



## Ministry of Forests

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**To:** Hon Ashneel Sudhakar  
Chairperson  
Public Accounts Committee

**Date:** 04/04/2018

**From:** Acting Permanent Secretary for Forests  
Permanent Secretary for Fisheries *[Signature]*

**Subject:** CLARIFICATION OF ISSUES – AUDIT REPORT ON ECONOMIC & INFRASTRUCTURE SECTOR 2016.

The Ministry of Forests and the Ministry of Fisheries present the following in response to the matters raised in your letter Ref No: PARL 3-1 of 07<sup>th</sup> March 2018.

#### Ministry of Forests – Head 32

Please provide reasons why the 2016 Audited Accounts for your Ministry have been issued again with a qualified audit report.

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 Auditors General's Report on each audit findings.

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 recurring audit issues have been resolved. If not, why not?

#### **PART A FINANCIAL STATEMENTS**

Items	Audit Findings	Ministry Response
32.1	<b>Audit Opinion:</b>  1. The Ministry has agreed to the findings that could not confirm the accuracy and completeness to support the balances in the: <b>Unreconciled variance of</b>	The Ministry of Fisheries - Offshore and In-shore Unit are working towards improving their standard working procedures on the issuance of fishing license fees and also working closely in reconciling with the Ministry of Economy - FMIS Unit on improving

	<p><b>\$224,312 between the fishing license fees of \$405,640 and the FMIS general Ledger balance of \$629,952.</b></p> <p><b>2. There was no independent audit verification carried out for the Raw Material account balance of \$16,792 and Finished Goods account balance of \$1,229 in TMA Balance Sheet as at 31 July 2016.</b></p> <p><b>3. There is an unreconciled variance amounting to \$113,993 between the opening FMIS general ledger balance of \$ 79,641 and the opening balance of the Trust Account Statement of Receipts and Payments of \$193,634. The Ministry of Economy adjusted the FMIS general ledger but did not provide the relevant audit evidence to support the adjustments.</b></p>	<p>their revenue inputs into the FMIS against their records. The checking mechanism will be strengthened.</p> <p>The Ministry of Forests agrees with OAG on the findings. The oversight was due mainly to the pressing issues on the TMA Concept project for the salvaging operations to meet with the timber demands post TC Winston. A verification was made with the Ministry of Economy and OAG in 2017.</p> <p>It appears this is a matter for the Ministry of Economy</p>
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## **PART B: AUDIT FINDINGS**

<b>Items</b>	<b>Audit Findings</b>	<b>Ministry Response</b>
<b>32.7</b>	<b>Governance Issues</b>	<p>The Ministry of Forests is about to finalise a 13 year Strategic Development Plan 2018 – 2030. The Ministry of Fisheries has also put together its 5 year Strategic Development Plan for 2018 – 2021.</p> <p>Internal controls are being strengthened through additional training, a procurement checklist, the lowering of financial delegations, traffic light reporting, moving fixed assets management, introducing new standard documents and the recruitment of a procurement advisor who will, inter alia, review systems, processes and policies and advise</p>



		on individual high dollar value procurements.
<b>32.8</b>	<b>Operating Fund Account (OFA)</b>	
<b>32.8.1</b>	<b>Weakness in Internal Control for Operating Fund Account</b>	<p>The Fixed Assets Register is an ongoing issue for the Ministry of Forests. The processes are being reviewed and the management of fixed assets is being moved into the accounting team. An internal report has been provided on the locations of divisional assets and a stocktake will be undertaken soon to confirm the locations of all assets.</p> <p>Reconciliations for 2017 – 2018 are mostly up to date as follows:</p> <ul style="list-style-type: none"> <li>• Drawings Recon August – November signed copies submitted to MOE. December – March in progress</li> <li>• IDC August – Feb signed copies submitted to MOE.</li> <li>• Operating Trust Account August - Feb signed copies submitted to MOE</li> <li>• BLC, Imprest, SGL 84 August – Feb monthly recon submitted to MOE.</li> </ul>
<b>32.8.2</b>	<b>Trading and Manufacturing Activity Support Initiative</b>	<p>The Trading and Manufacturing Account operation is an ongoing issue which is the subject of both internal and external scrutiny, including a FICAC review. The Acting PS has seconded a Ministry of Economy accounting expert into the TMA to introduce better processes and controls, review TMA procurement practice, review whether there is any inter-funding and analyse the costs of operation and pricing. A request for quote has been advertised for an independent review of the TMA and a new role of Business Manager created and advertised.</p>
<b>32.8.3</b>	<b>Payment of Subsistence Allowance</b>	<p>The Ministry no longer has staff living in office accommodation. Staff movements must come to the PS for approval and recommendations must be in compliance with the General Orders.</p>
<b>32.8.4</b>	<b>Provisional Tax Not Deducted</b>	<p>The Ministry will review its processes in relation to withholding 5% provisional tax and introduce measures to ensure compliance</p>

