivery.</p> <p>In trying to improve the processing time for First Home Buyers, the Department of Housing has implemented a two</p>	Year	Budget Allocated	Budget Utilized	% of Budget Utilization	Number of People Assisted	2014	\$10,000,000	\$1,470,000	11.4	180	2015	\$6,699,500	\$2,680,000	40	364	2016	\$4,000,000	\$1,950,000.	49	180	<p>Table 2 Department of Housing Turn Around Time for processing and Approving First Time Home Buyers Application for the period August 2017 –February 2018</p> <table border="1" data-bbox="1489 379 2107 1169"> <thead> <tr> <th>Month</th> <th>Total Number of Application</th> <th>Date Received</th> <th>Date Approved</th> <th>Average Date for Approving HAG</th> </tr> </thead> <tbody> <tr> <td>August 2017</td> <td>16</td> <td>1/8/2017</td> <td>31/8/2017</td> <td>30 days</td> </tr> <tr> <td>September 2017</td> <td>31</td> <td>15/10/2017</td> <td>1/11/2017</td> <td>45 days</td> </tr> <tr> <td>October 2017</td> <td>12</td> <td>15/10/2017</td> <td>1/11/2017</td> <td>14 days</td> </tr> <tr> <td>November 2017</td> <td>29</td> <td>13/11/2017</td> <td>29/12/2017</td> <td>28 days</td> </tr> <tr> <td>December 2017</td> <td>19</td> <td>6/12/2017</td> <td>29/12/2017</td> <td>14 days</td> </tr> <tr> <td>January 2018</td> <td>49</td> <td>14/1/2017</td> <td>9/2/2017</td> <td>14 days</td> </tr> <tr> <td>February 2018</td> <td>8</td> <td>14/2/2017</td> <td>26/3/2017</td> <td>27 days</td> </tr> <tr> <td></td> <td>164</td> <td colspan="2">Average no of day for approval /months</td> <td>24 days</td> </tr> </tbody> </table> <p>From Table 1, it showed that the Department of Housing has been processing and approving the First time home buyers at a turnaround time of 24 days.</p>	Month	Total Number of Application	Date Received	Date Approved	Average Date for Approving HAG	August 2017	16	1/8/2017	31/8/2017	30 days	September 2017	31	15/10/2017	1/11/2017	45 days	October 2017	12	15/10/2017	1/11/2017	14 days	November 2017	29	13/11/2017	29/12/2017	28 days	December 2017	19	6/12/2017	29/12/2017	14 days	January 2018	49	14/1/2017	9/2/2017	14 days	February 2018	8	14/2/2017	26/3/2017	27 days		164	Average no of day for approval /months		24 days
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			<p>tier processing system [first with Department of Housing internal process and the second with the Ministry Housing Grant Committee approval with a turn-around time of twenty one [28] days upon receipt of the First Home Buyers Application from the commercial banks including Housing Authority.</p> <p>Since 28th September 2016, the Office of Solicitor General had instructed the Department of Housing not to refer the first Home Buyers Applications to them, since the current two tier processing system is quite sufficient, transparent, accountable, fair and strictly processed, deliberated and approved in strict compliance to the First Home Buyer Policy.</p> <p>Whilst the Auditor General Team had highlighted that the Department took an average of 109 days to provide final approval for the grant to the applicants. The Department of Housing had done its own calculation and noted that the average processing time line for the First Home Buyers Application is 24 days instead of 109 days as mentioned above.</p> <p>There is huge improvement in the turnaround time for processing First Home Buyers Application since 28th September 2016 as shown in Table 5 below:</p> <p style="text-align: center;">Table 5 Improvement in the Turn Around time for processing First Home Buyers Application since 28th September 2016</p>	<p>Furthermore the Department of Housing had continued with a two tier processing system [first with Department of Housing internal process and the second with the Ministry Housing Grant Committee approval with a turn-around time of twenty one [28] days upon receipt of the First Home Buyers Application from the commercial banks including Housing Authority.</p> <p>To increase the utilization of budget for the First Home Buyers Grant and increase home ownership, the Department will continue to</p> <ul style="list-style-type: none"> • facilitate the fast processing of First Home Buyers of 100 first home buyer per month; • increasing the supply and availability of Low-Cost Housing Residential Land Lots (1,706) for the Housing Sector consumption at Tacitus(1,045 lots); Wainibuku(261 lots); Nepani (400 lots); and Matavolivoli(400 lots) , Davuilevu (xx lots), Tavakubu (xx lots), koroinasalusalu (xx lots), Covata [xx lots) Housing Subdivisions and continuation of 32 Informal Settlement Upgrading Projects that is expected to produce over 20,000 residential lots • had facilitated at least one [1] promotional events promoting the First Home Buyers with financial institutions, construction industry, civil services and other housing stakeholders ni September 2017 and intended to carry out two first homebuyers awareness workshop in the Western and 						
			<table border="1" style="width: 100%; border-collapse: collapse;"> <thead> <tr> <th style="width: 33%;">COMMERCIAL BANK</th> <th style="width: 33%;">HAG AMOUNT</th> <th style="width: 33%;">CHEQUE NUMBER</th> </tr> </thead> <tbody> <tr> <td>WESPAC BANK</td> <td style="text-align: center;">\$20,000,00</td> <td style="text-align: center;">43047</td> </tr> </tbody> </table>	COMMERCIAL BANK	HAG AMOUNT	CHEQUE NUMBER	WESPAC BANK	\$20,000,00	43047	
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			HOME FINANCE BANK	\$15,000.00	43045	<p>Northern Division in April and May 2018 respectively.</p> <p>Planning two open days for Housing Stakeholder [Housing Authority, Public Rental Board and People Community Network] in the Central and Western Division in April 2018</p>
			BRED BANK	\$25,000.00	43044	
			BARODA	\$25,000.00	43043	
			HOUSING AUTHORITY	\$355,000.00	REMT0003	
			BSP BANK	\$135,000.00	43059	
			ANZ	\$80,000.00	43058	
			HOME FINANCE BANK	\$5,000.00	43102	
			WESPAC BANK	\$15,000.00	43101	
			HOUSING AUTHORITY	\$520,000.00	RMT001	
			ANZ	\$30,000.00	43100	
			TOTAL HAG GRANT RELEASED	\$1,200,000.00		
			<p style="text-align: center;">Source: Ministry for Local Government, Housing and Environment-2014-16</p> <p>Current strategies may need to be reviewed for increased utilization of budget to increase home ownership.</p> <p>The Department of Housing future plans to increase utilization of budget to increase home ownership includes the following:</p> <ul style="list-style-type: none"> • facilitating the fast processing of First Home Buyers of 100 first home buyer per month; • increasing the supply and availability of Low-Cost Housing Residential Land Lots (1,706) for the 			

