



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

2018 Audit Report on Infrastructure Sector



PARLIAMENT OF FIJI
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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 INFRASTRUCTURE 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 Infrastructure Sector for 2018.

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

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 iTaukei 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

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.

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

Head(s)	Agency	Date Acceptable Draft Accounts Received for Audit	Audit Status as at 31/10/19
			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.

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 of 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, 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"> Office of the Attorney General Ministry of Foreign Affairs Office of the Auditor General Office of the Director of Public Prosecutions Fiji Independent Commission Against Corruption Fiji Military Force 	<ol style="list-style-type: none"> Judiciary Department Ministry of Justice Parliament Office Ministry of Civil Service and Public Service Commission Fiji Corrections Services Ministry of Rural and Maritime Development and National Disaster Management Fiji Police Force Ministry of Communication Office of the President Office of the Prime Minister and Immigration Ministry of i-Taukei Affairs Ministry of Defence, National Security Ministry of Employment, Productivity and Industrial Relations Department of Information Technology and Computing Services Ministry of Youth and Sports Ministry of Sugar Ministry of Industry, Trade and Tourism Ministry of Waterways Ministry of Agriculture Ministry of Women, Children and Poverty Alleviation Ministry of Infrastructure and Transport 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	★	★	★	★	★	★	★	★	★	★

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 iTaukei 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 40

Ministry of Infrastructure and Transport

Roles and Responsibilities

The Ministry is responsible for seven departments, including Departments of Transport, Government Shipping Services, Energy, Water and Sewerage, Meteorological and Hydrology Services, Buildings and Government Architects and Public Works. The Ministry is also responsible for the policy and legislative formulation and the administrative and regulatory functions of Fiji Roads Authority, Land Transport Authority, Water Authority of Fiji, Fiji Electricity Authority and the Maritime Safety Authority of Fiji.

The Department of Transport provides the policy and regulatory framework for the implementation of an efficient and affordable land and maritime transport system. The transport sector is one of the principal drivers of economic growth as it provides the mobility and infrastructure that link people with jobs and goods with markets.

Government Shipping Services provides Government with a specialised fleet of seven vessels that allow it to transport Government officials as well as machinery, building supplies, rural-development materials, livestock and any other cargo needed for development projects.

The Department of Energy focuses on policy and regulatory framework which includes the provision of electricity services to remote and rural areas; research and development of renewable energy sources such as geothermal, wind, hydro, biofuel and biomass; research into alternative fuels for the transport and industrial sectors and for land transport.

The Department of Water and Sewerage is responsible for providing professional advice on policies and strategies for water and sanitation to develop policy framework for technical and economic regulations of water supply, sanitation and water services. The Department also ensures the provision of safe, clean drinking water and efficient sanitation services to all communities.

The Department of Meteorology and Hydrology is critical for a nation that is dispersed among more than 100 islands in the middle of an area that is prone to violent storms. The Department is committed to providing timely and reliable weather, hydrology and climate information to the public, industry and civil aviation on both normal and extreme weather conditions. The public needs to be warned well in advance in order to prepare for extreme events like cyclones, storm surges and flooding. Special emphasis is being placed on disaster preparedness and on mitigating the effects of rising sea levels as a result of climate change.

The Department of Buildings and Government Architects is the government's main advisor on matters relating to capital infrastructure works and is responsible for planning, designing, estimating and overseeing projects. It also oversees the maintenance of some government buildings.

The Department of Works is comprised of three Divisional Engineering Units. This is the only engineering arm of Government, and is responsible for building, operating, maintaining and upgrading Government buildings, quarters, and electrical services.

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PART A: FINANCIAL STATEMENTS

40.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Infrastructure and Transport resulted in a qualified audit opinion. The qualification issues were as follows:

- 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, I could not confirm 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.
- 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.

Furthermore, attention were also drawn to the following:

- The Ministry has disclosed its seventeen Trading and Manufacturing Accounts in Note 7 to the financial statements by consolidating them according to divisions. The change in the presentation format has resulted in the disclosure of limited information in terms of financial performance and cash flows for each type of TMA.

40.2 Head 40, 41 and 43 - Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$2,281,260 and incurred a total expenditure of \$115,633,476 for the year ended 31 July 2018. Details are provided in Table 40.1.

Table 40.1: Head 40 - Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Agency revenue	2,281,260	1,826,630
Total Revenue	2,281,260	1,826,630
Established staff	9,122,049	11,067,138
Government wage earners	6,784,084	7,960,735
Travel and communications	1,059,143	1,214,607
Maintenance and operations	8,344,277	8,465,469
Purchase of goods and services	1,805,475	1,841,989
Operating grants and transfers	27,438,887	25,689,201
Special expenditures	800,083	1,778,797
Total Operating Expenditure	55,343,948	58,017,936
Capital construction	13,376,417	9,518,437
Capital purchase	7,970,043	3,357,495
Capital grants & transfers	36,087,706	19,318,931
Total Capital Expenditure	57,434,166	32,194,863
Value added tax	2,855,362	2,232,388
Total Expenditure	115,633,476	92,445,187

Revenue increased in 2018 by 25% or \$454,630 due to increase in revenue from carriage of freight as services were rendered to the Bureau of Statistics for hire of vessel for the Population and Home Census logistics.

Established staff costs decreased in 2018 by \$1,934,965 or 17% due to the increase in the number of vacant positions in the Ministry.

Operating grants and transfers increased in 2018 by \$1,749,686 or 7% due to the increase in operating grants paid to Land Transport Authority.

Capital construction expenditure increased in 2018 by \$3,841,980 or 40% due to the increase in payment related to the upgrade of government shipping vessels, completion of government wharf upgrade, completion of retaining walls, repair and upgrade of public buildings. The capital construction expenditure increase was also noted for routine & special Upgrade of public buildings, upgrade of water supply and sewerage lines, electrification of rural government stations, renewable energy development programme, energy conservation Implementation, energy conservation assessment, bio diesel Implementation, bio gas development in rural areas and grid extension projects.

Capital purchase expenditure increased in 2018 by \$4,324,548 or 128% due to the procurement of new Multi-Purpose Vessel during the year.

Capital Grants and Transfers expenditure increased in 2018 by \$16,768,775 or 87% due to the increase in rural electrification projects.

The Water Authority of Fiji recorded expenditure totaling \$255,803,568 for the year ended 31 July 2018. Details are provided in Table 40.2.

Table 40.2: Head 41 - Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Expenditure		
Operating grants and transfers	89,577,328	85,479,517
Total Operating Expenditure	89,577,328	85,479,517
Capital grants & transfers	166,226,240	195,428,577
Total Capital Expenditure	166,226,240	195,428,577
Total Expenditure	255,803,568	280,908,094

The Fiji Roads Authority recorded expenditure totaling \$382,714,769 for the year ended 31 July 2018. Details are provided in Table 40.3.

Table 40.3: Head 43 - Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Expenditure		
Operating grants and transfers	26,772,477	16,577,856
Total Operating Expenditure	26,772,477	16,577,856
Capital grants & transfers	355,942,292	256,749,778
Total Capital Expenditure	355,942,292	256,749,778
Total Expenditure	382,714,769	273,327,634

40.3 Head 40, 41 and 43 - Appropriation Statement

The Ministry incurred expenditure totalling \$115.63 million in 2017-2018 against a revised budget of \$134.17 million resulting in a saving of \$18.54 million or 13%.

Details of expenditure against the revised budget are provided in Table 40.4.

Table 40.4: Head 40 - Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	13,836,774	(1,183,530)	12,653,244	9,122,049	3,531,195
2	Government wage earners	8,606,383	(486,523)	8,119,860	6,784,084	1,335,776
3	Travel & communication	896,332	499,490	1,395,822	1,059,143	336,679
4	Maintenance & operations	8,668,991	444,483	9,113,474	8,334,227	779,247
5	Purchase of goods & services	2,069,243	329,270	2,398,513	1,805,475	593,038
6	Operating grant & transfers	26,582,104	1,930,000	28,512,104	27,438,887	1,073,217
7	Special expenditure	1,070,408	141,754	1,212,162	800,083	412,080
	Total Operating Expenditure	61,730,235	1,674,944	63,405,179	55,343,948	8,061,232

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
8	Capital construction	14,811,437	95,837	14,907,274	13,376,417	1,530,856
9	Capital purchase	9,080,706	200,000	9,280,706	7,970,043	1,310,663
10	Capital grants & transfers	45,288,674	(1,978,895)	43,309,779	36,087,706	7,222,073
	Total Capital Expenditure	69,180,817	(1,683,058)	67,497,759	57,434,166	10,063,592
13	Value added tax	3,266,835	8,114	3,274,949	2,855,362	419,587
	Total Expenditure	134,177,887	-	134,177,887	115,633,476	18,544,411

The Water Authority of Fiji incurred expenditure totaling \$255,803,568 in 2018 against a revised budget of \$290,764,765 resulting in savings of \$34,961,197 or 12%. The major savings was due to delay in ADB Urban Water Supply projects during the financial year.

Details of expenditure against the revised budget are provided in Table 40.5.

