



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

2018 Audit Report on Social Services Sector



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

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File: 102

15 November 2019

The Honorable Ratu Epeli Nailatikau
Speaker of the Parliament of the Republic of Fiji
Parliament Complex
Gladstone Road
SUVA.

Dear Sir

2018 AUDIT REPORT ON SOCIAL SERVICES SECTOR

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the Social Services Sector for 2018 excluding Head 21 – Ministry of Education, Heritage and Arts, Head 22 – Ministry of Health and Medical Services, Head 23 – Department Housing and Head 26 – Higher Education Institutions.

A copy of the report has been submitted to the Minister for Economy who as required under section 152(14) of the Constitution shall lay the report before Parliament within 30 days of receipt, or if Parliament is not sitting, on the first day after the end of that period.

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ajay Nand'.

Ajay Nand
AUDITOR-GENERAL



Encl.

The Office of the Auditor-General – Republic of Fiji

The Office of the Auditor-General is established as an Independent Office by the Constitution of the Republic of Fiji. Its roles and responsibilities include audit of the accounts of the Consolidated Fund and whole of Government financial statements and annual appropriation statement required to be included in the whole of Government annual report for a financial year under the *Financial Management Act 2004*. The audit extends to the accounts of all money received or held by a State entity, whether or not for purposes of Government. These audits are carried out by the Auditor-General on behalf of Parliament.

At least once every year, the Auditor General must report to Parliament on the audits conducted and on *other significant matters* the Auditor-General wishes to bring to the attention of Parliament. This report satisfies these requirements.

As a result of its mandate, the Office of the Auditor-General has a distinctive view of the entire public sector of matters affecting financial and non-financial performance. We use this perspective to achieve our vision of excellence in public sector auditing by providing comprehensive analysis and value-adding recommendations.

The Office of the Auditor-General notes the impact of its reports to Parliament on the ordinary citizens and strives for accuracy and high quality reporting including recommendations which are not only value-adding to the entity subject to audit but its customers, the general public as well.

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1.0 Sector Summary

All ministries and departments prepare annual agency financial statements. Permanent Secretaries and management of these agencies are responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards Cash Basis and requirements of *Finance Management Act 2004* and other applicable laws and regulations. This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

The report includes the audit for agencies completed as at 31 October 2019:

The General Administration Sector includes:

Head 01	Office of the President
Head 02	Office of the Prime Minister and Immigration
Head 03	Office of the Attorney-General
Head 05	Ministry of i-Taukei Affairs
Head 06	Ministry of Defence & National Security
Head 07	Ministry of Employment, Productivity and Industrial Relations
Head 08	Ministry of Foreign Affairs

Head 09 Independent Bodies:

Office of the Auditor General
Judiciary Department
Parliament Office
Office of the Director of Public Prosecutions

Head 13	Independent Commissions
Head 15	Ministry of Justice
Head 15A	Fiji Corrections Service
Head 16	Ministry of Communication
Head 16A	Department of Information Technology and Computing Services
Head 17	Ministry of Civil Service
Head 18	Ministry of Rural and Maritime Development
Head 19	Republic of Fiji Military Forces
Head 20	Fiji Police Force
Head 49	Peacekeeping Missions

The Social Services Sector includes:

Head 24	Ministry of Women, Children and Poverty Alleviation
Head 25	Ministry of Youth and Sports

The Economic Services Sector includes:

Head 30	Ministry of Agriculture
Head 34	Ministry of Industry, Trade and Tourism
Head 35	Ministry of Sugar

The Infrastructure Sector includes:

Head 40	Ministry of Infrastructure and Transport
Head 41	Water Authority of Fiji
Head 42	Ministry of Waterways
Head 43	Fiji Roads Authority

It is important to note that the deficiencies highlighted in this report were identified during our audit and may have been subsequently resolved. These have been included in this report as they impacted on the overall system of control of the ministries and departments as at 31 July 2018.

Results of Our Audits

Head(s)	Agency	Date Acceptable Draft Accounts Received for Audit	Audit Status as at 31/10/19
General Administration Sector			
04,50,51 & 52	Ministry of Economy	31/10/18	Audit conduct in progress.
	2017-2018 Financial Statements of Government	Outstanding	Draft 2018 Financial Statements of Government are yet to be submitted for audit.
09	Fijian Elections Office	22/10/19	The first draft 2018 Financial Statements was received on 02/07/19. Due to errors and omissions, a second draft was submitted on 22/10/19. Audit yet to commence.
14	Ministry of Disaster Management and Meteorological Services	07/03/19	Audit completed with audited financial statements issued for signing on 24/10/19.
Social Services Sector			
21 & 26	Ministry of Education, Heritage and Arts Higher Education Institutions	27/03/19	Draft management letter sent for comments on 21/10/19. Comments yet to be received.
22	Ministry of Health and Medical Services	18/02/19	Audit in finalization stage.
23	Department of Housing	19/08/19	Audit in finalization stage.
Economic Services Sector			
31	Ministry of Fisheries	25/01/19	Audit conduct in progress.
32	Ministry of Forestry	28/11/19	Audit conduct in progress.
33	Ministry of Lands and Mineral Resources	23/04/19	Audit conduct completed with exit meeting held on 21/10/19. The Ministry is working on to resolve the audit findings.
36	Ministry of Public Enterprises	31/10/18	Audit completed with audited financial statements issued for signing on 18/06/19.
37	Ministry of Local Government	20/02/19	Draft management letter sent for comments on 25/10/19.
38	Ministry of Environment	20/02/19	Draft management letter sent for comments on 21/10/19.
Infrastructure Sector			
41	Water Authority of Fiji	06/03/19	2017 and 2018 draft account submitted together.

			2017 audit in finalization stage. 2018 FS received and yet to be audited.
43	Fiji Roads Authority	22/11/18	Audit for 2018 financial statements in finalization stage.

As at 31 October 2019, we issued audit opinions on 29 agency financial statements of ministries and departments for the 2017-2018 financial year.

Audit of 15 agencies have been delayed. The delay in audits of agencies were primarily due to the following:

- Delay in submission of acceptable draft accounts for audits;
- As a result of delay in submission of acceptable draft accounts for audit, the assigned resources were diverted to other audits for which accounts were received on time;
- Relevant information/records not provided for audit on a timely basis;
- Entities deciding to address issues raised in draft audit reports and resubmission of financial statements for audit; and
- The delay in the finalization of the 2016/2017 Financial Statements of Government affected resource to some extent as officers continuously had to be re-engaged in the audit.

Efforts are being made to complete the audit of the agencies. Details of status of pending audits are provided in table below.

Quality and Timelines of Financial Statements

The submission of acceptable financial statements for audit were generally delayed. However, the quality of agency financial statements have largely improved. We issued unmodified opinions on 22 agency financial statements out of the 29 audited for financial year 2017-2018.

In accordance with International Standards on Auditing, we express an *unmodified opinion* (unqualified) when the financial statements are prepared in accordance with the Financial Management Act 2004, Financial Management (Amendment) Act 2016, Finance Instructions 2010, Finance (Amendment) Instructions 2016 and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, were not noted in our audit which would affect the financial statements of an entity.

We issue a *modified opinion* (qualified) when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

Figure 1 – Comparison of Independent Audit Reports issued for 2017-2018 and 2016-2017 financial year

Financial Year 2017 - 2018	Unmodified Opinion	Modified Opinion	Financial Year 2016 - 2017	Unmodified Opinion	Modified Opinion
Number of audits	22	7	Number of audits	20	8
Percentage of total	76%	24%	Percentage of total	71%	29%

Source: Office of the Auditor-General (detailed comparison is provided in Appendix B – Audit Opinion Results)

Majority of the ministries and departments audited as at 31 October 2019 submitted the draft financial statements for 2018 well after the deadline of 31 October 2018 set by Ministry of Economy. Only a few agencies submitted their draft financial statements on or before the deadline. The efforts of the agencies which submitted the draft financial statements for audit on time are commended.

The draft financial statements for 2017-2018 of 21 or 69% of ministries and departments were not adjusted during our audit. The remaining financial statements were adjusted through audit adjustments.

2.0 Types of audit opinions issued

In accordance with International Standard on Auditing, we express an *unmodified opinion* (unqualified) when the financial statements are prepared in accordance with the Financial Management Act 2004, Financial Management (Amendment) Act 2016, Finance Instructions 2010, Finance (Amendment) Instructions 2016 and with relevant legislative requirements. This type of opinion indicates that material misstatements, individually or in the aggregate, were not noted in our audit, which would affect the financial statements of an agency.

We issue a *modified opinion* (qualified) when having obtained sufficient appropriate audit evidence, we conclude that misstatements, individually or in the aggregate, are material, but not pervasive, to the financial statements; or we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concludes that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

We include an *Emphasis of Matter* paragraph in the audit report to highlight an issue that will help the user better understand the financial statements. We also include an *Other Matter* paragraph to highlight a matter that is relevant to users' understanding of the audit report.

3.0 Current approach on reporting to Parliament

On 5 February 2019, we reported the results of our audits for Ministries and Departments for financial year 2016-2017 by budget sectors when all audits (except for Ministry of Economy and Financial Statements of Government which were reported subsequently) were completed. This affected the timeliness of our reporting of audits completed to Parliament. To address this, audits of Ministries and Departments for financial year 2017-2018 which were completed as at 31 October 2019 have been included in this report.