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			<p>Housing Sector consumption at Tacitus(1,045 lots); Wainibuku(261 lots); Nepani (400 lots); and Matavolivoli(400 lots) Housing Subdivisions</p> <ul style="list-style-type: none"> • facilitating at least three[3] promotional events promoting the First Home Buyers with financial institutions, construction industry, civil services and other housing stakeholders.; and • Working with Reserve Bank of Fiji and Financial Institution to offer cheaper and lucrative home loan packages. 	
23.9	Anomalies in General Ledger Accounts Reconciliations	<p>The Department should ensure that:</p> <ul style="list-style-type: none"> • the monthly reconciliation for the various general ledger accounts are prepared, signed and submitted for Permanent Secretary's endorsement on a timely manner; and • Signed reconciliations are submitted to the Ministry of Finance and a copy to be retained by the Department for records 	<ol style="list-style-type: none"> 1. OAG's recommendation is noted. 2. Inadequate staffing in Accounts was an attributing factor. There were three Accounts Staff (SAO/AO/AAO) and two COs to attend to the daily operational duties. 3. Although the Ministry has been allocated two (2) Budgetary Allocations- Heads 23 and 37, Housing under Head 23 for approx. \$25m budget, there is no separate accounting team for Department of Housing but the same Team as mentioned in (3) above. 4. Management is addressing the current staffing problem through the 2017-2018 Budget submission for the establishment of a PAO and to substantively fill two other vacant Clerical Officers. 	<p>The Ministry ensures that monthly reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted in the following month to avoid any variance carried over to next period.</p> <p><u>Measures taken to avoid the issue raised again</u></p> <ol style="list-style-type: none"> 1. Provision of FMIS & Payroll training for Accounts Personnel 2. In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations. 3. All reconciliations prepared are verified and signed copy of the reconciliation is submitted to Ministry of Economy 4. All underline reconciliations are to be prepared on a monthly basis 5. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to.