Table 40.5: Head 41 - Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	89,577,328	-	89,577,328	89,577,328	-
	Total Operating Expenditure	89,577,328	-	89,577,328	89,577,328	-
10	Capital grants & transfers	217,365,325	(16,177,888)	201,187,437	166,226,240	34,961,197
	Total Capital Expenditure	217,365,325	(16,177,888)	201,187,437	166,226,240	34,961,197
	Total Expenditure	306,942,653	(16,177,888)	290,764,765	255,803,568	34,961,197

The Fiji Roads Authority incurred expenditure totaling \$355,942,292 in 2018 against a revised budget of \$450,776,159 resulting in savings of \$94,833,867 or 21%. The major savings was due to delay in ADB and World Bank projects during the financial year.

Details of expenditure against the revised budget are provided in Table 40.6.

Table 40.6: Head 43 - Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grant & transfers	26,772,477	-	26,772,477	26,772,477	-
	Total Operating Expenditure	26,772,477	-	26,772,477	26,772,477	-
10	Capital grants & transfers	500,776,159	(50,000,000)	450,776,159	355,942,292	94,833,867
	Total Capital Expenditure	500,776,159	(50,000,000)	450,776,159	355,942,292	94,833,867
	Total Expenditure	527,548,636	(50,000,000)	477,548,636	382,714,769	94,833,867

40.4 Trading and Manufacturing Account (TMA)

Trading and Manufacturing Account (TMA) is established under the Revolving Fund Account for the purpose of trading or production of goods and services for sale to other departments, statutory bodies or individuals. Trading involves the buying and selling of goods. Manufacturing involves the conversion of one type of good or material to another through the application of labour and facilities.

Since government is a non-profit organization, the immediate objective is to serve the requirements of ministries and departments and statutory bodies and at least at recouping costs. Profitability is secondary objective to the extent that it will justify or increasing or broadening government services to meet the demands of users.

The activities of the TMA are as follows:

Joinery

TMA Joinery receives bulk of its work from the Building Section in the form of Capital Works Projects, maintenance of public buildings, interior fit-outs and furnishing of these quarters. These buildings are standard designed structures for residential quarters, office accommodation and other institutional buildings. The Joinery section also fabricates wall framings, roof trusses, fixtures, manufacturing of all types of furniture and dressed timber of required sizes as per details in the standard design.

Plumber shop

TMA Plumbing receives bulk of its work from the Building Section in the form of Capital Works Projects, Maintenance of public buildings. These buildings are standard designed structures for residential quarters, office accommodation and other institutional buildings.

The Plumber shop also fabricates water tanks, ridge caps, barge flashings, roof trusses, fixtures, manufacturing of all types of flashings to buildings and required sizes as per details in the standard design.

Fuel and Oil

Fuel and Oil is one of the basic core values of operation within the Ministry of Infrastructure and Transport especially the Department of Works in the Central/Eastern. It serves as a backbone, set to a higher standard for effective improvement of daily operations. It also enhances a better service delivery required as a business entity to display its potential and quality service to its customers. The products which consist of diesel, petrol, brake fluid, premix, SAE 30, TELUS 46 and many more is brought from the supplier at retail prices. The major customer is Plant Pool with other ministries and departments contributing to the overall sales.

Lube Bay

The core role of the Lube Bay is to provide lubrication services to the customers to ensure it fulfils customer satisfaction concurrently ensure a healthy income for the business sustainability. It consists of a wide range of product which are bought at a lesser price and in return sold out to

customers at a market price. Lube Bay is open to all government vehicles and at present the major customer is plant pool and some other ministries and departments.

Plant Hire

The main role of this business unit is to provide a reliable and cost-effective means of transportation to customers ensuring that it meets customer expectations in terms of service delivery and in concurrence with the workers fulfilment of attaining a healthy income and proper Fleet Management System. Periodically, the Business's principal earning source is derived from hiring of all of its resources ranging from light vehicles, heavy vehicles, heavy machineries and plants. In such way, the Business is able to satisfy its workers through the provision of a persistent wage and meeting certain expenditures ensuring the overall financial status is well retained.

Workshop Wages

Workshop wages TMA consists of Machine/ Fitting Shop, Light & Heavy Garage, Tractor Shop, Welding and Fabrication (Boiler shop) and Refrigeration & Air-conditioning services. The Workshop provides mechanical services to Plant Pool, Water & Sewerage, Buildings, Hospitals and other client ministries in delivering of capital and on – going projects. The Workshop can provide widest range of engineering services available in the country. The major customer is plant pool and other ministries and departments.

Blocks Shed

The Block shed TMA was setup to support the needs of the Building and Roads Section in terms of facilitating the supply of concrete products such as blocks, V – drains, road kerbs, marker posts, slabs and other non-structural concrete products needed for building and road construction. That was during the time when the Roads Section was still part of Department of Works. These buildings are either residential Quarters accommodation for government officials, government office buildings and institutional buildings. The traditional role has remained since its inception until this day. The volume of work that the Block shed TMA undertakes each year varies depending on the needs of other government ministries and department.

The details of the Consolidated TMA Balances are as follows:

Table 40.7: Manufacturing account

Description	31 July 2018 (\$)	31 July 2017 (\$)
Opening Raw materials	235,128	294,851
Add: Purchases	1,886,694	1,741,014
	2,121,822	2,035,865
Less: Closing Raw Materials	245,999	235,128
Raw Materials Used	1,875,823	1,800,737
Direct Labour	4,001,453	4,392,384
Opening Work in Progress	22,336	37,027
	5,899,612	6,230,148
Less: Closing Work in Progress	2,955	22,336
Cost of Goods Manufactured transferred to Trading Account	5,896,657	6,207,812

Table 40.8: Trading account

Description	31 July 2018 (\$)	31 July 2017 (\$)
Sales	7,381,645	9,127,580
Finished Goods (01/01/17)	180,363	206,315
Add: Cost of Manufactured Goods	5,896,657	6,207,812
Cost of goods available for sale	6,077,020	6,414,128
Less: Finished Goods (31/7/17)	153,413	180,363
Cost of Goods Sold	5,923,607	6,233,765
Gross Profit transferred to profit & loss statement	1,458,038	2,893,815

Table 40.9: Profit & Loss Statement

Description	31 July 2018 (\$)	31 July 2017 (\$)
Income		
Gross Profit transferred from Trading Account	1,458,038	2,893,816
Other income	3,135	1,364
Total Income	1,461,173	2,895,180
Expenses		
Travel and communications	137,411	175,510
Maintenance and operation	1,577,010	2,660,609
Purchase of Goods and Services	17,206	36,707
Special Expenses	1,907	9,021
Total Expenses	1,733,534	2,881,847
Net Profit	(272,361)	13,333

Table 40.10: TMA Balance Sheet

Description	31 July 2018 (\$)	31 July 2017 (\$)
Liabilities		
Deposits and deductions	175,261	226,313
Unearned Revenue	451,071	471,303
Total Liabilities	626,332	697,616
Equity		
TMA Accumulated (Loss)/Surplus	(784,897)	(798,230)
TMA Surplus	4,299,515	4,324,515
Net (Loss)/ Profit	(272,361)	13,333
Total Equity	3,242,257	3,539,618
Total Equity and Liabilities	3,868,589	4,237,234
Assets		
Cash at Bank	3,303,882	3,154,993
Accounts Receivable	162,338	644,415
Inventory	402,368	437,826
Total Assets	3,868,588	4,237,234

40.5 Trust Fund Account

The Ministry's Department of Energy Trust Fund Account is guided by the Rural Electrification Policy (REP) 2016 approved by the Minister for Infrastructure and Transport.

In 2008, this Policy was amended whereby the community contribution for all rural electricity schemes was reduced from 10 per cent to five per cent. The policy was silent with respect to changing supply between diesel and solar schemes or incorporating either system to one another to improve overall reliability of supply for example in the cases of hybrid systems.

The revised REP of 2016 constitutes a number of important changes that harmonizes with the Green Growth development model pursued by the nation in line with the vision of the UN framework of “Energy for All”; that electricity is now a basic necessity for life and sustainable development. These vital changes include:

- Waiver of community contribution to reciprocate community contribution in kind;
- Removal of finite assistance for diesel schemes recipients making them eligible for electrification via renewable based technologies like solar home systems;
- Increase in the Fiji Electricity Authority's annual Rural Electrification Fund;
- Increase in validity of FEA Rural Electrification scheme quotations; and
- The handover of Solar Home Systems ownership and maintenance to community's and recipients.