Audit reports on audit of Ministries and Departments for financial year 2017-2018 which are subsequently completed will be included in separate reports to Parliament.

We will continue to work with Permanent Secretaries and Heads of Departments to further improve the timely completion of audits so that these can be reported to Parliament.

Introduction

Each year, we audit the financial statements of State-agencies to provide assurance to their reliability.

Ministry of Economy advised all State agencies to provide the draft 2018 agency financial statements to the Auditor-General by 31 October 2018. If agencies comply with the monthly and quarterly reporting requirements set by *Finance Instructions 2010* throughout the year, the agencies should be able prepare high quality financial statements in a timely manner.

We assessed the quality and timeliness of financial statements prepared by 29 agencies for financial year ended 31 July 2018 by considering:

- year-end closing process – whether accounts were closed-off on the agreed date.
- timeliness – whether complete draft 2018 financial statements were submitted for our audit by an agreed date.
- quality – the extent of accounting adjustments made during our audit.

Our assessment criteria and the result of our assessment for each ministry/department is included in Appendix A.

Conclusion

A total of 29 ministries and departments were audited as at 31 October 2019. Of these, unqualified audit reports were issued on 22 financial statements while audit reports for 7 financial statements were qualified.

It is evident from the audit that more concert efforts need to be taken to streamline year-end account closing process, improve on the timeliness of submission of draft financial statements for audit, and provision of management comments with signing of audited financial statements in a timely manner.

It is imperative that the Heads of Ministries and Departments take proactive actions to address the issues raised in this report and also improve on year-end account closing process, and improve on timeliness of provision of management comments and signing of audited financial statements.



Ajay Nand

AUDITOR-GENERAL

DATE: 15/11/19

4.0 Audit Opinion results

Table A summarizes the audit opinions we issued on the 2017-2018 financial statements for State-agencies.

Table A - Audit opinions issued by OAG as at 31/10/19 for 2017-2018 financial year

Unmodified opinions	Modified opinions
22	7

Modified opinions

We issued modified opinions on 7 of the 2018 financial statements audited for various ministries and departments on the following grounds:

1.0 Department of Immigration

- A variance of \$515,175 exists between the Integrated Border Control Management System (IBMS) which records the Department of Immigration's operating revenue and the FMIS general ledger.
- Detailed listings of work permit holders for whom security bond totaling \$28,724,628 was held in trust as at 31 July 2018 were not substantiated by the Department of Immigration.
- An unreconciled variance of \$125,618 exists between the Immigration Bond Trust Fund Account cash at bank balance and the General Ledger (FMIS) balance.
- The Department of Immigration was unable to provide appropriate supporting documents including payment vouchers to substantiate payments totaling \$272,985 which were made from its Operating Account.

2.0 Ministry of Employment, Productivity and Industrial Relations

- The Ministry received a sum of \$60,000 from Ministry of Civil Service under the Shared Services Agreement. The Ministry receipted the service fees into the OHS Consultancy Trust Fund Account instead of the Consolidated Fund Account. Transfer of public funds into a trust account is improper as funds in trust are those funds other than public money.
- Proper reconciliation of trust accounts for the National Employment Centre, Employment Relations Tribunal, Occupational Health and Safety, Workmen Compensation, Wages Dispute and OHS Consultancy Trust Fund Accounts were not done. Proper cash books were not maintained for the trust accounts, satisfactory explanations were not provided for variances totaling \$119,783, stale cheques were not cleared and receipts and payments were not posted in the general ledger on a timely basis.

3.0 Judicial Department

Significant lapse in reconciliations were noted and there was absence of detailed breakdown listings of beneficiaries and their current balances. As such, the accuracy of the closing balance

of \$31,681,497 disclosed in the Judicial Trust Fund account Statement of Receipts and Payments for the year ended 31 July 2018 could not be ascertained.

4.0 Ministry of Rural and Maritime Development

Included in the Provincial Trust Fund Accounts are funds received for Rural Housing Scheme 1 totaling \$1,173,893 and one-third self-help projects totaling \$553,611. However, the Ministry did not maintain listing to show detailed breakdown of funds held.

5.0 Fiji Police Force

The Force did not include as part of its agency financial Statements the Trust Fund Account Statement of Receipts and Payments for the Force Band Trust Fund Account. Receipts totaling \$84,542 and payments amounting to \$66,485 were made from the account for the period ended 31 July 2018. In addition, the Force Band account transactions were not recorded in the FMIS General Ledger.

6.0 Ministry of Women, Children and Poverty Alleviation

- Statement of Receipts and Expenditure includes Operating Grants and Transfers balance of \$89,639,571 which comprises of payments made for Social Pension Scheme of \$37,116,301, Poverty Benefit Scheme of \$40,102,286, and Food Vouchers for Rural Pregnant Mothers of \$966,152 and Child Protection Allowance of \$7,062,188. An unreconciled variance of \$8,802,261 exists between the General Ledger balance of \$85,246,927 and the amount released to bank of \$76,444,666 for the year ended 31 July 2018.
- Mispostings in Travel and Communication expenditure by \$204,579 and Purchase of Goods and Services expenditure by \$735,010 resulted in overstatement of the respective operating expenditure. Moreover, mispostings in Operating Grants and Transfers expenditure resulted in understatement of the account by \$944,262 for the year ended 31 July 2018. The Ministry was unable to process the adjustment due to insufficient funds in the respective Standard Expenditure Groups.

7.0 Ministry of Infrastructure and Transport

- An unreconciled variance of \$1,405,134 exists between the Consolidated TMA balance sheet cash at bank balance of \$3,303,882 and consolidated bank reconciliation balance of \$1,898,748 as at 31 July 2018. Consequently, the accuracy and completeness of the Cash at bank balance of \$3,303,882 stated in the Consolidated TMA balance sheet as at 31 July 2018 could not be confirmed.
- The Energy Trust Account had a balance of \$2,445,195 as at 31 July 2018. The closing balance comprises of refunds for FEA Grid and House wiring, bond payment for projects and revenue bills collected from Solar Home Systems. The Ministry has not maintained appropriate details of this Trust Fund account.

Unmodified opinions

We issued unmodified opinions on 22 or 76% of the 2018 financial statements which were audited for various ministries and departments. This means that material misstatements were not noted in majority of the agencies which were audited.

Quality of draft agency financial statements

The extent of audit adjustments made to draft financial statements indicates the effectiveness of the agency's internal review processes to identify and correct errors before these are provided for audit.

Twenty One (21) ministries and departments prepared good quality draft financial statements that did not require any adjustments.

Adjustments passed on draft financial statements for Six (6) ministries and departments were not material. While most material adjustment was made for financial statements of three (3) ministries and departments.

Timeliness of financial reporting

To be useful to users, financial statements should be completed and made available as soon as possible after close of financial year. Information in financial statements becomes less relevant to users as the time passes from close of financial year. The deadline set by Ministry of Economy for submission of draft financial statements was 31 October 2018.

Table B - Agencies which met or missed the agreed timeline for submission of draft financial statements.

Timeline Met	Timeline not Met
<ol style="list-style-type: none"> 1. Office of the Attorney General 2. Ministry of Foreign Affairs 3. Office of the Auditor General 4. Office of the Director of Public Prosecutions 5. Fiji Independent Commission Against Corruption 6. Fiji Military Force 	<ol style="list-style-type: none"> 1. Judiciary Department 2. Ministry of Justice 3. Parliament Office 4. Ministry of Civil Service and Public Service Commission 5. Fiji Corrections Services 6. Ministry of Rural and Maritime Development and National Disaster Management 7. Fiji Police Force 8. Ministry of Communication 9. Office of the President 10. Office of the Prime Minister and Immigration 11. Ministry of i-Taukei Affairs 12. Ministry of Defence, National Security 13. Ministry of Employment, Productivity and Industrial Relations 14. Department of Information Technology and Computing Services 15. Ministry of Youth and Sports 16. Ministry of Sugar 17. Ministry of Industry, Trade and Tourism 18. Ministry of Waterways 19. Ministry of Agriculture 20. Ministry of Women, Children and Poverty Alleviation 21. Ministry of Infrastructure and Transport 22. Peacekeeping Missions

Year-end closing process

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed.

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of inter-departmental clearance accounts by 3 August 2018
- Monitoring of un-presented cheques by 31 July 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Retirement of imprests by 20 July 2018
- Cancellation of unprocessed purchase orders by 27 July 2018
- Processing of payments by 31 July 2018 and virements by 20 July 2018
- Completion of reconciliations by 29 August 2018
- Submission of arrears of revenue returns by 31 August 2018

When ministries and departments achieve the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Nine or 31% of the Ministries and Departments under the General Administration sector achieved all the key focus areas for closing of accounts set by Ministry of Economy while 20 or 69% managed to achieve 5 of 9 key processes within two weeks of due date.

Appendix A: Assessment of financial governance

This section evaluates the effectiveness of the internal controls maintained by 21 ministries and departments.

Internal controls are processes designed and implemented by Permanent Secretaries, Heads of Departments and other personnel of ministries and departments to provide reasonable assurance about the achievement of a ministry or department's objectives with regard to reliability of financial reporting effectiveness and efficiency of operations, and compliance with applicable laws and regulations. The term "control" refers to any aspects of one or more components of internal control.