Section 23	Audit Findings	OAG Recommendations	Ministry's Comments (CSD)	Ministry's assurance that the following reoccurring audit issues not to be repeated in the future and what advice whether these following have been resolved, If not why not?
		purposes.		<p>In relation to the Anomalies in General Ledger Accounts Reconciliations is concerned, the Ministry has taken active role in getting the variance rectified and cleared with the assistance from FMIS in 2016-2017 accounting period.</p> <p>With the limited resources (staff personnel) and appointment of Manager Finance in account section, we will ensure that all the backlog work are completed and submitted to Ministry of Economy.</p> <p>The Ministry will submit an update on the reconciliation reports for underline accounts to the committee before end of April 2018.</p>
8.5	Board of Survey Not Conducted	The Department should ensure that a Board of Survey is carried out in accordance with Section 49 of the Finance Instruction and a copy is readily available for audit verification.	Ministry is currently organizing a BOS for the period Jan-Jul2016 to be submitted on 31 st May 2017 to MOE and OAG.	<p>The Annual Board of Survey for 2016 period (Jan 2016 to July 2016) was undertaken together with the 2016-2017 (August 16 to July 17) in 2017 which incorporated the 2016 periods assets and other inventories. The 2016-2017 Board of Survey report has been submitted to Ministry of Economy for approval.</p> <p>The Ministry will submit an update on the approved 2016-2017 Board of Survey reports of the Ministry to the committee before end of April 2018.</p>

DRAFT AUDIT MEMORANDUM
MINISTRY OF LOCAL GOVERNMENT, HOUSING & ENVIRONMENT
FOR THE FINANCIAL PERIOD ENDED 31st July 2016

Section 37: Department of Local Government, Town & Country Planning and Environment

Section 37	Audit Findings and	OAG Recommendations	Ministry's Comments (CSD)	Ministry's assurance that the following reoccurring audit issues not to be repeated in the future and what advice whether these following have been resolved, If not why not?
37.1	Audit Opinion	<p>Qualification Issue</p> <p>The Environment Trust Fund account for the Ministry had a closing balance of \$2,781,989 for period ended 31 July 2016. The Ministry did not maintain proper records including cash books. Proper bank and trust reconciliations were also not performed for the trust account. As a result, the audit was not able to ascertain the accuracy and correctness of the amount reflected in the trust account.</p>	<p>The Environment Trust Fund account for the Ministry had a closing balance of \$2,781,989 for period ended 31 July 2016.</p> <p>No Annual Board of Survey was done for 2016 (Jan to July 2016)</p>	<p>In relation to the qualification pertaining to the Department of Environment Main Trust Fund account is concerned the Ministry with assistance from FMIS has reconciled the Main Trust reconciliation from 2012 to July 2017. The variance of \$1,033,867.93 between Trust Revenue Account and Bank Account, the Ministry will submit the submission to Ministry of Economy to rectify the variance which had resulted from prior year's mispostings and adjustments by mid of April 2018.</p> <p>Measures taken to avoid the issue raised again</p> <ol style="list-style-type: none"> 1.Provision of FMIS training for Accounts Personnel 2. In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations. 3.All reconciliations prepared are verified and signed copy of the reconciliation is submitted to Ministry of Economy 4.All underline reconciliations are to be prepared on a monthly basis 5. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times. <p>The Ministry is closely working with Ministry of Economy to adjust this variance</p> <p>The Annual Board of Survey for 2016-2017 was undertaken which incorporated the 2016 period assets which was been included and submitted to Ministry of Economy for approval.</p>