The trust fund is used to deposit the receipts from the Rural Electrification customers from the following operational activities:

- Solar Home Systems (SHS)
- FEA House Wiring
- Performance Bond for House wiring, supply of materials for 3200 SHS
- Bio Gas

Table 40.11: Department of Energy Trust Fund Account

Description	31 July 2018 (\$)	31 July 2017 (\$)
Opening Balance at 1 January	2,232,312	2,351,316
RECEIPTS		
FEA Grid & House wiring	23,691	---
Bond Payment	130,464	---
Solar Home Payments	195,982	75,959
Bank Interest	2,216	2,316
Total Receipts	352,353	78,275
PAYMENTS		
Bond Payment	28,462	75,435
Connection Fee	804	---
Refunds	110,130	121,438
Bank Fees	74	406
Total Payments	139,470	197,279
Net Deficit	212,883	(119,004)
Closing Balance as at 31st July 2018	2,445,195	2,232,312

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

40.6 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 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 technological 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 reported to the management of the 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 Ministry 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 of Infrastructure and Transport as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

Most deficiencies were noted in the operation of Trading and Manufacturing Accounts.

40.7 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 31 October 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
- 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 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.


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

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

40.8 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 of Infrastructure and Transport was:

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

40.9 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

40.10 Timeliness of Provision for Management Comments and Financial Statements for Signing

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	Management response received after 21 days

Rating	Timeliness of Signed Financial Statements Received
✖ Ineffective	Signed accounts was received after 15 days

PART C: SIGNIFICANT AUDIT FINDINGS

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.

40.11 : Lack of Records maintained for Loan recorded for Head 41 and Head 43

All PAO/SAO/AO/AAO is responsible for maintaining ledger and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.¹ The SAO, AO, AAO must ensure that all balances are accurate and adequately supported.² All PAO/SAO/AO/AAO is responsible for proper maintenance and safekeeping of accounting records and documents.³

The Ministry of Infrastructure and Transport controls the release of Operating and Capital Grant for Head 41 (Water Authority of Fiji) and Head 43 (Fiji Roads Authority).

Apart from the Operating and Capital grants, the Ministry of Economy also released project loans funds for Head 41 and Head 42. Refer below for details of loan project payments recorded in the Financial Management Information System by Ministry of Economy.

Table 40.12: Details of Project Loan Payments Recorded in the General Ledger System – Head 41 and Head 43

No.	Account Allocation	Description	Amount (\$)
1	14110185999100211	ADB PDA Urban Water Supply and Usage	908,798.05
	Total (Head 41)		908,798.05
2	14310143101100145	World Bank Transport Sector Plan	550,049.60
3	14310143101100230	ADB - Transport Sector Plan	3,655,743.00
	Total (Head 43)		4,205,792.60

We noted that the Ministry of Infrastructure and Transport does not maintain payment records to support the account balances recorded for Head 41 and 42 in the general ledger.

¹ Ministry of Infrastructure and Transport Finance Manual 2015 – Ledger Accounts, Part 16

² Ministry of Infrastructure and Transport Finance Manual 2015 – Accounting Records, Section 16.3.6

³ Ministry of Infrastructure and Transport Finance Manual 2015 – Accounting Records, Section 19.2.1

Root Cause/Implication

The findings indicate lack of consultation by the Ministry of Infrastructure and Transport to obtain the supporting documents for Ministry's records.

In the absence of the supporting documents, the Ministry will have no trail for the expenditures that are being incurred.

Recommendation

The Ministry should liaise with the Ministry of Economy and obtain supporting documents for loan recorded on Head 41 and Head 43 for Ministry's records.

Agreed Management Action

All records for loans are kept by the Debt Unit of the Ministry of Economy. They are the administrator and facilitator of all debts under the Fiji Government.

Officer Responsible

Principal Account Officer

40.12 Missing TMA Expenditure Records - Western Division

The Clerical Officer (Ledgers) must ensure that the Journal Vouchers are numbered in sequential order with all supporting documents attached to the voucher.⁴ The Foreman and Supervisor must record all manufacturing jobs on a job record sheet. The Clerical Officer (TMA) must maintain up-to-date and accurate ledgers which record administrative and overhead expenditures incurred in operating the TMA, inventory items bought, processed and sold, sales and debtors, creditors and commitments, cash payments and receipt.⁵

The Ministry was unable to provide details and supporting documents for some of the expenditure balances recorded in the general ledger for the financial year 2018. Refer to table below for details.

Journal vouchers for Plumber shop TMA Expenses which could not be provided for audit verification. Refer to Table 40.13 below for details.

Table 40.13: Details of Plumber shop TMA Expenses Not Provided for Audit Verification

Date	Project	Payment Details	Amount VEP (\$)
01-06-18	Natabua School Relining	Plant hire	821.04
28-02-18	Natabua Police Station	Plant hire	908.23
07-03-18	Natabua Police Station	Plant hire	1,679.17
27-06-18	Natabua Police Station	Plant hire	1,457.72
04-07-18	Natabua Police Station	Plant hire	1,124.89

⁴ Ministry of Infrastructure and Transport, 2015 Agency Finance Manual, Section 16.1.2

⁵ Ministry of Infrastructure and Transport, 2015 Agency Finance Manual, Section 6.2.3 – 6.2.5

Date	Project	Payment Details	Amount VEP (\$)
11-07-18	Natabua Police Station	Plant hire	1,151.39
01-06-18	Natabua Prison Complex	Plant hire	2,436.00
20-06-18	Natabua Prison Complex	Plant hire	435.14
27-06-18	Natabua Prison Complex	Plant hire	546.26

Supporting documents for journal vouchers not provided for audit verification process. Refer to Table below for details.

Table 40.14: Details of Other TMA Expenses Not Provided for Audit Verification

Date	Payment details	Journal No.	Amount VEP (\$)
01-11-17	Adjustment of misposting on IDC	416124	51,294.40
01-07-18	Reversal of charges.	411156	3,230.66

Root Cause/Implication

The above anomaly was due to failure of the responsible officer to attach documents to the journal voucher and file these documents accordingly. This also indicates that work of subordinates are not properly supervised.

In the absence of the supporting documents, the occurrence of the expenditure and accuracy of posting in the general ledger system could not be substantiated.

Recommendations

- The Ministry should make an effort to locate supporting documents for this account and ensure that all supporting's document are filed with the journal voucher.
- The relevant staff needs to be reminded of his/her duties and appropriate disciplinary actions taken for non-performance of the assigned task.

Agreed Management Action

Respective Accounting Heads for the Divisions are maintaining proper records and supporting documents. Regular inspection would be done by Headquarters Compliance Team in the various Divisions to avoid re-occurrence of the issue highlighted. PAO will ensure periodic checks to Accounting Heads at various Departments/Divisions for compliance.

Officer Responsible

Assistant Account Officer – Western Division

40.13 Drawings Account Reconciliations not performed in a timely manner

Drawings reconciliations must be submitted within 15 days after the end of the month.⁶

We noted that drawings account reconciliations were not performed by the Ministry within 15 days after the end of the month for the financial year 2018. Refer to table 40.15 below for details.

⁶Ministry of Infrastructure and Transport, 2015 Agency Finance Manual, Section 18.3.1

Table 40.15: Details of Reconciliation Not Prepared in a Timely Manner

Department	Reconciliation Month	Reconciliation Balance (\$)	Date Reconciliation Prepared
Works – HQ	18-May	132,705.47	18-06-18
GSS	18-Jan	67,602.18	20-02-18
Transport	18-May	22,558.14	18-06-18
Water	18-Mar	13,062.52	16-04-18
DEW	18-Jun	14,638.20	19-07-18
DEN	17-Nov	12,779.92	13-12-17
Energy	18-May	197,961.97	18-06-18
Works – HQ	18-Jul	21,243,080.57	21-08-18
GSS	18-Jul	373,871.00	21-08-18
Transport	18-Jul	125,960.94	21-08-18
Water	18-Jul	16,786.33	21-08-18
DEW	18-Jul	18,734.58	18-08-18
DEN	18-Jul	18,096.31	14-08-18
DECE	18-Jul	157,457.96	30-08-18
Energy	18-Jul	692,131.11	21-08-18

Root Cause/Implication

The above anomaly was due to the inability of the responsible officer to prepare reconciliation in a timely manner. This indicates that work of the officer was also not properly supervised.

Untimely reconciliations increase risk of errors, omissions and financial irregularities which may not be detected in a timely manner.

Recommendation

Responsible staffs should be reminded of their duties and appropriate disciplinary actions taken for non-performance of the assigned task in a timely manner.

Agreed Management's Action

Timely submission of Drawings Reconciliation will depend on the date of closure by FMIS. Hence it will take the Reconciliation Clerk time to prepare and provide an accurate Bank Reconciliation. The Ministry is currently reviewing the current Finance Manual. PAO will oversee the timeliness of the Bank Reconciliation and review Finance Manual Timeline.

Officer Responsible

Principal Accounts Officer

40.14 Poor Record keeping of Virements

All PAO/SAO/AO/AAO is responsible for maintaining ledger and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.⁷ The SAO, AO, AAO must ensure that all balances are accurate and adequately supported.⁸ All PAO/SAO/AO/AAO is responsible for proper maintenance and safekeeping of accounting records and documents.⁹

We noted the following anomalies for the transfer of funds within the expenditure group of funds maintained by the Ministry.

- The Ministry did not maintain all copies of the approved virements. Refer to Table below for details of virements which were not maintained by the Ministry.