Permanent Secretaries, Heads of Departments and other personnel of ministries and departments are responsible for the preparation of the financial statements in accordance with the Financial Management Act 2004, Financial Management (Amendment) Act 2016 and Finance Instructions 2010, and for such internal control as they determine is necessary to enable preparation of financial statements that are free from material misstatements, whether due to fraud or error.

Internal control issues noted during our audit are reported to the Permanent Secretary or Head of Department of ministries and departments.

Internal control framework

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls

Internal controls are categorized against the following five components of internal control.

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.
- **Risk Assessment (RA)** – involves a dynamic process for identifying and analyzing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed.

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management’s directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.
- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.
- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

The following table outlines the rating we have used to assess internal controls:

Rating	Internal control assessment
• Effective	No deficiencies identified in internal controls
• Generally effective	Deficiencies identified in internal controls
• Ineffective	Significant deficiencies identified in internal controls

Preparation of draft 2017-2018 agency financial statements

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed.

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of inter-departmental clearance accounts by 3 August 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Retirement of imprests by 20 July 2018
- Cancellation of unprocessed purchase orders by 27 July 2018
- Processing of payments by 31 July 2018 and virements by 20 July 2018
- Completion of reconciliations by 29 August 2018
- Submission of arrears of revenue returns by 31 August 2018

When ministries and departments achieve the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Rating	Year-end close process assessment
• Effective	All 9 key processes completed by due date
• Generally effective	Five of 9 key processes completed within two weeks of due date
• Ineffective	Less than five of 9 key processes completed within two weeks of due date

Quality of draft financial statements by entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the total expenditures, operating results or net assets of the entity subject to our audit.

Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required
● Generally effective	Adjustments on total expenditure, operating results/net assets were less than one percent
● Ineffective	Adjustments on total expenditure, operating results/net assets were more than one percent

Timeliness of draft financial statements for entities

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received.

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements received before or on 15 October 2018
● Generally effective	Acceptable draft financial statements received on or before 31 October 2018
● Ineffective	Acceptable draft financial statements received after 31 October 2018

Timeliness of Provision of Management Comments and Signing of Financial Statements

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received.

Accordingly, we have assessed timeliness for *General Administration Sector* as:

Rating	Timeliness of Management Comments Received
● Effective	Within 14 days from issue of Draft Management Letter
Rating	Timeliness of Signed Financial Statements Received
● Ineffective	After 15 days from issue of Financial Statements for signing

Result summary

The following table summarizes our assessment of controls, the 2016-2017 financial statement preparing processes and responses to the Office of the Auditor-General across the ministries and departments in the *General Administration Sector* which were subject to our audit.

Ministry or Department	Internal controls					Financial Statement Preparation			Responses to OAG	
	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS
General Administration Sector										
1. Office of the President	★	★	★	★	★	★	★	★	★	★
2. Office of the Prime Minister	★	★	★	★	★	★	★	★	★	★
Department of Immigration	★	★	★	★	★	★	★	★	★	★
3. Office of the Attorney-General	★	★	★	★	★	★	★	★	★	★
5. Ministry of i-Taukei Affairs	★	★	★	★	★	★	★	★	★	★
6. Ministry of Defence and National Security	★	★	★	★	★	★	★	★	★	★
7. Ministry of Employment, Productivity and Industrial Relations	★	★	★	★	★	★	★	★	★	★
8. Ministry of Foreign Affairs	★	★	★	★	★	★	★	★	★	★
9. Independent Bodies										
Office of the Auditor-General	★	★	★	★	★	★	★	★	★	★
Judiciary	★	★	★	★	★	★	★	★	★	★
Parliament	★	★	★	★	★	★	★	★	★	★
Office of the Director of Public Prosecutions	★	★	★	★	★	★	★	★	★	★
13. Independent Commissions:										
Fiji Independent Commission Against Corruption	★	★	★	★	★	★	★	★	★	★
Public Service Commission	★	★	★	★	★	★	★	★	★	★
15. Ministry of Justice	★	★	★	★	★	★	★	★	★	★
15A Fiji Corrections Service	★	★	★	★	★	★	★	★	★	★
16. Ministry of Communication	★	★	★	★	★	★	★	★	★	★
16A Department of Information Technology & Computing Services	★	★	★	★	★	★	★	★	★	★
17. Ministry of Civil Service	★	★	★	★	★	★	★	★	★	★
18. Ministry of Rural and Maritime Development and National Disaster Management	★	★	★	★	★	★	★	★	★	★
19. Republic of Fiji Military Forces	★	★	★	★	★	★	★	★	★	★
20. Fiji Police Force	★	★	★	★	★	★	★	★	★	★
Social Services Sector										
24. Ministry of Women, Children and Poverty Alleviation	★	★	★	★	★	★	★	★	★	★
25. Ministry of Youth and Sports	★	★	★	★	★	★	★	★	★	★
Economic Services Sector										
30. Ministry of Agriculture	★	★	★	★	★	★	★	★	★	★
34. Ministry of Industry, Trade and Tourism	★	★	★	★	★	★	★	★	★	★
35. Ministry of Sugar	★	★	★	★	★	★	★	★	★	★
Infrastructure Sector										
40. Ministry of Infrastructure and Transport	★	★	★	★	★	★	★	★	★	★
42. Ministry of Waterways	★	★	★	★	★	★	★	★	★	★
49. Peacekeeping Missions										
49. Peacekeeping Missions	★	★	★	★	★	★	★	★	★	★

CE=Control Environment

RA=Risk Assessment

Q=Quality of draft financial statements

IC=Information and Communication Control

CA=Control Activities

YE= Year-end close processes

T=Timeliness of draft financial statements

MA=Monitoring Activities

MC=Management Comments provided

SFS=Signed Audited financial statements returned

Appendix B: Audit Opinion Results

The following table presents comparison of the results of our audit of 2017-2018 financial statements with the results of 2016-2017 audit for ministries and departments in the *General Administration Sector*.

Ministry/Department	2017-2018 Financial Year		2016-2017 Financial Year
	Date Audit Report Signed	Audit Opinion Type	Audit Opinion Type
General Administration Sector			
1. Office of the President	15/03/19	Unmodified	Unmodified
2. Office of the Prime Minister and Dept of Immigration	08/07/19	Modified	Unmodified
3. Office of the Attorney-General	29/03/19	Unmodified	Unmodified
5. Ministry of i-Taukei Affairs	17/05/19	Unmodified	Unmodified
6. Ministry of Defence and National Security	29/07/19	Unmodified	Modified
7. Ministry of Employment, Productivity and Industrial Relations	18/07/19	Modified	Modified
8. Ministry of Foreign Affairs	02/10/19	Unmodified	Unmodified
9. Independent Bodies			
Office of the Auditor-General	19/10/18	Unmodified	Unmodified
Judiciary	12/07/19	Modified	Modified
Parliament	06/02/19	Unmodified	Unmodified
Office of the Director of Public Prosecutions	18/03/19	Unmodified	Unmodified
13. Independent Commissions:			
Fiji Independent Commission Against Corruption	20/12/18	Unmodified	Unmodified
Public Service Commission	02/08/19	Unmodified	Unmodified
15. Ministry of Justice	24/06/19	Unmodified	Modified
15A. Fiji Corrections Service	21/10/19	Unmodified	Unmodified
16. Ministry of Communication	20/06/19	Unmodified	Unmodified
16A Department of Information Technology & Computing Services	17/10/19	Unmodified	Unmodified
17. Ministry of Civil Service	02/08/19	Unmodified	Unmodified
18. Ministry of Rural and Maritime Development and National Disaster Management	09/04/19	Modified	Modified
19. Republic of Fiji Military Forces	02/10/19	Unmodified	Modified
20. Fiji Police Force	22/05/19	Modified	Unmodified
Social Services Sector			
24. Ministry of Women, Children and Poverty Alleviation	31/10/19	Modified	Unmodified
25. Ministry of Youth and Sports	03/06/19	Unmodified	Unmodified
Economics Services Sector			
30. Ministry of Agriculture	20/06/19	Unmodified	Unmodified
34. Ministry of Industry, Trade and Tourism	22/05/19	Unmodified	Unmodified
35. Ministry of Sugar	24/05/19	Unmodified	Modified
Infrastructure Sector			
40. Ministry of Infrastructure and Transport	30/10/19	Modified	Modified
42. Ministry of Waterways	13/06/19	Unmodified with EOM	--- ¹
49. Peacekeeping Missions	31/10/19	Unmodified	Unmodified

¹ 2017 – 2018 financial year was first year audited.

Head 24**Ministry of Women, Children and Poverty Alleviation****Roles and Responsibilities**

The Ministry of Women, Children and Poverty Alleviation is responsible for providing services and administering programmes that protect those who are most vulnerable, with the goal of reducing poverty in Fiji to negligible levels. The Ministry's work provides a social safety net that uplifts groups that are disadvantaged on the basis of gender, age, disability and economic standing to create a more level playing field in Fijian society.

The Ministry has authority over the Department of Social Welfare and Department of Women and oversees social protection programmes such as the Poverty Benefit Scheme, the Child Protection Allowance, the Food Voucher Program, the Social Pension Scheme and the Bus Fare Subsidy.