		The Ministry did not carry out an annual board of survey to verify the existence and condition of all assets under its authority contrary to Section 49 of Finance Instructions 2010. The last survey was carried for the financial period ended 31 December 2015.		The Ministry will submit an update to the PAC committee on this adjustment by 30/4/2018.
37.6	Failure to Prepare of Salaries and Wages Reconciliation	The Senior Accountant should ensure that salary and wages reconciliation are performed on a timely basis and filed accordingly	<ol style="list-style-type: none"> 1. OAG's recommendation is noted. 2. Inadequate staffing in Accounts was an attributing factor. There were three Accounts Staff (SAO/AO/AAO) and two Clerical Officer to attend to the daily operational duties. 3. Although the Ministry has been allocated two (2) Budgetary Allocations- Heads 23 and 37, Housing under Head 23 for approx. \$25m budget, there is no separate accounting team for Department of Housing but the same team as mentioned in (3) above. 4. Management is addressing the current staffing problem through the 2017/2018 budget submissions for the establishment of a Principal Accounts Officer also to substantively fill the two other vacant Clerical Officer posts. 	<p>The Ministry ensures that monthly reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted in the following month to avoid any variance carried over to next period.</p> <p><u>Measures taken to avoid the issue raised again</u></p> <ol style="list-style-type: none"> 1. Provision of FMIS & Payroll training for Accounts Personnel 2. In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations. 3. All reconciliations prepared are verified and signed copy of the reconciliation is submitted to Ministry of Economy 4. All underline reconciliations are to be prepared on a monthly basis 5. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times. <p>In relation to the Salaries and Wages Reconciliation is concerned, the Ministry has taken active role in getting the said reconciliation completed. In 2016-2017 accounting period, all reconciliation for Salaries are completed for Head 23 & 37. Partly wages reconciliation is completed and the remaining is due to complete before 13/4/2018.</p> <p>With the limited resources (staff personnel) and appointment of Manager Finance in account section, we will ensure that all the backlog work are completed and submitted to Ministry of Economy.</p>

Section 37	Audit Findings and	OAG Recommendations	Ministry's Comments (CSD)	The Ministry will submit the said reconciliation reports to the committee before end of April 2018. Ministry's assurance that the following reoccurring audit issues not to be repeated in the future and what advice whether these following have been resolved, If not why not?
37.7	Delay Implementation of the Laqere Waste Transfer Station Project	<ul style="list-style-type: none"> • The Ministry should ensure that the capital projects are implemented according to plan to ensure that funds are used for the purpose it was provided for. • The Ministry should ensure that progress of works is monitored to ensure that output is achieved for the period funds were provided. 	<p>OAG's recommendation is noted.</p> <ol style="list-style-type: none"> 1. The Ministry has carried out fourth round of community consultation in Kalabu, Wakanisila and neighboring community on February 16, 2017 on the Waste Transfer Station development; however the communities present during the consultation were strongly against the development. 2. For this, the Ministry is committed to revisiting the Kalabu community for another round of awareness as much resources have been spent towards the establishment of the WTS in Laqere. 3. At the same time the Ministry is exploring new sites. 	<p>The Ministry has ensured that no funds for capital construction works is requested until all preliminary works are undertaken.</p> <p>As per the outcome of the last consultation that was carried out on 2016 with the Kalabu Communities. The Ministry in consultation with its management have agreed to the following as a way forward</p> <ol style="list-style-type: none"> 1. Look for alternative site construction 2. Revision of Current Design/ Traffic Assessment 3. Social Survey Muanikoso and Tovata Makoi – Extensive Consultation – these communities were not fully consulted as per the initial Laqere Proposed Site. <p>An Initial Environment Examination (IEE), would be carried out first before any land acquisition is made to ensure that the land acquired would be environmentally, socially and economically viable.</p> <p>An EIA would only be conducted after the acquisition of land. IEE to be done 1st to ensure the no funds is utilized on acquisition of land that has not been totally supported by the adjacent communities.</p>