Table 40.16: Details of Virement Not Maintained by the Ministry

Virement Not Provided	Status
V40001, V40003 V40004 V40006 V40007 DV4001 DV4002 DV4004 DV4008	Virements were not maintained by the Ministry in the Virement File. The Ministry informed that it will be requested from the Ministry of Economy.

- We further noted that an approved virement (reference number MWTPU5/5-14) amounting to \$137,415 was not recorded in the general ledger system.

Root Cause/Implication

The above anomaly was due to the failure of the responsible officer to maintain all copies of the approved virements for Ministry records. This indicates that work of the officer was also not properly supervised.

In the absence of the supporting documents, the accuracy and completeness of the account balances recorded in the general ledger system could not be substantiated.

Recommendation

Responsible staff needs to be reminded of their duties and appropriate disciplinary actions taken for non-performance of the assigned task.

Agreed Management's Action

Comments are noted. The vacant post for SAO and AAO Ledgers has being given acting appointment to oversee proper record keeping and compliance.

Officer Responsible

Principal Account Officer

⁷ Ministry of Infrastructure and Transport Finance Manual 2015 – ledger Accounts, Part 16

⁸ Ministry of Infrastructure and Transport Finance Manual 2015 – Accounting Records, Section 16.3.6

⁹ Ministry of Infrastructure and Transport Finance Manual 2015 – Accounting Records, Section 19.2.1

40.15 Absence of Disaster Recovery Plan

Disaster recovery involves a set of policies, tools and procedures to enable the recovery or continuation of vital technology infrastructure and systems following a natural or human-induced disaster. Disaster recovery focuses on the Information Technology or technology systems supporting critical business functions, as opposed to business continuity, which involves keeping all essential aspects of a business functioning despite significant disruptive events.

It is imperative to have a Disaster Recovery Plan to ensure that all records are secure from data security breaches and natural disasters.

We noted that the Ministry did not have an approved Disaster Recovery Plan.

Root Cause/Implication

The anomaly could be attributable to lack of capacity in preparing a Disaster Recovery Plan

The Ministry is at high risk of loss of valuable data in an event of natural disaster.

Recommendation

The Ministry should work towards establishing a Disaster Recovery Plan.

Agreed Management's Action

The recommendations are noted. There are procedures that the IT Unit does in terms of file backups on servers and individual PC's. This was documented thus as per the requirements outlined and IT Unit is now documenting formal document for Disaster Recovery Plan which will be a working document for the Ministry.

Officer Responsible

Director Corporate Services

40.16 Absence of Compliance Officers

The Ministry's Finance Manual requires appointment of two compliance officers to conduct monthly reviews of the existing internal controls within the Ministry.¹⁰

We noted that the Ministry did not appoint the Compliance Officers contrary to the requirements of its Finance Manual.

Root Cause/Implication

The above anomaly was due to the delay in filling of vacant positions.

Failure to conduct monthly reviews of the existing internal control increases risk of errors and financial irregularities which may not be detected in a timely manner.

¹⁰ Ministry of Infrastructure and Transport Finance Manual 2015 – Internal Control Reports, Section 18.1.8

Recommendation

The Ministry should consider appointing Compliance Officers to carry out reviews to ensure compliance with the policies, procedures and applicable legislation.

Agreed Management's Action

The shortage of staff was the main reason for the non- appointment of Compliance Officers as stipulated in the Finance Manual. However the Ministry is organizing and working within to ensure that systems and process are maintained.

Officer Responsible

Director Corporate Services

40.17 Disposal of Serviced Engine Oil from Bua Government Stations Generators

A person who without lawful authority or reasonable excuse causes or contributes to the discharge of a waste or pollution from any vessel, aircraft or facility commits an offence and is liable on conviction for first offence of \$250,000 and to a term of imprisonment of not exceeding 3 years or for second subsequent offence to a fine not exceeding \$750,000 and to a term of imprisonment not exceeding 10 years.¹¹

Site inspections carried out during audit on 19/12/18 at the Rural Government Station in Bua revealed that the Ministry was disposing serviced engine oils directly into a pit in the ground. Refer to picture below for details:



Root Cause/Implication

Discussions with the Divisional Engineer Works Northern revealed that the Ministry was advised by the Department of Environment to dispose oil in the ground. However, the audit confirmation from Ministry of Environment on the above matter revealed that the disposal of the oil is improper. This indicates that necessary awareness on protection of environment has not been carried out at the station.

¹¹ Environment Management Act 2005 section 45 (1) - Pollution Offence

There is a high risk that the oil will seep into the soil and sea impacting the marine life. The Ministry is also exposed the risk of penalties imposed by the Ministry of Environment.

Recommendation

The Ministry should consult Ministry of Environment and dispose off the serviced oil in a manner that does not have negatively impact the environment.

Agreed Management Action

Comments noted. All loose oils are now filled in drums and stored in a shed constructed at the site.

Officer Responsible

Divisional Engineer Northern Division

40.18 Wastage of Donated Items

Inventory purchasing, storage and recording should be efficiently managed to ensure that there is a sufficient level of inventories when needed, while minimizing the cost of holding inventory and the risk of stock becoming obsolete or damaged.¹²

The Department of Meteorology received aid from a Donor Agency for the construction of weather tripods in the Northern division.

Site visit carried out during audit at the Building Storeroom revealed that bags of ready-mix gravel were not utilized by the Division. Refer to picture below for details:



Root Cause/Implication

The findings indicate deficiency in the management and utilization of donated resources by the Ministry.

¹² Ministry of Infrastructure and Transport Finance Manual 2015 – Inventory, Part 8

There is a high risk that the ready-mix gravel could go to waste if is not utilized on a timely manner. In addition, there is possibility that donors will not fund future projects if materials provided are not properly utilized.

Recommendation

The Ministry should utilize the materials on government projects to avoid wastage of donated resources.

Agreed Management Action

Bags were ordered for the construction of the AWS Installation. There was an error in the Estimation hence the surplus. Arrangements are being made by the PTO for the surplus bags to use in other projects.

Officer Responsible

Divisional Engineer Northern Division

40.19 Operating Fund Receipt deposited in Main Trust Fund Account

All PAO/SAO/AO/AAO is responsible for maintaining ledger and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.¹³

The receipts from Rural Electrification provided by the Government Station are recorded as revenue for Fund 1¹⁴ Agency Revenue.

We noted that funds totaling **\$86,927** were recorded as receipts in the Energy Trust Account number 9-40-401-41999-895014 (Fund 9) instead of revenue for Fund 1.

Root Cause/Implication

The above anomaly was due to the error made by the responsible officer in recording the transaction in the general ledger. Proper checking was also not done by the Supervising officer.

As a result, the revenue for Energy Trust Fund revenue and Rural Electrification revenue does not accurately reflect the revenue earned for the period.

Recommendations

- **Responsible staff needs to be reminded of their duties and appropriate disciplinary actions taken for not following proper recording procedures.**
- **The Supervising Officer should ensure that all financial information are correctly recorded in the general ledger account.**

¹³ Ministry of Infrastructure and Transport Finance Manual 2015 – ledger Accounts, Part 16

¹⁴ Fund 1 – Operating Fund Account and Fund 9 is Main Trust Fund Account General Ledger System

Agreed Management's Action

It was an error made by the Cashier and this will be rectified after making consultations with Ministry of Economy on a suitable way forward to resolve the issue.

Lack of monitoring due to shortage of Supervising Staff, currently all Supervisory vacant post has being filled through acting appointments and the interview is being carried out for substantive filling of the vacant post.

Officer Responsible

Principal Account Officer

40.20 Main Trust Fund Reconciliation not performed monthly

Within 5 days after the end of each month, the Clerical Officer (Trust) shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹⁵ All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items, be signed and dated by the responsible officer.¹⁶

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.

We noted that monthly trust fund reconciliations were not performed by the Ministry for the financial year August 2017 till July 2018.

In addition, it was noted that the Ministry has not maintained appropriate details of this Trust Fund account to reconcile the bank balance to each component of the trust fund account.

Root Cause/Implication

The above anomaly was due to the failure of the responsible officer to reconcile the bank balance to each component of the Trust fund account balance.

Non preparation of reconciliations increase risk of errors, omissions and financial irregularities which may not be detected in a timely manner.

Recommendation

Responsible staff should be reminded of their duties and appropriate disciplinary actions taken for non-performance of the assigned task.

Agreed Management's Action

Due to the shortage of staffs there were delays in reconciliations. An officer has been assigned the responsibility of the Main Trust Reconciliation on a monthly basis.

¹⁵ Ministry of Infrastructure and Transport Finance Manual 2015 – Trust Reconciliation, Section 15.4.1

¹⁶ Finance Instructions 2010, Section 32 (6)

Officer Responsible

Principal Account Officer

40.21 Anomalies in Energy Main Trust

All PAO/SAO/AO/AAO is responsible for maintaining ledger and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.¹⁷ The SAO, AO, AAO must ensure that all balances are accurate and adequately supported.¹⁸ All PAO/SAO/AO/AAO is responsible for proper maintenance and safekeeping of accounting records and documents.¹⁹

The Ministry maintains a database of all the receipts and payments in excel for the Energy Main Trust.