		going forward.
<b>32.8.5</b>	<b>Revenue</b>	This has come up again in the 2016 – 2017 audit, whereby the Ministry of Forests maintains a debtors register in the division but could not reflect a true arrears of revenue for timber measurement fees against the FMIS general ledger as there has not been adequate monthly reconciliations with division against the FMIS Timber Revenue System Input. This is being rectified.
<b>32.8.6</b>	<b>Anomalies in Underline Accounts</b>	<ul style="list-style-type: none"> <li>• Drawings reconciliations August – November signed copies submitted to MOE. December – March in progress</li> <li>• Accountable advances are no longer approved unless it can be confirmed that there are no outstanding previous accountable advances.</li> <li>• Operating Trust Account reconciliations – the Ministry is in the process of clearing the debits carried forward from previous years. Once these are resolved this issue should not recur, with regular monthly reconciliations.</li> <li>• SLG 84 reconciliations are up to date and monitored</li> </ul>
<b>32.8.7</b>	<b>Inappropriate Usage of Project Funds Provided Through SLG 84</b>	The Acting PS has instructed that funds are not to be utilized for a purpose other than that which is intended, and has introduced a checklist whereby staff must identify the source of funds and the account balance when requesting for funds to be expended.
<b>32.9</b>	<b>Trading and Manufacturing Account</b>	Apart from the control measures mentioned in 32.8.2 above, the TMA stocktake has been conducted and a new bank account opened closer to the TMA operation, with the agreement of the Ministry of Economy.
<b>32.9.1</b>	<b>Weakness in internal controls for TMA operations</b>	Please refer to comments in relation to 32.8.2 above. Regular reporting and reconciliations are now occurring.
<b>32.9.2</b>	<b>Anomalies in the Trading and Manufacturing Account</b>	Please refer to comments in relation to 32.8.2 above. The PS has also withdrawn all delegations above \$1000 until the TMA is operating efficiently, effectively, economically and transparently.



32.9.3	Unsupported petty cash expenditure	Petty cash has been retired with all supporting documents and acquittals attached.
32.10	Trust Fund Account	
32.10.1	Anomalies in the Fisheries Main Trust Fund Account	<p>The anomalies arose due to some inter-funding between Operating and True Trust Account and the adjustments were made with FMIS to rectify the issue. The account has since been used to accommodate retention monies and performance bonds for construction works for both Ministries. The Ministry is working on reconciling all the accounts in order to ascertain its true retention balance and to transfer any other balances to CFA. Hence, we are now requesting:</p> <ul style="list-style-type: none"> <li>• The Ministry of Economy to close off this Fisheries One third Subsidy Scheme Main Trust Account after reconciliation of all transactions</li> <li>• Open a special Trust Account for retention and other aid fund purposes.</li> </ul>
32.10.2	Authorised cheque signatory list not up – to - date	The Ministry of Fisheries has amended the cheque signatories of the Trust Account and submitted to Treasury Unit, Ministry of Economy.
32.11	Follow Up On Previous Year issues	<b>Ministry Response</b>
	Trading Manufacturing Activity Account	Please refer to the comments in relation to the TMA above
	TMA Stock Figure ( Qualification issue)	Please refer to the comments in relation to the TMA above
	Anomalies in the Fisheries Main Trust Fund Account ( Qualification Issue)	<ul style="list-style-type: none"> <li>• Please refer to 32.10.1</li> </ul>
	Medical and Police Reports for New Recruits not provided	These reports are now being provided
	No Individual Work Plan	Individual work plans are being created under the new Performance Management Framework.
	Anomalies in the Underline Account Reconciliation	<ul style="list-style-type: none"> <li>• Drawings reconciliations August – November signed copies submitted to MOE. December – March in progress</li> <li>• Accountable advances are no longer approved unless it can be confirmed that there are no outstanding previous accountable advances.</li> </ul>

		<ul style="list-style-type: none"> <li>Operating Trust Account reconciliations – the Ministry is in the process of clearing the debits carried forward from previous years. Once these are resolved this issue should not recur, with regular monthly reconciliations.</li> <li>SLG 84 reconciliations are up to date and monitored</li> </ul>
	<b>Drawings Reconciliation</b>	<ul style="list-style-type: none"> <li>See above</li> </ul>
	<b>Misallocation of Expenditures</b>	This is now being resolved with the introduction late last year of a procurement checklist that requires the source of funds and balance to be identified.
	<b>Utilisation of Capital Expenditure Funds for other projects</b>	See above
	<b>Settlement of Previous Years Outstanding Account</b>	The Ministry acknowledges this as another ongoing issue and has responded by reviewing outstanding purchase orders monthly. End of financial year processes will be strengthened to ensure early engagement with suppliers to get invoices submitted in a timely manner.

The Ministries of Fisheries and Forests look forward to expanding to these responses on the 05<sup>th</sup> March 2018 when we appear before the Committee.



Bernadette Welch PSM  
Acting Permanent Secretary for Forests



Sanaila Naqali  
Permanent Secretary for Fisheries