37.8	Failure to Implement Projects	<ul style="list-style-type: none"> The Ministry should ensure that proper planning are conducted thoroughly to avoid the non-implementation of development project in the Northern region. The Ministry should ensure that the development projects are implemented according to plan to ensure economic development. 	<p>DLG and DTCP Comments DLG Comments</p> <p>The two projects highlighted were work as scheduled did not commence have been Valelevu Sports Complex and Lautoka Botannical Garden and Swimming Pool. Both projects delayed with the commencement work, scheduled from May, 2016 due to:</p> <ol style="list-style-type: none"> 1. Cyclone Winston which both Municipal Councils engaging resources in Winston rehabilitation works. 2. The introduction of new fiscal year saw Ministry of Local Government, Housing and Environment discussing with relevant Municipal Councils and deciding to commence works during the new fiscal year 2016-2017. 	<p>The department is assisting all municipal councils in their planning of capital projects. The councils have been advised to focus more on the preliminary works of the projects using their resources effectively before requesting any additional government funding. Preliminary works including land security, development approvals, design plans, land surveys, feasibility studies where it is relevant.</p> <p>These are some of the issues identified that have made the project delayed.</p> <p>Site inspection has also been conducted with the Desk Officers from Ministry of Economy to have a fair idea on the project planning while appraise and analyses our new project proposals.</p> <p>The department is also strengthening its monitoring roles to these pending capital projects through fortnightly follow up with the councils on the progress of their capital projects and reports to management.</p>
37.9	Un-Reconciled Main Trust Fund Account Balance – Department of Environment	<ul style="list-style-type: none"> The Ministry should ensure that monthly reconciliations of cash are properly carried out and reconciled to the general ledger records and any variances being investigated and adjusted accordingly. The Ministry should ensure that proper monthly reconciliation between cash at 	<p>The variance of more than \$500,000 was inherited during transition of the Department of Environment from the Ministry of Lands in 2010. It is to be noted that the variance is reducing every year and the Ministry is committed to regularize the anomaly inherited against the FMIS records/assistance. Inadequate staffing in Accounts was an attributing factor. There were three Accounts Staff (SAO/AO/AAO) and two COs to attend to the daily operational duties. Reconciliation with FMIS records was carried out but due to unavailability of records from Department of Lands, the variance exists to-date. Thus, a recommended way forward is to request for Write-Off to MOE of the variance in the Bank Balance against the</p>	<p>With the limited resources (staff personnel) and appointment of Manager Finance in account section, we will ensure that all the backlog work are completed and submitted to Ministry of Economy.</p> <p>Measures taken to avoid the issue raised again</p> <ol style="list-style-type: none"> 1. Provision of FMIS training for Accounts Personnel 2. In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations. 3. All reconciliations prepared are verified and signed copy of the reconciliation are submitted to Ministry of Economy 4. All underline reconciliations are to be prepared on a monthly basis 5. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times. <p>In relation to the anomalies in the Main Trust Fund Reconciliations is concerned, the Ministry has taken active role in getting the variance rectified and cleared with the assistance from FMIS in 2017-2018 accounting period.</p>

		<p>bank general ledger and trust fund liability account are accurately carried out. Any variance noted should be investigated and adjusted accordingly.</p>	<p>General Ledger (GL) Balance.</p>	<p>The Ministry will be submit the submission to Ministry of Economy to rectify the variance which had resulted from prior year's mispostings and adjustments.</p> <p>The Ministry is closely working with Ministry of Economy to adjust this variance.</p> <p>As a way forward, the Ministry will ensures that monthly reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted in the following month to avoid any variance carried over to next period.</p> <p>The Ministry will submit an update on the reconciliation reports for underline accounts to the committee before end of April 2018.</p>
37.10	<p>Significant Outstanding Debtors for Naboro Landfill</p>	<p>The Ministry should:</p> <ul style="list-style-type: none"> • Ensure that the Contractor complies with all aspects of the contract agreement and effectively manages the Naboro Landfill Debtors; and • Consider assisting the Contractor in collecting the debts from the municipal council as majority of the debts are owed by the municipal councils. 	<p>The Ministry is committed to working with the Contractor in the collection of debts from Councils following the meeting in Feb, 2017 and thus the Environment Landfill Officer has been assigned to assist the Contractor in following-up with any future debts</p>	<p>This has been resolved by the Ministry through regular monitoring.</p> <p>The Operation Contractor in its monthly report highlights all payments due at the landfill.</p> <p>The Ministry uses these data to send official letters to councils demanding payment of outstanding fees.</p>

37.11	Overcharging of VAT on Revenue	<p>The Ministry should:</p> <ul style="list-style-type: none"> • ensure that reconciliation should be conducted every month to avoid or detect these errors; and • liaise with FRCA for its VAT account. 	<ol style="list-style-type: none"> 1. OAG's recommendation is noted. 2. The anomalies were detected and have been corrected. 3. VAT -9% is being charged on Fees collected by Department of Town & Country Planning and Department of Environment. 4. Accounts have consult FRCA on the anomalies detected and correct VAT is being charged. 	<p>With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, we will ensure that all the backlog work are completed and submitted to Ministry of Economy.</p> <p>Measures taken to avoid the issue raised again</p> <ol style="list-style-type: none"> 1. Implementation of the daily collections to be recorded in the Revenue Database to record all revenues received from customers. 2. Provision of FMIS training for Accounts Personnel 2. In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations. 3. All reconciliations prepared are verified and signed copy of the reconciliation is submitted to Ministry of Economy 4. All underline reconciliations are to be prepared on a monthly basis 5. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times. <p>In relation to the anomalies in Overcharging of VAT on revenue is concerned, the Accounting Head has taken active role in getting the revenue data compiled for 2016, 2017 & 2018 period reconciling with the Receipts.</p> <p>Any overcharged VAT on Revenue will be adjusted to reflect correct amounts for revenue and its VAT component.</p> <p>The Ministry is closely working with Ministry of Economy and Fiji Revenue & Customs Authority to adjust this variance.</p> <p>As a way forward the Ministry will ensure that monthly reconciliations are being carried out and any variances /anomalies that are identified are being accurately accounted in the following month to avoid any variance carried over to next period.</p>