We noted variances between the receipts and payments recorded in the general ledger system and the Ministries database. Refer below for details.

Table 40.17: Details of Variances

Account	FMIS (\$)	Ministry (\$)	Variance (\$)
Receipts	416,983	352,353	64,630
Payments	204,099	139,470	64,629

Furthermore, the Ministry did not provide details of the Individual line items reported in the Statement of Receipts and Payments.

Root Cause/Implication

The above anomaly was due to the failure of the responsible officer to prepare reconciliations.

Due to the variances, the accuracy of trust fund account balances reported in the Energy Trust Fund Account could not be substantiated.

Recommendation

Responsible staff needs should be reminded of their duties and appropriate disciplinary actions taken for non-performance of the assigned task.

Agreed Management Action

Trust Reconciliations are carried out and the responsible officer is substantiating the variances.

Officer Responsible

Principal Account Officer

¹⁷ Ministry of Infrastructure and Transport Finance Manual 2015 – ledger Accounts, Part 16

¹⁸ Ministry of Infrastructure and Transport Finance Manual 2015 – Accounting Records, Section 16.3.6

¹⁹ Ministry of Infrastructure and Transport Finance Manual 2015 – Accounting Records, Section 19.2.1

40.22 Pending Rural Electrification Project – 2013 REU Northern Project

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.²⁰

It is the intention of Government that social benefit of electricity is made available to all rural areas in the shortest time possible. This means that social benefit of electricity is provided to as many Fiji villages and settlements as possible within the bounds of funds allocated annually by Government and/or aid.²¹

During the site visit on 19/12/18, we noted that an applicant of Matasawalevu Settlement, Dreketi was yet to be connected to the grid since 2013. The remaining houses in the area were connected to the FEA grid.

The applicant confirmed that the house wiring was completed. However connection to the EFL grid was yet to be carried out.

Discussion with Senior Officer from the Department of Energy at the Northern Division revealed that consent was not given by the owner of the vacant land in front of the house.

Root Cause/Implication

The findings indicates that the Ministry did not consider land issue with the landowners during the preliminary planning phase.

As a result there is a high risk that Government's vision for all Fijians to have access to electricity by the year 2020 may not be achieved.

Recommendations

- **The Ministry should ensure that proper consultation with landowners are undertaken well before projects are commenced.**
- **The Ministry should review the current process for due diligence in place before committing to a project and ensure that all aspects are covered.**

Agreed Management Action

Comments noted. However part of the responsibility of our rural electrification customers is to acquire the land consent from his/her neighbor. This needs to be submitted together with the application form. However in situation when such issues arise, the Department together with relevant stakeholders meet with the applicant and neighbor to solve such issue.

Officer Responsible

Director Energy

²⁰ Ministry of Infrastructure and Transport Finance Manual 2015 – Expenditure, Part 2

²¹ Fiji Rural Electrification Policy 2016

40.23 Delay in Connection of house wiring to the Grid lines - Northern

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.²²

It is the intention of Government that social benefit of electricity is made available to all rural areas in the shortest time possible. This means that social benefit of electricity is provided to as many Fiji villages and settlements as possible within the bounds of funds allocated annually by Government and/or aid.²³

Site inspections carried out during audit on 19/12/18 revealed that a number of houses in the Northern division were not connected to the EFL gridlines.

Discussions with the residents revealed that the EFL gridlines were ready for over three months and they were still awaiting the house wiring contractors to connect their house to the EFL Gridlines.

Root Cause/Implication

The finding indicates lack of monitoring and follow up by the Ministry on the timely implementation of the rural electrification projects outsourced to contractors.

As a result, there is a high risk that government's vision for all Fijians to have access to electricity by the year 2020 will not be achieved in a timely manner.

Recommendations

- **The Ministry should ensure that proper consultation and follow up are made with the contractors to complete the work in a timely manner.**
- **The Ministry should assess the efficiency and effectiveness of processes involved in carrying out all rural electrification projects.**

Agreed Management's Action

Audit recommendation is noted. The Department continues to work closely with the EFL to ensure that we co-ordinate and monitor the progress done with EFL Grid work and house wiring. We have also been meeting together with the house wiring contractors to identify issues and challenges which they are facing which is contributing to the slow progress of work.

Officer Responsible

Director Energy

²² Ministry of Infrastructure and Transport Finance Manual 2015 – Expenditure, Part 2

²³ Fiji Rural Electrification Policy 2016

40.24 Households with both Solar Home Systems and EFL Grid – Northern

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.²⁴

Site inspections carried out during audit on 19/12/18 revealed that a number of houses in the Northern division were using both EFL grid extensions and solar home systems for the supply of electricity in their houses. Refer to picture below for details.



Root Cause/Implication

The findings indicate deficiency in the process and implementation of rural electrification projects.

Provision of both sources of electricity to one property deprives others to benefit from the rural electrification projects funded by government.

Recommendations

- The Ministry should ensure that those areas connected to the EFL power lines are not supplied with solar home system.
- The Ministry should assess the efficiency and effectiveness of processes involved in carrying out all rural electrification projects to ensure that the unprivileged also have access to electricity.

Agreed Management's Action

The audit recommendations are noted. All houses that have SHS Installation will be removed by the Team.

Officer Responsible

Director Energy

²⁴ Ministry of Infrastructure and Transport Finance Manual 2015 – Expenditure, Part 2
Ministry of Infrastructure and Transport

40.25 Prolonged Energy project since 2013 –Western Division

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.²⁵

It is the intention of Government that social benefit of electricity is made available to all rural areas in the shortest time possible. This means that social benefit of electricity is provided to as many Fiji villages and settlements as possible within the bounds of funds allocated annually by Government and/or aid.²⁶

Audit verification of the EFL progress reports revealed that most projects for which funds were allocated five years ago were yet to be completed. Refer below for details of prolonged EFL projects.

Table 40.18: Details of Prolong Energy Project

Year	No. of Incomplete Project	Amount Paid to FEA (\$)	Remarks
2013	1	Amount yet to be provided by DOE	Outstanding Rural Electrification Projects since 2013 as per DOE submission.
2014	2	673,766	
2015	4	5,782,336	
2016	14	7,788,825	
2016/2017	11	2,218,030	
2017/2018	144	34,165,493	

We were informed by the Ministry that EFL usually prioritize their project first than the project of the Ministry.

Root Cause/Implication

The findings indicate lack of monitoring and follow up by the Ministry on the timely implementation of the rural electrification projects outsourced to EFL.

Despite significant funding, there is a high risk that government's vision for all Fijians to have access to electricity by the year 2020 will not be achieved.

Recommendations

- The Ministry should ensure that proper consultation and follow up are made with EFL to complete the work in a timely manner.
- The Ministry should assess the efficiency and effectiveness of processes involved in carrying out all rural electrification projects.

²⁵ Ministry of Infrastructure and Transport Finance Manual 2015 – Expenditure, Part 2

²⁶ Fiji Rural Electrification Policy 2016

Agreed Management Action

Comments are noted. The Department has been having weekly meetings with the EFL to discuss on the progress of EFL projects funded over the years.

The delay in some of the outstanding projects was mainly due to external factors such as the damaged of access roads, land dispute and so forth. The Department continually follow up with the relevant authorities to have these issues sorted and rectified quickly. Those issues which can be dealt with immediately are prioritized whereas those that will require capital budgets are programmed accordingly to the availability of funds.

Officer Responsible

Director Energy

40.26 Pending Rural Electrification Project – 2013 Western REU Project

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.²⁷

It is the intention of Government that social benefit of electricity is made available to all rural areas in the shortest time possible. This means that social benefit of electricity is provided to as many Fiji villages and settlements as possible within the bounds of funds allocated annually by Government and/or aid.²⁸

We established during audit that the following areas were yet to be connected to the EFL grid since the 2013. Refer below for details.

Table 40.19: Details of Prolong Energy Project

Year	Amount (\$)	Project	Status
2014	357,474	RA06-09. Supply to Nausori Village & Settlements, Rakiraki	House wiring delayed due to the death of the contractor.
2015	4,525,821	RA10/13C. Supply to Tokaimalo Stage 2 – Ra Phase 4 works	Delayed due to instruction to move the contractor to Qiolevu.

²⁷ Ministry of Infrastructure and Transport Finance Manual 2015 – Expenditure, Part 2

²⁸ Fiji Rural Electrification Policy 2016



Root Cause/Implication

The findings indicate poor project management due to the absence of pro-active measures taken by the Ministry to ensure that projects are completed on time.

As a result, there is a high risk that Government's vision for all Fijians to have access to electricity by the year 2020 may not be achieved.

Recommendation

The Ministry should take proactive measures to complete the pending projects.

Agreed Management Action

Audit recommendation is noted. The Department is working together with the contractors to have these houses connected. Qiolevu Project has been completed and the contractor is currently working in Tokaimalo.