The Department of Social Welfare administers Fiji's recently-reformed social welfare programmes, which include the Poverty Benefit Scheme, the Child Protection Allowance, the Food Voucher Program, the Social Pension Scheme and the Bus Fare Subsidy for the elderly and people with disability. Funding across these programmes has been significantly increased in 2017-2018 by \$42.3 million. The Department is focused on ensuring this assistance is well targeted and administered in a transparent and accountable manner. The Department is equally committed to ensuring that these programs do not create a culture of dependency, focusing efforts and energy on graduating individuals and families from "welfare to workfare".

The Department also has the statutory responsibility to ensure the protection and wellbeing of children which includes the management of juvenile centres. Strengthening protective environments for children at government, community and family levels is a key strategy. This includes raising awareness at the community level, developing of life skills education for children, reviewing of legislations affecting children, and providing child-friendly services to the general public.

The Ministry also works to promote gender equality and women empowerment by mainstreaming the participation of women and girls in Fiji's socioeconomic development and that mission is driven by the implementation of the National Gender Policy and the Women's Plan of Action. The Department of Women works with other Ministries and various local, regional and international NGOs to ensure that gender perspectives are addressed in all Government policies and initiatives to better promote gender equality.

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PART A: FINANCIAL STATEMENTS**24.1 Audit Opinion**

The audit of the 2018 accounts of the Ministry of Women, Children and Poverty Alleviation resulted in a qualified audit opinion. The qualification was due to the following:

- Statement of Receipts and Expenditure includes Operating Grants and Transfers balance of \$89,639,571 which comprises of payments made for Social Pension Scheme of \$37,116,301, Poverty Benefit Scheme of \$40,102,286, and Food Vouchers for Rural Pregnant Mothers of \$966,152 and Child Protection Allowance of \$7,062,188. An unreconciled variance of \$8,802,261 exists between the General Ledger balance of \$85,246,927 and the amount released to bank of \$76,444,666 for the year ended 31 July 2018.
- Mistpostings in Travel and Communication expenditure by \$204,579 and Purchase of Goods and Services expenditure by \$735,010 resulted in overstatement of the respective operating expenditure. Moreover, mistpostings in Operating Grants and Transfers expenditure resulted in understatement of the account by \$944,262 for the year ended 31 July 2018. The Ministry was unable to process the adjustment due to insufficient funds in the respective Standard Expenditure Groups.

Without further qualifying the above opinion, attention is drawn to the following:

Internal Controls over procurement and account reconciliations were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in future.

24.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$29,020 and incurred a total expenditure of \$106,879,217 for the year ended 31 July 2018. Details are provided in Table 24.1.

Table 24.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	11,553	6,915
Agency Revenue	17,467	2,407
Total Revenue	29,020	9,322
Established staff	6,668,882	5,473,831
Government wage earners	2,337,894	1,574,668
Travel and communications	787,355	375,953
Maintenance & operations	986,991	756,193
Purchase of goods and services	2,592,356	1,269,507
Operating grants and transfers	89,639,571	49,393,442
Special expenditures	2,798,501	2,258,398
Total Operating Expenditure	105,811,550	61,101,992

Description	31 July 2018 (\$)	31 July 2017 (\$)
Capital Construction	---	88,116
Capital grants and transfers	740,181	952,817
Total Capital Expenditure	740,181	1,040,933
Value Added Tax	327,486	227,308
Total Expenditure	106,879,217	62,370,233

State revenue increased by \$4,638 or 67% in 2018 compared to 2017. The increase was due to increase in Commission which is deducted at source from deductions for insurance premium and for other credit institutions.

Miscellaneous revenue increased by \$15,060 or 626% in 2018 compared to 2017 due to clearance of unidentified returns for Accountable Advance and return of allowance for Social Protection Program recipients as a result of closed or invalid bank accounts.

Established Staff cost increased by \$1,195,051 or 22% in 2018 compared to 2017. This was due to Job Evaluation Exercise for Established staff and payment of overtime.

Government Wage Earners cost also increased by \$763,226 or 48% in 2018 compared to 2017. This is due to Job Evaluation Exercise for GWE and payment of overtime for GWE's.

Travel & Communication costs increased by \$411,402 or 109% in 2018 compared to 2017 due to payment of mobile phone charges and reimbursement of travel cost.

Maintenance & Operations costs increased by \$230,798 or 31% in 2018 compared to 2017 due to increase in maintenance and fuel cost.

Purchase of Goods & Services expenditure increased by \$1,322,849 or 104% in 2018 compared to 2017 due to increase in Commission charges in relation to monthly pay-out of Social Protection Program recipients and misposting of expenditures which were not adjusted at year-end.

Operating Grants & Transfers increased by \$40,246,129 or 81% in 2018 compared to 2017 due to increase in payment for Social Protection Program recipients. Significant payments made from Operating Grants & Transfers were for Social Pension Scheme of \$37,116,301, Poverty Benefit Scheme of \$40,102,286, Child Protection Allowance of \$7,062,188, Allowance for Person with Disability of \$1,290,980 and Women's Plan of Action of \$1,412,333.

Special Expenditure increased by \$540,103 or 24% in 2018 compared to 2017 due to increase in payment for child protection program and increase in expenditure for Fiji National Women's Expo.

Capital Grants and Transfers decreased by \$212,636 or 22% in 2018 compared to 2017 due reduction in payments made for Welfare Graduation Program.

24.3 Appropriation Statement

The Ministry incurred expenditure totalling \$106.9 million in 2017-2018 against a revised budget of \$113.4 million, resulting in a saving of \$6.5 million or 5.7%.

The savings of \$4,412,518 in Operating Grants & Transfers Allocation (SEG 6) was mainly due to newly introduced program on allowance for people living with disability for which the payments started in October 2017. The delay in payment was due to training provided to staff on the new program. In addition, the unused and unredeemed vouchers resulted in savings of \$536,358 in food voucher program for rural pregnant mothers.

Savings in Capital Grants and Transfers (SEG 10) allocation was mainly due to identified site for western disability centre not being disability friendly which resulted in savings of \$500,000 in Capital Grants to Organisations for Persons with Disability.

Details of expenditure against the revised budget are provided in Table 24.2.

Table 24.2: Appropriation Statement for 2018

SEG	ITEM	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	6,874,609	(205,713)	6,668,896	6,668,882	14
2	Unestablished Staff	1,529,391	808,524	2,337,915	2,337,894	21
3	Travel & Communication	470,000	345,872	815,872	787,355	28,517
4	Maintenance & Operations	933,700	157,991	1,091,691	986,991	104,700
5	Purchase of Goods & Services	1,855,342	763,645	2,618,987	2,592,356	26,631
6	Operating Grants & Transfers	96,237,312	(2,185,223)	94,052,089	89,639,571	4,412,518
7	Special Expenditure	3,055,785	312,885	3,368,670	2,798,501	570,169
	Total Operating Costs	110,956,139	(2,019)	110,954,120	105,811,550	5,142,570
8	Capital Construction	---	---	---	---	---
9	Capital Purchase	---	---	---	---	---
10	Capital Grants & Transfers	1,838,000	---	1,838,000	740,181	1,097,819
	Total Capital Expenditure	1,838,000	---	1,838,000	740,181	1,097,819
13	Value Added Tax	560,000	2,019	562,019	327,486	234,533
	TOTAL EXPENDITURE	113,354,139	---	113,354,139	106,879,217	6,474,922

24.4 Trust Fund Account – Help for Home Trust

As at 31 July 2018, the Ministry had a credit balance of \$190,107 in the Main Trust Account named Help for Home Trust. Payments from this account during financial year 2017/2018 was to refund Fijians whose houses sustained damage during TC Winston and had repaired their homes from own funds.

Refunds were made as follows and the maximum amount which can be refunded are shown below:

- Roofing damage (partial of full) or destruction of supporting walls and home is on squatter land or land under a vakavanua arrangement or similar arrangement - \$1,500
- Partially damaged roof - \$1,500
- Fully damaged roof - \$3,000
- Destruction of roof and supporting walls - \$7,000

Since this trust account was opened in financial year 2017/2018, there are no comparatives for the previous year.

Table 24.3: Statement of Receipts and Payments for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Opening Balance	---	---
Receipts:		
Revenue	980,000	---
Returned Cheque's	10,500	---
Total Receipts	990,500	---
Payments:		
Bank Fees	62	---
Help For Homes Refund Payment to Recipients	800,331	---
Total Payments	800,393	---
Closing Balance as at 31 July 2018	190,107	---

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

24.5 Internal Controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either or alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components of internal control.

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed.

Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technology environment.

Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to authorization, performance reviews, information processing, physical controls, and segregation of duties.

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

Examples of issues which would fall under this category are reporting to boards and line ministries of entities on matters relating to internal controls

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and function. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.

A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
☀	☀	☠	☀	☀

In view of the above, we have assessed the internal controls of the Ministry as:

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

24.6: Submission of FY 2017 - 2018 Draft Agency Financial Statements

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed. The final day for closing the 2018 accounts was 29 August 2018.