				The Ministry will submit an update on the Vatable Revenue reports for the Ministry Accounts to the committee before end of April 2018.
37.12	Non Submission of Acquittals from Municipal Councils	<p>The Ministry should:</p> <ul style="list-style-type: none"> strictly follow up with the grant recipients to submit their acquittals in a timely manner; and not provide new grants unless acquittals have been provided for the previous grants 	<p><u>DLG Comments</u></p> <p>Acquittals are provided to the Department of Local Government on a quarterly basis. Subject allocated grants were released to the respective Municipal Councils at the end of June, 2016. Project preparatory works commenced in July, 2016 and Department of Local Government has been maintaining acquittals for the subject works on a quarterly basis. In addition, field visits and meetings are held in between Department of Local Government and respective Town Councils on a quarterly basis.</p>	<p>The Municipal Councils send the monthly acquittals to the department on all the projects implemented through government grant and these reports are presented to management for their information and decision making.</p> <p>These acquittals are also submitted to Ministry of Economy when RIE application for de requisition of funds are requested.</p> <p>The department is will ensure that all projects acquittals are filed in a systematic manner is made available at all times for management reporting and auditing purposes.</p>
37.13	Backlog Audited Financial Statements – Municipal Council and Statutory Authority	The Ministry should ensure that grant recipients provide the audited financial statements on a timely basis.	<p><u>DLG Comments</u></p> <p>Department of Local Government and Municipal Councils have been meeting on the subject. During the meeting held in February, 2017 all Municipal Councils have agreed to submit draft accounts for external audit before 30th August, 2017. Reason for delay in submission over the last two to three years has been that Municipal Councils have been informed to upgrade financial statements to International Financial Reporting Standards to avoid disclaimer opinion.</p> <p>National Fire Authority annual accounts 2014 shall be submitted to the Office of the Auditor General in April, 2017, 2015 and 2016 draft annual accounts are planned to be submitted before end of August 2017. National Fire Authority has been traditionally waiting for the clearance of a financial year report before</p>	<p>The Ministry have in placed Municipal Council Finance Mangers Bi-Annual Forum to discuss issues pertaining to councils finance management i.e. updates on preparing and reporting of financial accounts of the councils in line with prevailing accounting standards and Local Government Act.</p> <p>The councils were advised to submit all their pending financial reports to Office of the Auditor General for auditing. This issue is also been included in the CEOs and SAs assessment where they will be assessed on their deliverables as per their principal accountabilities.</p>

			submitting the following year draft accounts to ensure verified opening balances are captured. Department of Local Government has informed National Fire Authority to submit all previous year draft accounts to office of the Auditor General and following audit carry upgrade following year's accounts as deemed necessary.	
37.14	Anomalies in General Ledger Accounts Reconciliations	<p>The Ministry should ensure that:</p> <ul style="list-style-type: none"> the monthly reconciliations for the various general ledger accounts are prepared, signed and submitted for Permanent Secretary's endorsement on a timely manner; and Signed reconciliations are submitted to the Ministry of Finance and a copy to be retained by the Ministry for records purpose. 	<ol style="list-style-type: none"> OAG's recommendation is noted. Inadequate staffing in Accounts was an attribute. There were three Accounts Staff (SAO/AO/AAO) and two COs to attend to the daily operational duties. Although the Ministry has been allocated two (2) Budgetary Allocations-Heads 23 and 37, Housing under Head 23 for approx. \$25m budget, there is no separate accounting team for Department of Housing but the same Team as mentioned in (3) above. Management is addressing the staffing problem through the 2017-2018 Budget submission for the establishment of a PAO and to substantively fill two other vacant Clerical Officers. 	<p>With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, we will ensure that all the backlog work are completed and submitted to Ministry of Economy.</p> <p>Measures taken to avoid the issue raised again</p> <ol style="list-style-type: none"> Identify the anomalies in all underline reconciliations and undertake the adjustment exercise to ensure the reconciliation report are true & fair Provision of FMIS training for Accounts Personnel In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations. All underline reconciliations are to be prepared on a monthly basis All reconciliations prepared are verified and signed copy of the reconciliation is submitted to Ministry of Economy Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times. <p>In relation to the anomalies in the underline accounts reconciliations is concerned, the Ministry has taken active role in getting the variance rectified and cleared with the assistance from FMIS in 2017-2018 accounting period.</p> <p>The Ministry will be submit the submission to Ministry of Economy to rectify the variance which had resulted from prior year's mispostings and adjustments.</p> <p>The Ministry is closely working with Ministry of Economy to adjust this variance</p> <p>As a way forward, the Ministry will ensures that monthly reconciliations are being carried out and any variances /anomalies that are identified are being</p>