Officer Responsible

Director Energy

40.27 Inability to Complete the Carryover Project due to Damages Sustained

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.²⁹

Our site visit on 13/12/18 revealed that power to the following two farm houses cannot be connected due to the condition of the house which has deteriorated due over the years. The project was approved in 2013 and it took five years to implement the project. A total of \$24,390 was paid to EFL and construction of grid lines already implemented on the ground. Refer below for details.

²⁹ Ministry of Infrastructure and Transport Finance Manual 2015 – Expenditure, Part 2
Ministry of Infrastructure and Transport

Table 40.20: Details of Shelved Energy Project

Amount (\$)	Project	FEA Status
24,390	Subramani's farm house, solovi, nadi	House cannot be wired due to house in bad condition

**Root Cause/Implication**

The findings indicate that proper assessment were not made during the preliminary stage.

There is a high risk that funds spent on the project may be wasted if the farm houses are not connected to the grid lines.

Recommendation

The Ministry should ensure that proper due diligence is carried out in the assessment of projects selected for implementation.

Agreed Management Action

The Department carry out survey/inspection during the various stages of the project and the conditions/standard of the houses needs to be met. These sub-standard houses will not be wired by the contractor

Officer Responsible

Director Energy

40.28 Stop Notice for the implementation of the REU Project at Natadola – Western

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.³⁰

³⁰ Ministry of Infrastructure and Transport Finance Manual 2015 – Expenditure, Part 2

It is the intention of Government that social benefit of electricity is made available to all rural areas in the shortest time possible. This means that social benefit of electricity is provided to as many Fiji villages and settlements as possible within the bounds of funds allocated annually by Government and/or aid.³¹

Our site visit on 13/12/18 at Natadola revealed that the grid installation and implementation of the power lines to the respective household have been stopped by a law firm due to land issue. The projects were approved in 2015 and it has taken three years to implement them. . A total of \$134,239 was paid to EFL and construction of grid lines were already installed in the ground. However, the connection of power lines from the grid to the respective houses were incomplete. Refer below for details.

Table 40.21: Details of Stop Notice for REU Project

Amount (\$)	Project	FEA Status
134,239	Natadola Settlement, Sigatoka	Grid Extension - Stop work notice received from Krishna & Co, Barristers & Solicitors. Land owner issue.

Root Cause/Implication

The findings indicates that the Ministry did not discuss land issues with the landowners during the preliminary planning phase.

Despite significant funding, the implementation of the “grid extension” to improve the lives of the rural communities is largely yet to be implemented.

As a result there is a high risk that government’s vision for all Fijians to have access to electricity by the year 2020 will not be achieved.

Recommendations

- **The Ministry should ensure that proper consultation with landowners are undertaken well before project is commenced.**
- **The Ministry should ensure that proper due diligence is carried out in delivery of the contract in future.**
- **Appropriate disciplinary actions should be taken for the lack of due diligence by responsible staffs.**

Agreed Management Action

Audit comments noted. Since EFL is responsible for the survey grid extension, they have included as part of their application requirements was for the applicants to get the land access approval and attached all relevant documentation with the application forms. The Department has been working closely with the EFL to address and minimize such issues from happening.

³¹ Fiji Rural Electrification Policy 2016

Officer Responsible

Director Energy

40.29 Incomplete REU project due to damage Infrastructure - Western

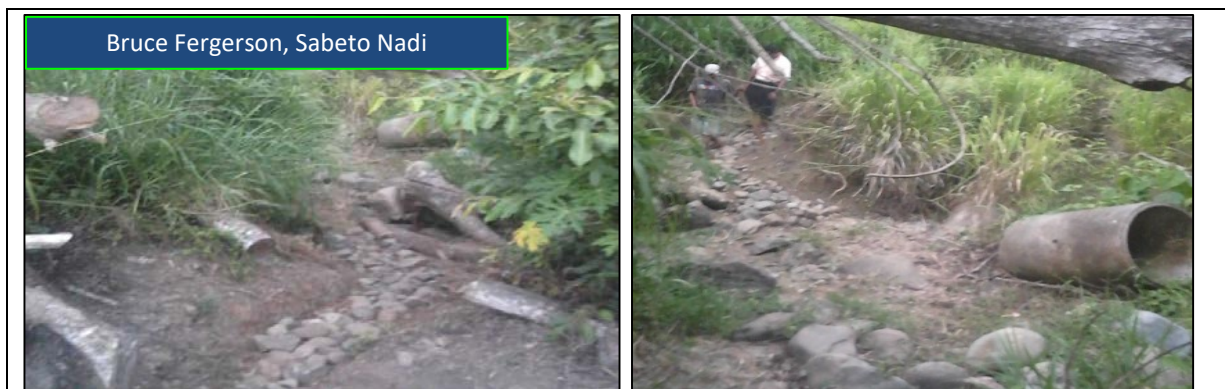
The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.³²

It is the intention of Government that social benefit of electricity is made available to all rural areas in the shortest time possible. This means that social benefit of electricity is provided to as many Fiji villages and settlements as possible within the bounds of funds allocated annually by Government and/or aid.³³

Our site visit on 13/12/18 revealed that grid installation, connection of power lines and supply of power to the houses were not fully completed by EFL due to damage to infrastructure. The projects were approved in 2013 and it has taken five years to implement them. A total of \$5,102,548 was paid to EFL for the above works. Refer below for details.

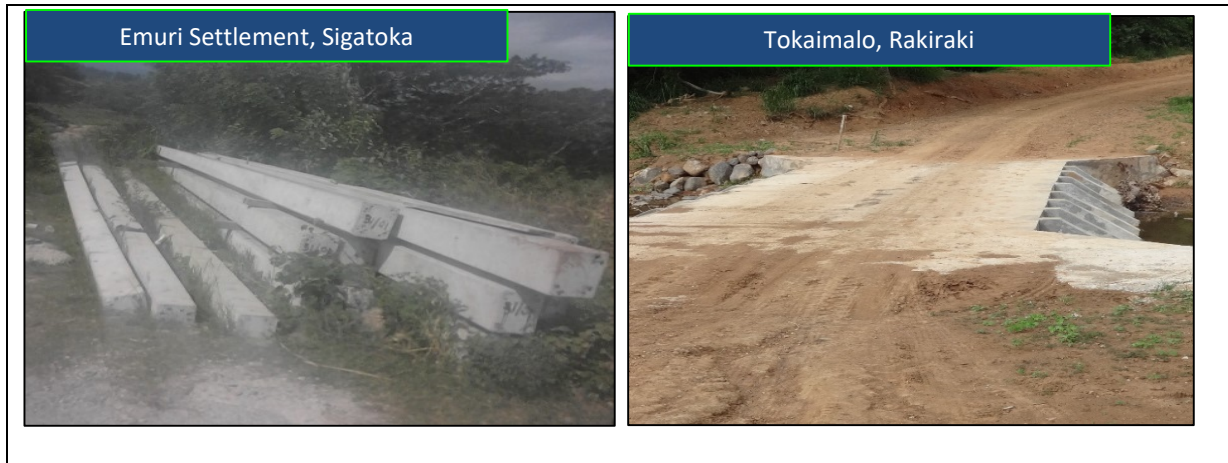
Table 40.22: Details of Incomplete REU Project

Year	Amount (\$)	Project	FEA Status
2016	4,525,821	RA10/13E. Supply to Tokaimalo Stage 2, Rakiraki. Phase 5 Works	Works was delayed due to damage crossings and access roads.
2016	216,962	SG209-96. Emuri Settlement, Sigatoka	
2016/2017	292,920	NA356/00. Amgali Settlement, Nadi	
2016	66,845	NA06/16 Bruce Ferguson, Sabeto, Nadi	Road Wash away
Total	5,102,548		



³² Ministry of Infrastructure and Transport Finance Manual 2015 – Expenditure, Part 2

³³ Fiji Rural Electrification Policy 2016



Root Cause/Implication

The findings indicate poor project management due to the absence of pro-active measure taken by the Ministry to ensure that project are completed on time.

Despite significant funding, the implementation of the “grid extension” to improve the lives of the rural communities is largely yet to be implemented.

Recommendation

The Ministry should take proactive measures to complete the projects.

Agreed Management Action

Audit recommendation is noted. It's apparent that some of these damaged infrastructure happened during the construction stage of the project. The Department continue to have meetings and follow up with the relevant authorities to address and rectify these issues.

Officer Responsible

Director Energy

40.30 Incomplete Work - Central

Timely and accurate management reports are necessary for effective management decisions.³⁴

Progress reports for the Central Eastern Division stated that the Central Eastern Yard and Department of Co-operative Office in Lami were 100% complete. However, upon site visit on 8/11/2018 revealed that the following project works were still pending:

DECE Yard

- shift existing cashier cubicle to design layout with new customer waiting area.
- Repositioning of work station to match design layout.

³⁴ Ministry of Infrastructure and Transport Finance Manual 2015 – Reporting, Part 18

- Open Existing Cashier office before current office, external wall as main entrance and upgrade as per design.

Department of Co-Operative Office in Lami

- Painting materials had been purchased on 02/05/2018 but works had yet to commence as at the date of audit visit - a lapse of 6 months. The items were stored in the Buildings storeroom.