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- Monitoring of un-presented cheques by 29 August 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Retirement of annual imprests by 20 July 2018
- Cancellation of unprocessed purchase orders by 27 July 2018
- Processing of payments and virements by 13 August 2018
- Completion of reconciliations by 29 August 2018

When ministries and departments achieve the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Based on information received, we have assessed the year-end close process as:

Rating	Year-end close process assessment
☀ Generally effective	5 of 9 key processes completed within two weeks of due date

24.7: Quality of draft financial statements by entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry was:

Rating	Quality of draft financial statements assessment
☀ Effective	No Adjustments were required

24.8: Timeliness of draft financial statements

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☹ Ineffective	Acceptable draft financial statements received after 31 October 2018

24.9: Timeliness of Provision of Management Comments and Signing of Financial Statements

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
☹ Ineffective	After 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
☀ Effective	Signed financial statements received within 15 days

PART C: OTHER SIGNIFICANT MATTERS

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

Other significant matters highlighted in this report, include control weaknesses which *could cause* or *is causing* severe disruption to the process or on the ability of an auditee to achieve process objectives and comply with relevant legislation.

It is likely that these issues may have an impact on the operations of the Ministry in future, if necessary action is not taken to address them.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2018.

24.10 Variance between General ledger and Banking Summary

Each agency must have in place a cost effective system of internal controls which safeguards money and property against loss, avoids or detects accounting errors, and avoids unfavourable audit reports¹.

It is imperative that the payments made as per the banking summary reconciles to the general ledger balance of the month.

We noted significant variances when comparing monthly banking summary with the general ledger balances for the payments made from Operating Grants and Transfers Allocation. Refer to the table below for details of variances.

Table 24.4: Variance between Banking Summary and FMIS GL

Social Welfare Schemes	Pay-out as per banking summary Amount (\$)	Pay-out as per general ledger Amount (\$)	Variance Amount (\$)
Social Pension Scheme (SPS)	38,073,608	37,116,301	957,307
Poverty Benefit Scheme (PBS)	32,971,075	40,102,286	(7,131,211)
Food Voucher for Rural Pregnant Mothers	898,713	966,152	(67,439)
Care & Protection Allowance (C&P)	4,501,270	7,062,188	(2,560,918)
TOTAL	76,444,666	85,246,927	8,802,261

Root Cause/Implication

The anomaly is due to pay-outs made for other expenditures apart from social pension scheme which were not adjusted.

¹ Finance Instructions 2010 – Section 59(1)

Recommendation

The Ministry should consider reconciling the banking summary to the FMIS GL on a timely basis.

Agreed Management Action

The cause of the variance was due to the following:

- Fees charge to commission allocation
- Paymaster payable to DSW for Maritime clients

The above is all charged to SPP Budget.

The Ministry is taking note of the recommendations. However payments are made when funds are available in respective budgetary allocation. Since the urgency of the payments are to be facilitated within the 1st week of the month, funds are source from the available funding at the time within the Social Protection Programme. Payments cannot wait for funding to be released in a particular programme due to urgency of the clientele that the Ministry is serving.

Way forward:

The Ministry is ensuring now that right programmes to be charge to the right allocation and also at the same time ensuring that funding is readily available before the 1st week of each month. Also to be noted that the Ministry is ensuring that all misposting are to be regularized on time when funding is available.

Officer Responsible

System Analyst and A/AO

24.11 Misallocation of expenditures

The Senior Accounts Officer or Accounts Officer must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.²

Mispostings in Travel and Communication expenditure by \$204,579 and Purchase of Goods and Services expenditure by \$735,010 resulted in overstatement of the respective operating expenditure. Moreover, mispostings in Operating Grants and Transfers expenditure resulted in understatement of the account by \$944,262 for the year ended 31 July 2018.

Refer to **Appendix 1 & Appendix 2** for examples of mispostings.

The above misposting could not be corrected as there was not adequate savings in the respective allocations at item level.

Root Cause/Implication

Discussions revealed that misposting of expenditures were due to insufficient funds in particular allocation. This anomaly may cause the balance of individual SEGs to be incorrectly stated.

² Ministry of Women, Children and Poverty Alleviation Finance Manual 2013 section 2.8.4 (v)

Recommendations

The Ministry should ensure that all transactions are posted to the correct allocations in the FMIS ledger.

Agreed Management Action

The recommendation is noted and in future we will ensure that virement is carried out especially for the operational SEGs as per Financial Instructions.

Officer Responsible

A/Principal Accounts Officer

24.12 Tenders Not Called

Public tenders must be called for any procurement of goods, services or works valued at \$50,001 or more, unless a Tender Board has approved an exemption in accordance with Procurement Regulation 30-(1).³

We noted that tender was not called for payments of tent/shed hired under the Homes Care Initiative which exceeded \$50,001.

The table below shows details for payment made to companies for hire of tents.

Table 24.5: Payments above \$50,000 not called for Tender

Vendor	Amount (\$)
Company A	84,366
Company B	54,776
Company C	128,625
Total	267,767

Root Cause/Implication

This finding is due to lack of proper planning. Without the calling of tenders, the risk of not obtaining value for money increases. Waiver of tender for the purchases was also not obtained which contributed to the non-compliance.

Recommendations

The Ministry should ensure that there is proper planning for such projects where there is reasonable knowledge that the same product or service will be required.

The Ministry should ensure that Tender is called for procurement of goods, services and works above \$50,001.

³ Ministry of Women, Children and Poverty Alleviation Finance Manual 2013 section 2.3.1

Agreed Management Action

The Ministry has noted the recommendation in this case whereby this was an Emergency case due Post Natural Disaster and was expected for the Ministry to carry out the task thus no tenders was called due timeline.

Officer Responsible

A/Principal Accounts Officer

24.13 National Council for Older Persons Not Established as Body Corporate

The Council shall operate as a body corporate with perpetual succession and a common seal, and may:

- a) sue and be sued;
- b) acquire, hold, possess, dispose of or otherwise deal with any property;
- c) enter into contracts; and
- d) do all other acts that may be done in law by a body corporate.⁴

We noted that the National Council for Older Persons has not been operating as a body Corporate. However, payments have been made to the Council which is operating within the Ministry. Refer to table below for the amounts paid to the Council.

Table 24.6: Payments Made

Year	Amount (\$)
2014	88,154
2015	176,396
2016	141,439
2017	198,075
2018	246,962
TOTAL	851,026

Root Cause/Implication

Non-establishment of the Council as a body Corporate could hinder strengthening the partnership and collaboration between the Government, families, community based organisations, traditional village communities, non-governmental organisations, civil society organisations and the private sector, in creating an inclusive, protective, healthy and supportive environment for older persons and represent the rights and interests of older persons in Fiji at all levels.

Recommendations

The Ministry should ensure that the National Council of Older Persons Act is complied with.

⁴ National Council for Older Persons Act 2012- Section 3
Ministry of Women, Children and Poverty Alleviation

Agreed Management Action

The Ministry notes the Audit recommendation. The establishment of a statutory aspect via resourcing will be subject to the budgetary resourcing of the requirements to operate as a statutory arm. Thus, the Ministry will progressively implement accordingly.

Officer Responsible

Principal Welfare Officer /Older Persons Unit

24.14 Government Wage Earners Payroll Variance between FMIS and Payroll Report

The Accounting Head must ensure that payroll reconciliations are carried out fortnightly for salaries and weekly for wages and copies sent to the Ministry of Finance⁵

We noted variance of \$780,186 between the Financial Management Information System (FMIS) and the Ministry's payroll report balance for the Government Wage Earners allocation. The table below shows the detail of the variances:

Table 24.7: Variance between Payroll Report and General Ledger

Payroll Summary Analysis	Amount (\$)
FMIS Wages as at 31/07/2018	1,590,769
Add Allowances	114,289
Add Overtime	441,512
Add Relieving Staff	11,521
Total FMIS wages	2,158,091
Less Payroll Summary Report as at 31/07/2018	3,833,033
Add Wages for Project Officers and Salaried Staff	894,756
Variance	780,186

Root Cause/Implication

Lack of reconciliation between the FMIS and Payroll report has resulted in the significant variance.

Recommendation

The Ministry should ensure that variance noted is investigated and adjusted accordingly.

Agreed Management Action

The Ministry notes the recommendation and will ensure that the variance is adjusted accordingly.

Officer Responsible

A/Principal Assistant Secretary

⁵ Finance Instruction – Section 17(7)

24.15 Overtime Approval not obtained

Overtime work shall be approved only in essential circumstances and on the specific approval of the Permanent Secretary or Head of Department.⁶

We noted that specific approval of the Permanent Secretary was not obtained prior to staffs working overtime. It was noted that the approval was only obtained for payment of overtime. Refer to the table below for payment of overtime and meal Allowances.

Table 24.8: Payment of Overtime & Meal Allowances

Pay No.	Overtime Amounts Plus Meals Amount (\$)
49/2017	81,977
28/2018	49,611
29/2018	211,407
31/2018	75,683
Total	418,678

Root Cause/Implication

The ministry does not have an overtime policy in place. Lack of prior approval for overtime can lead to objectives of staffs working overtime not being achieved.

Recommendations

The Ministry should ensure that overtime work shall be approved only in essential circumstances and on the prior specific approval of the Permanent Secretary.

Agreed Management Action

The Ministry notes the recommendation and is in the process of reviewing the Overtime Policy and implemented accordingly.

Officer Responsible

A/Principal Assistant Secretary

24.16 Lack of audited accounts of grant recipients

Applications for NGO Grants should be thoroughly scrutinised by the NGO Secretariat to ensure they contain the required information: Supporting documents ii. Audited Accounts.⁷

In accordance to Section 6(b) of the Grant Agreements and the Ministry's finance manual section 3.1.4, the recipients are to provide audited accounts to the Ministry or upon request by the Auditor General.