				<p>accurately accounted in the following month to avoid any variance carried over to next period.</p> <p>The Ministry will submit an update on the reconciliation reports for underline accounts to the committee before end of April 2018.</p>
37.15	Missing Payment Records – Payment Vouchers for Accounts Payable	<p>The Ministry should ensure that:</p> <ul style="list-style-type: none"> • System of record keeping should be reviewed and strengthened. • All the payment vouchers and supporting documents are made available for audit purposes 	<ol style="list-style-type: none"> 1. OAG’s recommendation is noted. 2. Record maintenance has been improved. 	<p>With the limited resources (staff personnel) and appointment of Manager Finance in Account Section, we will ensure that all the backlog work are completed and submitted to Ministry of Economy.</p> <p>Measures taken to avoid the issue raised again</p> <ol style="list-style-type: none"> 1. All payment vouchers and other accounting records are to be binded on a daily basis 2. Provision of training on Maintenance of Records for Accounts Personnel 3. In house capacity building training to motivate staffs on procedures and processes pertaining to accounting records. 4. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times. <p>In relation to the anomalies in the maintenance of accounting records is concerned, the Ministry has taken active role in getting the accounting records binded on a daily basis.</p>
37.16	Conflict of Interest by Panelist for Directors Position	<ul style="list-style-type: none"> • The interview panel members should be at or above the level of the position being advertised. • The risks associated with such appointments needs to be considered by the ministry. 	<p>The Ministry affirmed that there was no conflict of interest in the DLG recruitment as due process of the Open Merit Recruitment policy was carried out by the Ministry. Director Housing was also a member of the selection panel which was not mentioned by OAG. Proper documentation of every activity of the selection process was effected and properly kept.</p>	<p>All recruitment of vacant positions of the Ministry should go through the Open Merit Recruitment Selection Guideline as per CSRMU policy</p> <p>Measures taken to avoid the issue raised again</p> <ol style="list-style-type: none"> 1. The recruitment process from should strictly comply to Open Merit Recruitment Selection Guideline 2. In house capacity building training to motivate staffs to adhere to Open Merit Recruitment Selection Guideline and its importance. 3. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times. <p>The above said measures will support in favor of the transparent recruitment of the positions based on Open Merit Recruitment Selection Guideline as per CSRMU policy</p>

37.17	Board of Survey Not Conducted	The Ministry should ensure that a Board of Survey is carried out in accordance with Section 49 of the Finance Instruction and a copy is readily available for audit verification.	Ministry is currently organizing a BOS for the period Jan-Jul2016 to be submitted on 31 st May 2017 to MOE and OAG.	<p>The Annual Board of Survey for 2016 period (Jan 2016 to July 2016) was undertaken together with the 2016-2017 (August 16 to July 17) in 2017 which incorporated the 2016 periods assets and other inventories.</p> <p>The 2016-2017 Board of Survey report has been submitted to Ministry of Economy for approval.</p> <p>Measures taken to avoid the issue raised again</p> <ol style="list-style-type: none"> 1. All existing inventories and assets are to be recorded in the expendable and non-expendable registers 2. All new procurements of inventories and assets are to be recorded in the appropriate registers accordingly 3. Update on Inventories and Assets Registers to be submitted to Ministry of Economy on a quarterly basis 4. Provision of training on Inventory Control and Stock takes for Admin and Accounts Personnel 5. In house capacity building training to motivate staffs on procedures and processes pertaining to accounting records. 6. Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times. <p>The above said measures will support in favor of the Board of Survey to be Conducted and completed within the timeline as per Closing of Accounts circular.</p> <p>The Ministry will submit an update on the approved 2016-2017 Board of Survey reports of the Ministry to the committee before end of April 2018.</p>
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