Root Cause/Implication

The findings indicate misleading reports submitted by the Divisions.

Therefore there is a high possibility that progress reports submitted for projects are incorrect and cannot be relied upon by Management for decision-making.

Recommendations

- **Responsible staffs should be reminded of their duties and appropriate disciplinary actions taken against those responsible for providing misleading progress reports;**
- **The Ministry should make an effort to complete the capital works as soon as possible.**

Agreed Management Action

The materials were purchased and used for the Rural Government Stations Urgent Upgrading since there was no scoping and no forecast done in 2018-2019 FY. This was done due to the insufficient funding in the RGS hence the Lami Co-op was used in that instance.

Adjustments being done in the Ledgers of the various projects however we could make FMIS Adjustments due to the closure of the 2017-2018 FY.

Officer Responsible

Division Engineer Central Eastern Division

40.31 Savings from jobs received from other government agency (SLG funds)

Trading and Manufacturing Activities (TMA) are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods, services or works more cost effectively.³⁵

The Ministry's Building Section and TMA's Section engages project workers in order to complete the jobs received.

We noted that a number of jobs are carried out by the Ministry's Building Section (Fund 1) through the engagement of project workers. Several jobs carried out by the Building Sections for Ministries/Department had savings which were returned to the Ministries and Departments.

³⁵ Ministry of Infrastructure and Transport Finance Manual 2015 – Trading and Manufacturing Accounts, Part 6

If the jobs were carried out by the TMA's Section (Fund 4), these would have resulted in effective utilization of existing resources and eventually profits for the TMA's Section. Refer to Table below for details.

Table 40.24: Details of Funds Returned

Job Number	Savings (\$)
14030197991840101-001	17,520.43
14030197991840101-002	3,328.64
14030197991840101-003	10,550.85
14030197991840101-006	8,794.41
Total	40,194.33

Root Cause/Implication

Lack of consideration for TMA operation increases the risk of TMA loss due to less job received for TMA operations.

Recommendation

The Ministry should consider engaging the TMA's for jobs received from other Ministries / Department.

Agreed Management Action

Comments are noted. The HOD are being reminded the usage of the full potential of the TMA to ensure that funds allocated for a projects are prudently utilized and savings be referred as profit to the individual TMA's.

Officer Responsible

Divisional Engineer Northern Division

40.32 Prolonged Delay in the Construction of Old Peoples Home Labasa

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.³⁶

The Plumber Shop TMA purchased items for sewer line works at the Old Peoples Home Labasa on 13/6/18.

As at the date of audit on 18/12/18, work on the Old People's Home was yet to be commenced. Further confirmation was obtained from the Ministry on 10/07/19 to which the Ministry responded stating that they were yet to commence the construction. This constitute delay of over a year.

³⁶ Ministry of Infrastructure and Transport Finance Manual 2015 – Expenditure, Part 2

Furthermore, we noted that the job was transferred from the Ministry's Building Section to the TMA section.

Root Cause/Implication

We were informed that at the time of the purchase of the materials that the workers were working on three other projects.

Delays in commencing work at the Old peoples Home could severely impact the lives of the citizens of the home and reflects poorly on service delivery of the TMA of the Ministry.

Recommendations

- **The Ministry should assess the efficiency and effectiveness of processes involved in carrying out TMA jobs.**
- **The Ministry should make an effort to complete the job as soon as possible.**

Agreed Management Action

The delay was mainly due to the receipt of funding in the Division. As such Divisions procure first all materials and once they have reached 70% to 80% materials then engagement of workers could take place for the commencement of work.

Divisions are not taking extra precaution when receiving funds from Client Ministries/Department to ensure jobs are completed on time.

Officer Responsible

Divisional Engineer Northern Division

40.33 Expenditure not correctly recorded in the general ledger system

All PAO/SAO/AO/AAO is responsible for maintaining ledger and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.³⁷ The SAO, AO, AAO must ensure that all balances are accurate and adequately supported. ³⁸All PAO/SAO/AO/AAO is responsible for proper maintenance and safekeeping of accounting records and documents.³⁹

Our review of the general ledger revealed the following mispostings in the. Refer below for details.

³⁷ Ministry of Infrastructure and Transport Finance Manual 2015 – ledger Accounts, Part 16

³⁸ Ministry of Infrastructure and Transport Finance Manual 2015 – Accounting Records, Section 16.3.6

³⁹ Ministry of Infrastructure and Transport Finance Manual 2015 – Accounting Records, Section 19.2.1

Table 40.25: Details of Misposting

Cheque Number	Amount (\$)	Remarks
871782	5,439.35	Expense incurred was for Mechanical Yard Maintenance 10/17-18.
JV411157	36,463.12	Expense incurred was for electrification of rural government station.
883118	8,060	Expense incurred was for refunds to Ministry of Education.
5020	10,271	Expense incurred was for FEA Bills.
5637	33,169	Expense incurred was for WAF Bills.

Root Cause/Implication

The above anomaly was due to the error made by the responsible officer for the financial recording in the general ledger system. Proper checking was also not done by the supervising officer for financial information recorded in the general ledger.

As a result, the respective general ledger expenditure account does not accurately reflect the correct expenditure incurred for the period.

Recommendations

- **Responsible staff should be reminded of their duties and appropriate disciplinary actions taken for the mispostings.**
- **The Supervising Officer should ensure that all financial information are correctly recorded in the general ledger account.**

Agreed Management Action

The Accounting Head for Divisions are regularly monitoring the Expenditure Ledgers with the coinciding Expenditure FMIS GL's.

The General Ledger has being adjusted by the Clerk however the FMIS Ledger could not be amended due to the closure of 2017-2018 FY.

As for the RGS Charges these were done on the directive of Senior Management since the RGS were breaking down and verbal instruction being given to get the electricity supply running.

Officer Responsible

Principal Accounts Officer

40.34 TMA rates schedule to be updated

Trading and Manufacturing Activities (TMA) are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods, services or works more cost effectively.⁴⁰

⁴⁰ Ministry of Infrastructure and Transport Finance Manual 2015 – Trading and Manufacturing Accounts, Part 6

It is imperative for the Ministry to update its TMA rates schedule. This will ensure that the Ministry provides its service at the current market rate.

The Ministries TMA rate schedule for joinery workshop, plumber shop and mechanical section was estimated and issued in 2013 and till date it has not be revised nor updated to the current market rate.

We noted that the rates used by the Division are the rate that were issued back in 2013 and 2014. Refer below for details.

Table 40.26: Details of TMA Rates

TMA	Date of when the rate were issued
Plumber shop	2014
Plant Hire	2013

Root Cause/Implication

The audit finding is due to the Ministry's inability to submit request to Ministry of Economy for consideration.

There is a high risk of increased losses in TMA operations due to non-recovery of costs incurred in their operations.

Recommendation

The Ministry should consider making submissions for review of the rates to Ministry of Economy for consideration.

Agreed Management Action

The Ministry agree that the TMA Rates is long overdue for a review hence we will be appointing a Team very soon to carry out such mammoth task.

Officer Responsible

Principal Accounts Officer

40.35 Review of TMA operating results effectiveness

Trading and Manufacturing Activities (TMA) are operated on a semi-commercial basis to increase the returns that are realized from them and to provide goods, services or works more cost effectively.⁴¹

Over the years the Ministry has extended its TMA operation to private sector, particularly in the area of joinery.

⁴¹ Ministry of Infrastructure and Transport Finance Manual 2015 – Trading and Manufacturing Accounts, Part 6

There is need to review the results of the TMA to ensure that the operations are carried in an effective and efficient manner.

There was no evidence that the Ministry took a proactive approach in measuring the operating effectiveness and efficiency of the TMA operation. We were unable to sight detailed analysis report of TMA sales and expenditure.

Root Cause/Implication

This indicates that the Ministry may not have the competent personnel to carry out analysis of TMA reports and report the same to the Management.

In absence of a comprehensive review of TMA results, inefficiency and ineffectiveness would not be identified.

Recommendations

- **A dedicated Team or an Officer should be assigned to carry out the reviews of the TMA operations.**
- **The result of the review should be referred back to the Management.**

Agreed Management Action

Monthly Financial Reports and Performance analysis are submitted to Management for review and comments.

Meetings are held regularly where issues are discussed and strategies are put as the way forward to ensure the sustainability of the TMA Operations

Officer Responsible

Principal Accounts Officer

40.36 Delay in Implementation for Disaster Rehabilitation Road Works

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community. As well, as having cost effective internal controls within the purchasing and payment system plays an important part in ensuring that waste of funds, over-expenditure and corruption do not occur.⁴²

The 2017 – 2018 budget estimate included an amount of \$13,850,000 for Disaster Rehabilitation which was allocated to the Fiji Roads Authority (FRA) under Head 43.

Review of the Annual Work Program for FRA revealed that a total of 23 projects were planned to be undertaken from this funding. Refer to Table below for details.