The Ministry was not able provide audited accounts for various grant recipients for our review. Refer to **Appendix 3** for details.

⁶ General Order 2011 section 418(a)

⁷ Ministry of Women, Children and Poverty Alleviation Finance Manual 2013 section 3.1.4

Furthermore, the grant agreement for Global Compassion was not provided for our review. Hence, we were unable to verify the correctness of the grant amount, disbursement schedules, as well as the acquittals to ensure that funds amounting to \$112,500 were used for the intended purpose.

Root Cause/Implication

Lack of follow ups for submission of audited accounts by recipients by staffs responsible may have led to this anomaly. Non-submission of audited accounts is a breach of grant agreement.

Recommendations

The Ministry should ensure that the grant recipients are reminded to submit audited accounts. Furthermore, all grant agreements must be properly maintained by the Ministry for audit purposes.

Agreed Management Action

Action from Disability Unit: The Unit has put into place measures to ensure that the Audited Accounts, for our Grant recipients, are with the Unit before we table the 2019/2020 Financial Year Grants applications.

This is an oversight of the Unit, who has been working on the Narrative Reports with our grant recipients.

For new applicants (2018/2019FY) the Unit has ensured that the Audit Reports for 2018 is received, before we table Grants Applications for the new financial year to the Grants Committee Officer.

Officer Responsible

Principal Welfare Officer Disability Scheme / Acting Director Family Services

24.17 Finalization of the Financial Statements - Recurring issue

Each agency must prepare an annual report for submission to its Minister by 31 December in the following year⁸. Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.⁹

The audit of the financial statements of the Ministry of Women, Children and Poverty Alleviation for the year ended 31 July 2018 was finalized after the above deadline.

Table 24.9: Re-submission Dates of the Draft Financial Statements

Submission of Draft Financial Statement	Date Received
1 st Draft	31/10/2018
2 nd Draft	11/01/2019
3 rd Draft	12/06/2019

⁸ Finance (Amendment) Instruction 2016 – Section 69

⁹ Finance Instruction 2010 – Section 70 (2)

In addition, there was delay in providing the following records. Refer to the Table below for details:

Table 24.10: Dates Information Provided

Information Requested	Date Received
Comments for movements in Actual Balances	24/01/2019
Approved Virements	20/04/2019
Comments on Temporary Appointments	11/03/2019
Reason for Savings	30/05/2019
Grant agreement	16/04/2019
Subsequent Drawings Bank Statements	02/05/2019
Audited Accounts for the Grant Recipients	30/10/2019

The audited financial statements for the Ministry was sent for signing on 08 October 2019 and the signed accounts was received from the Ministry on 30 October 2019.

Root Cause/Implication

The delay in finalisation of the audit was due to Ministry making changes to the draft Financial Statements on 11/01/2019 and 12/06/2019. There was also delay in provision of records from the Ministry.

Recommendations

The Ministry should ensure that accurate financial statement is submitted for audit and records are properly maintained and made available for audit upon request.

Agreed Management Action

Recommendation is noted by the Ministry and ensuring it is complied.

Officer Responsible

A/Principal Accounts Officer

24.18 Risk management framework- Recurring issue

It is a good practice to establish a risk management framework to have the Ministry's management and respective Divisional Heads to jointly plan, implement, monitor and take action on evolving risks affecting the Ministry.

Risk management framework would provide a platform to identify various risks affecting the Ministry, management of the risk, develop appropriate internal control to mitigate the risks and continuous monitoring risks. The mechanism to mitigate risks could include policies, procedures, training and awareness.

Review of the Ministry's Corporate Governance revealed that there is no risk management framework in place. As a result, the Ministry does not have written policies, procedures and guidelines to manage the following:

- Fraud control and anti-corruption
- Disaster recovery and business continuity

However, it was noted that the Ministry has developed a risk matrix.

Root Cause/Implication

The Ministry may not be able to effectively identify risks and appropriately manage them in a timely manner.

Recommendations

- **The Ministry should work towards establishing a governance and accountability function that support the operations of the Ministry by providing financial and operational risk management of external reporting obligations. Following the establishment of the governance and accountability function, a risk management framework should be developed and continuously used.**
- **The Ministry should consider developing a disaster recovery plan**

Agreed Management Action

The Ministry will ensure that the policy will be develop in this current financial year.

Officer Responsible

A/Principal Assistant Secretary and A/Principal Accounts Officer

24.19 Lack of internal controls on payments- Recurring issue

An effective and cost effective system of internal control will ensure that wastage of funds, over expenditure and abuse of system, processes and resources do not occur.¹⁰

Immediately after payment has been effected, the Accounts clerk must stamp “paid” on all vouchers and supporting documentation to avoid any double payments.¹¹ Additionally, all payment vouchers prepared by the Accounts clerk must be certified by the Accounts Officer or the Senior Accounts Officer.

Competitive quotes, instead of public tenders, may be called for procurements 50,000 and less unless, the PS has approved an exemption in accordance with Procurement Regulation 29-(3).¹²

The *Senior Accounts Officer* or *Accounts Officer* must not certify a payment as correct unless they are satisfied that there is documentation that the goods, services or works have been received.¹³

We noted various anomalies relating to internal controls during review of payment records maintained by the Ministry. Examples are as follows:

¹⁰ Ministry of Women, Children and Poverty Alleviation Finance Manual 2013 Part 17

¹¹ Ministry of Women, Children and Poverty Alleviation Finance Manual 2013 section 2.8.9

¹² Ministry of Women, Children and Poverty Alleviation Finance Manual 2013 section 2.3.2

¹³ Ministry of Women, Children and Poverty Alleviation Finance Manual 2013 section 2.8.4

- Payment vouchers not stamped “PAID”
- Payment vouchers were not certified
- Competitive quotes not obtained
- Invoice not attached to payment vouchers
- Evidence of items received not attached to the payment vouchers

Refer to **Appendix 4** for details.

Root Cause/Implication

Lack of internal controls increases risk of double payments, unauthorized payments and creates opportunities for fraud and misappropriation.

Recommendation

The Ministry should strengthen compliance with internal controls over procurement of goods and services.

Agreed Management Action

The Ministry has noted the recommendation and ensure that this is complied with. Action has been taken for those vouchers not stamped paid and certified. Competitive quotes could not be obtain for travel companies due timeline given to secure the seat.

Officer Responsible

A/Principal Accounts Officer

24.20 Anomalies in SLG 84 Accounts- Recurring issue

All funds released from the agencies and recorded on SLG84 shall be reconciled on a monthly basis and report sent to the paying agency. At the end of each project, agencies are required to ensure proper clearing of the SLG84 account; and any outstanding balance in the SLG84 account are accounted for.¹⁴

We noted that the Ministry could not provide evidence that acquittals for SLG 84 Accounts totalling \$1,071,784 were prepared and submitted to the Ministry of Economy. Refer to Table below for details:

Table 24.11: SLG84 Acquittals Not Provided

Allocation	Description	JV No.	Amount Disbursed (\$)
1-24101-24999-840101	HEMOCARE Initiative	MOW006	742,395
1-24101-24999-840101-002	Refurbishment of Naibati House	MOW005	273,489
1-24101-24999-840102	Donor's Fund	MOW001	40,000
1-24101-24999-840102-006	UNICEF Fund	MOW002	15,900
Total			1,071,784

¹⁴ SLG 84 Reporting guide section 9.5

Root Cause/Implication

Discussions with the Ministry revealed that the acquittals were not prepared due to shortage of accounts staffs in the unit to carry out the preparation of and submission of acquittals.

Failure to provide acquittals poses a risk of funds not being used for its intended purposes.

The audit finding indicates inadequate controls and supervision in the administration of the SLG84 accounts.

Recommendation

The Ministry should ensure that monthly acquittals are prepared and submitted to the Ministry of Economy on a timely basis.

Agreed Management Action

The recommendation is noted and will ensure to comply with and facilitate.

Officer Responsible

A/Principal Accounts Officer

24.21 Operating Trust Account Anomalies- Recurring issue

The ledger reconciliation statement shall be forwarded to the **SAO**. The **SAO** must ensure that:

- i. all balances are accurate and adequately supported;
- ii. any misallocations or outstanding balances from the previous month have been dealt with.¹⁵

We were not able to substantiate the operating trust account balance totalling \$99,299 after performing subsequent payment testing for the outstanding operating trust balances as at 31 July 2018.

Table 24.12: Unsubstantiated Balances in Operating Trust Account

Programme	Closing Balance (\$)
Social Welfare	74,307
Ministry of Women	24,992
Total	99,299

In addition, the Ministry was not able to determine the aging of the balances which have been carried forward.

Root Cause/Implication

The audit findings indicate that the Operating Trust Account was not reviewed for accuracy and reconciled on a timely basis by staffs responsible.

¹⁵ Ministry of Women, Children and Poverty Alleviation Finance Manual 2013 section 16.3.6

Recommendation

The Ministry should:

- investigate and rectify carry forward balances from prior years; and
- ensure that controls and adequate supervision is carried out to avoid such discrepancies from incurring in future.

Agreed Management Action

Recommendation is noted and will comply with. Few have been resolved and pending is yet to be cleared.

Officer Responsible

A/Principal Accounts Officer

Appendix 1 - Mispostings in SEG 3, SEG 4, SEG 5 and SEG 6

Cheque/EFT No.	Date	Particulars	Posted to allocation	Correct allocation	Amount (\$)	Net Effect (\$)
59643	30/06/2018	May Bills	SEG 4	SEG 3	2,088	SEG 4 Overstated by 4,673
60449	31/07/2018	June Payment	SEG 4	SEG 3	322	
60252	31/07/2018	Bills June 2018	SEG 4	SEG 3	195	
20566	31/05/2018	April Bills 2018	SEG 4	SEG 3	2,068	
65569	31/07/2018	PBX Telephone System	SEG 3	SEG 5	209,252	SEG 3 Overstated by 204,579
65567	31/07/2018	Commission Charges	SEG 6	SEG 5	23,065	SEG 6 Understated by 944,262
64068	03/11/2017	Allowance Payout	SEG 5	SEG 6	967,327	SEG 5 Overstated by 735,010

Appendix 2 - Mispostings within SEG 6

Date	Cheque	Scheme	Amount (\$)	Should be posted to	Posted Incorrectly to Poverty Benefit Scheme Allocation
1/02/2018	64493	Social Pension Scheme	3,138,710	1-24202-91011-060101	1-24202-91011-060308
05/04/2018	64821	Social Pension Scheme	3,295,160	1-24202-91011-060101	1-24202-91011-060308
		Child Protection Scheme	365,263	1-24202-91011-060309	1-24202-91011-060308
		Disability Scheme	145,080	1-24202-91011-060301	1-24202-91011-060308
Total			6,944,213		

Appendix 3: Lack of audited accounts for grant recipients

Grant Recipient	Purpose of Grant	Amount Disbursed (\$)	Year of Last Audited Accounts
Counterstroke Fiji	Operating grant	13,500	Cannot determine
Home of Hope	Upgrade of smoke alarm system	29,000	2015
Salvation Army	Operating grant	20,000	Cannot determine
Senior Citizens Ba Community	Operating grant	30,000	Cannot determine
Fiji Muslim League	Operating grant	100,000	Cannot determine
Global Compassion	Operating grant	112,500	2017
Medical Services in Pacific	Operating grant	200,000	Cannot determine
Church of Nazarene	Operating grant	12,501	Cannot determine
Fiji Paralympics Committee	Operating grant	15,000	Cannot determine
Fiji Association of the Deaf	Operating grant	16,325	Cannot determine

Appendix 4: Lack of internal controls in payments

Cheque/EFT No.	Date	Particulars	Amount (\$)	Anomalies Noted
18925	070/2/2018	Payment for vehicle repair-EH 415	4,622	No stamp "PAID" on payment voucher and supporting documents
18922	07/02/2018	Payment for the damages & lost items GP430	3,379	No stamp "PAID" on payment voucher and supporting documents
63880	05/10/2017	Payment of HFH rental under payments	8,034	Payment voucher was not certified by checking/approving officer
16078	06/09/2017	Payment of airfare for awareness training	2,469	Competitive quotes not obtained before making purchases.
63881	06/10/2017	Payment of 1000 printed T-shirts for awareness of Violence Against Children	15,596	Competitive quotes not obtained before making purchases
16694	13/10/2017	Payment of accommodation	771	Invoice not attached to payment voucher
21990	23/07/2018	Payment of volunteer cost	4,640	Evidence of allowance paid to village youths not attached to payment voucher
16603	09/10/2017	Payment of accommodation	2,194	Invoice not attached to payment voucher
17240	07/11/2017	Payment of (960) PECAN T-shirts	14,862	Evidence of item received not attached to payment voucher
21606	05/07/2018	Payment of building material for housing assistance	7,352	Evidence of building work completed not attached to payment voucher

Head 25

Ministry of Youth and Sports

Roles and Responsibilities

The Ministry of Youth and Sports is responsible for engaging with Fiji's young people to help develop skills that help them reach their full potential and enable them to access greater opportunity to better themselves and uplift their communities. The Ministry carries out work to foster and support community networks and run initiatives that help young people build character, learn valuable life lessons and promote entrepreneurship and innovation.

The Ministry offers training to youths through five Youth Training Centres around the country and through mobile training in rural and urban areas. The training is run in close cooperation with other Ministries, particularly Agriculture, Fisheries and Forests, and iTaukei Affairs. The training is aimed at empowering young people to be productive members of the community and equipping them with the knowledge and skills to venture into specific income-earning opportunities.

The Ministry also drives sporting development in Fiji to encourage healthy lifestyle choices among the Fijian people and maintain Fiji's position as the hub of athletic competition in the Pacific. The Ministry's work falls within the framework of a number of existing policies that govern national sporting development.

The Sports Development Unit of the Ministry plays an important role in the promotion and development of sports. The Ministry will continue to invest in developing and upgrading Fiji's sporting infrastructure and facilities, particularly in the rural areas. This includes upgrading Rural Sports Fields in various schools and Rural Sports Complexes in identified regional hubs. The Ministry will work closely with the National Sports Commission to develop a system that supports and nurtures the development of sportspeople from beginner levels to elite levels. This includes formulating incentives for corporate bodies to support the development of sports in Fiji.

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PART A: FINANCIAL STATEMENTS**25.1 Audit Opinion**

The audit of the 2018 accounts of the Ministry of Youth and Sports resulted in an unqualified audit opinion.

25.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$98,173 and incurred a total expenditure of \$19,885,453 for the year ended 31 July 2018. Details are provided in Table 25.1.

Table 25.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	2,050	1,864
Agency Revenue	96,123	92,654
Total Revenue	98,173	94,518
Established staff	2,369,297	1,809,214
Government wage earners	274,434	261,057
Travel and communications	318,931	318,623
Maintenance & operations	443,942	356,920
Purchase of goods and services	992,628	1,210,826
Operating grants and transfers	11,426,344	6,753,553
Special expenditures	1,643,941	1,472,394
Total Operating Expenditure	17,469,517	12,182,587
Capital Construction	9,174	---
Capital grants and transfers	2,210,505	7,934,687
Total Capital Expenditure	2,219,679	7,934,687
Value Added Tax	196,257	202,270
Total Expenditure	19,885,453	20,319,544

Total revenue increased by \$3,655 or 3.9% in 2018 compared to previous year due to increase in revenues collected through hire of mattresses, National Youth Dance, Brass Bands and portable tents.

Established staff costs increased by \$560,083 or 31% in 2018 compared to 2017 due to the shift of ten staffs payroll budget from project funding to established payroll as provided in the budget for 2017-2018 financial year.

The expenditure for the Purchase of Goods and Service decreased by \$218,198 or 18% in 2018 compared to 2017. The decrease was mainly due to savings identified through cost efficiency and effective expenditure control mechanisms from Youth Conference, National Youth Band, and Rations for Trainees, National Sports day, National Sports policy and other operating funds under SEG 5.

Operating Grants and Transfers costs increased by \$4,672,791 or 69.2% in 2018 compared to 2017. The increase was due to increased funding provided for Overseas Sport Tour for Fiji's National Sporting Team participation in the 2018 Commonwealth Games and Fiji hosting the 2017 Oceania Rugby Sevens Tournament. Funding was also provided for sports grants for persons with disabilities and the revival of boxing as a qualifying sport.

Special expenditure increased by \$171,547 or 11.7% in 2018 compared to 2017 due to funding of unbudgeted expenditures upon Cabinet's approval to host the 6th Pacific Sports Ministers' meeting and medal incentive pay-out for 2018 Commonwealth Games.

Capital Grants and Transfers costs decreased by \$5,724,182 or 72.1% in 2018 compared to 2017 due to the re-deployment from the Rural Sports Facilities allocation towards the Government's Home Care Initiative.

25.3 Appropriation Statement

The Ministry incurred expenditure totalling \$19.89million in 2017-2018 against a revised budget of \$22.70million, resulting in a saving of \$2.81 million or 12%. Details of expenditure against the revised budget are provided in Table 25.2.

Table 25.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	2,714,114	(194,491)	2,519,623	2,369,297	150,326
2	Government Wage Earners	339,838	(2,408)	337,430	274,434	62,996
3	Travel & Communication	314,150	58,520	372,670	318,931	53,739
4	Maintenance & Operations	438,550	116,354	554,904	443,942	110,962
5	Purchase of Goods & Services	1,210,033	(50,064)	1,159,969	992,628	167,341
6	Operating Grant & Transfers	11,445,105	---	11,445,105	11,426,344	18,761
7	Special Expenditure	1,796,288	62,089	1,858,377	1,643,941	214,436
	Total Operating Expenditure	18,258,078	(10,000)	18,248,078	17,469,517	778,561
8	Capital Construction	---	10,000	10,000	9,174	826
10	Capital Grant & Transfer	4,502,549	(400,000)	4,102,549	2,210,505	1,892,044
	Total Capital Expenditure	4,502,549	(390,000)	4,112,549	2,219,679	1,892,870
13	Value Added Tax	336,066	---	336,066	196,257	139,809
	Total Expenditure	23,096,693	(400,000)	22,696,693	19,885,453	2,811,240

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

25.4 Internal Controls

During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

A *deficiency* occurs when internal controls are unable to prevent, detect or correct errors in the financial statements or where controls are missing.

A *significant deficiency* is a deficiency that either or alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

Internal controls are categorized against the following five components of internal control.

- **Control Environment (CE)** – is the set of standards, processes and structures that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

Examples of issues which fall under this category are ethical breaches, gaps in internal controls or controls are non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed.

Examples of issues which would fall under this category are absence of risk management framework, operational including fraud and enterprise risks not identified, assessed and mitigated and impact of changes in business processes on controls not identified and assessed.

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out. Control activities are performed at all levels of an entity and at various stages within business processes, and over the technology environment.

Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned to the policies of the entity. Specific control activities include those relating to authorization, performance reviews, information processing, physical controls, and segregation of duties.

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

Examples of issues which would fall under this category are reporting to boards and line ministries of entities on matters relating to internal controls

- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

Examples of issues which would fall under this category are self-assessment by entities to determine whether internal controls are present and function. This may include the establishment of independent internal audit functions within entities which would assist in identifying any gaps in controls.

A summary of assessment of key controls based on our audit was as follows:

Control Environment	Risk Assessment	Control Activities	Information & Communication Control	Monitoring Activities
☀	☀	☀	☀	☀

In view of the above, we have assessed the internal controls of the Ministry as:

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls

25.5 Submission of FY 2017 - 2018 Draft Agency Financial Statements

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed. The final day for closing the 2018 accounts was 29 August 2018.

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- Monitoring of unrepresented cheques by 29 August 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Retirement of annual imprests by 20 July 2018
- Cancellation of unprocessed purchase orders by 27 July 2018
- Processing of payments and virements by 13 August 2018
- Completion of reconciliations by 29 August 2018

When ministries and departments achieve the key focus areas highlighted by the Permanent Secretary for Economy by the given dates, they are more likely to prepare accurate and timely draft financial statements for audit.

Based on information received, we have assessed the year-end close process as:

Rating	Year-end close process assessment
☀ Generally effective	8 of 9 key processes completed within two weeks of due date

25.6 Quality of draft financial statements by entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of an entity's internal review processes before the accounts are submitted for audit.

We assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. Our assessment for the Ministry was:

Rating	Quality of draft financial statements assessment
☀ Generally effective	Adjustments on operating results were less than one percent

25.7 Timeliness of draft financial statements

To assess the timeliness of acceptable draft financial statements, we have compared the date the draft financial statements were due and the date it was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of draft financial statements assessment
☀ Generally effective	Acceptable draft financial statements received on or before 31 October 2018

25.8 Timeliness of Provision of Management Comments and Signing of Financial Statements

To assess the timeliness of provision of management comments and signing of financial statements, we have compared the date the draft management letter and audited financial statements were issued to entity and the date management comments and signed accounts were received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
☀ Effective	Within 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
☀ Effective	Signed financial statements received within 15 days

PART C: OTHER SIGNIFICANT MATTERS

The Audit Act 1969 requires, amongst other things, that the Auditor-General must report on other significant matters which the Auditor-General wishes to bring to the attention of Parliament.

Other significant matters highlighted in this report, include control weaknesses which *could cause* or *is causing* severe disruption to the process or on the ability of an auditee to achieve process objectives and comply with relevant legislation.

It is likely that these issues may have an impact on the operations of the Ministry in future, if necessary action is not taken to address them.

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2018.

25.9 No Risk Management Framework in Place

It is a good practice to establish a risk management framework to have the Ministry's management and respective Divisional Heads to jointly plan, implement, monitor and take action on evolving risks affecting the Ministry.

Risk management framework would provide a platform to identify various risks affecting the Ministry, management of the risk, develop appropriate internal control to mitigate the risks and continuous monitoring risks. The mechanism to mitigate risks could include policies, procedures, training and awareness.

Review of the Ministry's Corporate Governance revealed that there is no risk management framework in place. As a result, the Ministry does not have written policies, procedures and guidelines to manage the following risks associated with the following:

- Fraud control and anti-corruption
- Disaster recovery and business continuity ; and
- Disaster recovery plan

Root Cause/Implication

The Ministry may not be able to effectively identify risks and appropriately manage them on a timely manner.

Recommendations

The Ministry should:

- **work towards establishing a governance and accountability function that support the operations of the Ministry by providing for financial and operational risk management;**
- **following the establishment of the governance and accountability function, a risk management framework should be developed and continuously used; and**
- **consider developing a disaster recovery plan.**

Agreed Management Action

The Ministry concurs with the audit findings that no specific risk management framework is in place. The Ministry has developed a risk register, few policies related to effective governance and anti-corruption policy as way forward will further develop relevant policies to address the issue of disaster recovery and business continuity.

Officer Responsible

Corporate/ Policy Section and Director for Youth and Sports.

25.10 Weakness in Internal Control for Revenue

An effective and cost effective system of internal control will ensure that wastage of funds, over expenditure and abuse of system, processes and resources do not occur. The Senior Coordinator Finance is responsible for the effective design and operation of internal control of the agency.¹

Review of internal controls relating to revenue noted the following weaknesses for the two training centres:

Nasau Training Centre

- An approved price list was not submitted for the sale of livestock.
- Lack of documentation available to trace the production records to sales for the year ended 31 July 2018.
- Invoices were not issued for credit sales.

Valelevu Training Centre

- Miscellaneous revenue includes income from hire of mattresses, national youth dance, brass bands and portable tents was collected from the Valelevu Training Centre totalling \$47,812 were not budgeted for in the 2017-2018 budget estimates.

Root Cause/Implication

There is no approved standard operating procedure in place to guide the commercial operation of the Nasau Training Centre. As a result, it was not possible to ascertain on the completeness of revenue collected from sale of farm produce.

Recommendations

The Ministry should:

- **develop and obtain approval for Standard Operating Procedures for revenue collection for the training centres;**
- **maintain an approved price list for the sale of farm produce and livestock;**
- **maintain a debtors register for credit sales;**

¹ Ministry of Youth & Sports Finance Manual 2017 Part 16 – Section 16.1.1

- **provide adequate training to staff at Nasau Training Centre on the proper management of accounting records; and**
- **budget for all revenue to be collected by the Ministry.**

Agreed Management Action

Nasau Training Centre

- a) *Standard operating procedures for revenue collection at Nasau Training Centre from farm and livestock sales are drafted and implemented, the SOP will be reviewed and finalised by 31 May 2019. The Ministry will ensure a revised price list is established for sale from farm produce and livestock. The Ministry will not sell goods on credit and will further explore potential markets for sale of excess farm produce. Monthly record keeping on production, stock and sales is implemented to ensure proper records are maintained for livestock and farm.*
- b) *Adequate training is provided to staffs of Nasau Training Centre for proper management of records.*

Valelevu Training Centre

The Ministry will further liaise with the Ministry of Economy to regularise and budget the revenue collection from Valelevu Youth Training Centre.

Officer Responsible

Coordinator Nasau Youth Training Centre / Divisional Manager Western /Senior Coordinator Finance / Coordinator Finance / Clerical Officer Nasau Youth Training Centre

25.11 Overtime Payment for Established staff sourced from GWE² Allocation

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.³

We noted that thirty one (31) established staff were paid overtime totalling \$14,470 from the Government Wage Earners allocation. This is contrary to the nature of the account.

Root Cause/Implication

We noted that funds to accommodate the payment of overtime for staff were budgeted in the Government Wage Earners account allocation (SEG 2).

Recommendation

The Ministry should ensure overtime payment for established staffs is paid from the correct allocation.

² Government Wage Earners

³ Ministry of Youth & Sports Finance Manual 2017, Part 2

Agreed Management Action

The Ministry concurs with the audit findings, that overtime payment for established staffs were sourced from programme 1, Activity 1, SEG 2 – Overtime allocation (1-25101-25101-020401) as fund was requested through the budget submission for established officers in the 2017-2018 budget. Furthermore, noting the circumstances of unavoidable overtime for established staffs responsible for critical areas towards Ministry's service delivery, working overtime by established staffs will be an on-going activity. Therefore, to ensure correct SEG posting, the Ministry through its budget submission with consult Ministry of Economy Budget Division and ensuring payment of established staffs overtime is reflected within SEG 1.

Officer Responsible

Senior Coordinator Finance and Coordinator Finance.

25.12 Operating Trust Account Anomalies – Recurring Issue

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy (FMIS), the Assistant Coordinator Finance (Ledger) shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement. Any errors or misallocations must be immediately adjusted by way of journal vouchers.⁴

We noted that a sum of \$25,495 has been carried forward from prior years for which is yet to be rectified by the Ministry.

Root Cause/Implication

The findings indicate that the Operating Trust Account were not reconciled and reviewed for the prior year's balances.

Recommendations

The Ministry should:

- **investigate and rectify carry forward balances from prior years; and**
- **ensure that controls and adequate supervision is carried out to avoid such discrepancies from incurring in future.**

Agreed Management Action

We concur on the pending unresolved audit issue from Financial Year 2016-2017, however since this issue had emanated from the previous years (2011-2015), it took a bit of time for the Ministry to verify records and substantiate the balances in the Operating Trust fund balance, as the Ministry had also being involved in rectifying a similar issue with its Accountable Advance Allocation from 2011-2016, which was rectified and adjusted during the closing of accounts for 2016-2017 financial year.

The Ministry has submitted the relevant details of the balances to the Ministry of Economy and further awaits the Ministry of Economy to advice and complete the necessary adjustments.

Officer Responsible

Senior Coordinator Finance / Assistant Coordinator Finance (Ledgers)

⁴ Ministry of Youth & Sports Finance Manual 2017- Section 15.3.4 & 15.3.5