⁴² Ministry of Infrastructure and Transport Finance Manual 2015 – Expenditure, Part 2

Table 40.27: Details of Projects under Head 43

Projects	Start Date	End Date
1. Professional Services for TC Winston	1/8/17	31/7/18
2. Balenabelo Crossing	1/8/17	31/7/18
3. Naiyarabele Crossing	1/8/17	31/7/18
4. Kalabu Bridge	1/8/17	31/7/18
5. Mia Mahajan Culvert	1/8/17	31/7/18
6. Wailoku Road Culvert	1/8/17	31/7/18
7. BS Chand Road Culvert	1/8/17	31/7/18
8. Savu 2 Bridge	1/8/17	31/7/18
9. Savu 3 Bridge	1/8/17	31/7/18
10. Ovalau Circular Road	1/8/17	31/7/18
11. Lesaiceva Road, Savusavu	1/8/17	31/7/18
12. Vunivuca Road, Macuata	1/8/17	31/7/18
2. Balenabelo Crossing	1/8/17	31/7/18
13. Nabouwalu Road, Bua	1/8/17	31/7/18
14. Bulu Bridge & Namatakula Village - Queens Road	1/8/17	31/7/18
15. South Coastal Road – Taveuni	1/8/17	31/7/18
16. North Coastal Road – Taveuni	1/8/17	31/7/18
17. Tuatua - Mudu (Koro Island)	1/8/17	31/7/18
18. Uruone - Mavana (Vanua Balavu)	1/8/17	31/7/18
19. Motusa - Pepjei (Rotuma)	1/8/17	31/7/18
20. Natokalau - Naceva (Cicia)	1/8/17	31/7/18
21. Naroï - Vunuku (Moala)	1/8/17	31/7/18
22. Biana - Namuana (Kadavu)	1/8/17	31/7/18
23. Yadua - Nawaikama (Gau)	1/8/17	31/7/18

Further review of the project status revealed that the projects were carried forward to the 2018-2019 financial year.

Root Cause/Implication

The findings indicate that the much needed rehabilitation works were not prioritized.

Delay in implementation of projects result in funds allocated by Parliament not being utilized for the period it was approved.

Recommendation

The Ministry should ensure that priority is given disaster rehabilitation works and projects are completed within the planned timelines.

Agreed Management Action

The Ministry acknowledges the comments noted and will monitor the FRA Projects.

Officer Responsible

Fiji Roads Authority of Fiji.

Head 42**Ministry of Waterways****Roles and Responsibilities**

The new Ministry of Waterways has been established by the Fijian Government to address the growing threat that flooding poses to Fijian communities, a threat that is projected to worsen due to the effects of climate change. The Ministry is responsible for the maintenance of drainage systems and management of waterways in Fiji, including creeks, tributaries and rivers.

The Ministry's mandate covers urban and rural communities. In its work to improve storm-water management, mitigate flooding and improve irrigation, the Ministry will incorporate aspects of hydrological forecasting, drainage surveillance and realignment, waterway dredging and river embankment management.

The high social and economic costs of flooding can be exacerbated by poor waterway and drainage systems. The Ministry will work to address the fundamental issues that are putting Fijian communities at risk by developing more-effective flood management systems, introducing smart agricultural irrigation solutions, dredging waterways and developing modern drainage guidelines and regulations.

All existing drainage and dredging work in Government has been taken in under this Ministry, including the Land and Water Resource Management (LWRM) Division, which has been transferred from the Ministry of Agriculture.

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PART A: FINANCIAL STATEMENTS

42.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Waterways resulted in an unqualified audit opinion.

However, attention was drawn to the Board of Survey for the financial year ended 31 July 2018. The Ministry did not carry out an annual board of survey to determine the existence and conditions of all assets under its authority contrary to Section 49 of Finance Instruction 2010.

42.2 Head 42 - Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$3,189 and incurred a total expenditure of \$12,298,358 for the year ended 31 July 2018. Details are provided in Table 40.1.

Table 42.1: Head 42 - Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Agency revenue	3,189	---
Total Revenue	3,189	---
Established staff	1,284,422	---
Government wage earners	566,872	---
Travel and communications	117,558	---
Maintenance and operations	249,633	---
Purchase of goods and services	61,086	---
Total Operating Expenditure	2,279,571	---
Capital construction	3,409,464	---
Capital grants & transfers	6,322,992	---
Total Capital Expenditure	9,732,456	---

Value added tax	286,331	---

Total Expenditure	12,298,357	---

The Ministry of Waterways started operating from 2017/2018 financial period, hence there are no comparatives for the previous financial period.

Agency revenue collected amounting to \$3,189 as at 31 July 2018 for relates to commission revenue earned for collecting dues from public servants and payment to financial and public institutions on behalf of its employees.

Capital construction expenditure amounted to \$3,409,465 as at 31 July 2018. The expenditure includes payments for irrigation schemes, land drainage and flood protection system and water shed management.

Capital Grants and Transfers expenditure totalled \$6,322,922 as at 31 July 2018. Capital grants were paid to Municipal Councils for the maintenance of drainage, Fiji Sugar Corporation for the infield drainage for sugar cane farms and to the Drainage Board for the drainage works in all Divisions.

42.3 Head 42 - Appropriation Statement

The Ministry incurred expenditure totalling \$12.29 million in 2017-2018 against a revised budget of \$20.93 million resulting in a saving of \$8.63 million or 41%.

Details of expenditure against the revised budget are provided in Table 42.2.

Table 42.2: Head 40 - Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	2,105,907	(60,000)	2,045,907	1,284,422	761,485
2	Government wage earners	1,251,631	(20,000)	1,231,631	566,872	664,759
3	Travel & communication	76,900	80,000	156,900	117,558	39,342
4	Maintenance & operations	301,200	(29,000)	272,200	249,633	22,567
5	Purchase of goods & services	41,800	29,000	70,800	61,086	9,714
	Total Operating Expenditure	3,777,438	-	3,777,438	2,279,571	1,497,867
8	Capital construction	9,900,000	(227,616)	9,672,384	3,409,464	6,262,920
9	Capital purchase	3,000,000	(2,772,384)	227,616	-	227,616
10	Capital grants & transfers	6,323,798	-	6,323,798	6,322,992	806
	Total Capital Expenditure	19,223,798	(3,000,000)	16,223,798	9,732,456	6,491,342
13	Value added tax	1,198,800	(270,000)	928,800	286,331	642,469
	Total Expenditure	24,200,036	(3,270,000)	20,930,036	12,298,358	8,631,677

The Ministry of Economy redeployed \$3.27 million from Capital Purchase and VAT funds to the Care for Fiji Programme during the year.

The significant savings in the Ministry's budget was in SEG 8, Capital Construction.

The Ministry was allocated an amount of \$3,000,000 for purchase of dredgers in the 2017-2018 budget which were not purchased during the year. The policy decision was undertaken at the Ministry that all dredging operations will be outsourced hence the dredgers were not purchased.

The Ministry was still in the process of recruiting technical staffs to facilitate the technical works required in the Ministry, hence there was lack of man power with technical backgrounds to move the capital projects. Thus more than half of the funds for capital expenses were not utilized. This includes savings of \$1,271,786 for irrigation schemes and \$1,048,662 for water shed management apart from the savings of the procurement of dredgers above.

The Ministry is looking forward that the level of production will increase and the capital budget will be fully utilized in the upcoming financial years after recruiting the right technical personnel to facilitate the required work.

42.4 Trust Fund Account

The Ministry's Retention Trust Fund Account includes deposits and refund of retention for projects which are under contracts. Details of the trust funds receipts and expenditure are provided in Table 42.3.

Table 42.3: Department of Energy Trust Fund Account

Description	31 July 2018 (\$)	31 July 2017 (\$)
RECEIPTS		
Retention funds Deposits	268,527	---
Total Receipts	268,527	---
PAYMENTS		
Retention pay-outs	135,747	---
Bank Fees	24	---
Total Payments	135,771	---
Net Surplus	132,756	---
Closing Balance as at 31st July 2018	132,756	---

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

42.5 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 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 technological 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 reported to the management of the 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 Ministry 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 of Waterways as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

42.6 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 31 October 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
- 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 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.


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

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

42.7 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 of Waterways was:

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

42.8 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

42.9 Timeliness of Provision for Management Comments and Financial Statements for Signing

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	Management response received within 14 days

Rating	Timeliness of Signed Financial Statements Received
 Ineffective	Signed accounts was received after 15 days

PART C: SIGNIFICANT AUDIT FINDINGS

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 2017.

42.10 Suspension of Works – Sigatoka River Dredging

The Government Tender Board approved Tender No WSC 28/2018 Contract for Sigatoka River Dredging Works (Phase 2) to China Railway First Group at a total cost of \$5,073,950 VIP for a duration of 210 days for dredging and 30 days for mobilization/demobilization. The contract works commenced on 21/05/18.

Review of the project records revealed the following anomalies:

- Works were temporarily stopped on 15/10/18 as available dumpsite had vegetables, crops and villagers were not willing to give consent as rate of compensation for these crops was too small.
- On 12/11/18, the Permanent Secretary approved temporary suspension of works from 16/10/18 until the dumpsite was made available and extension of time to the contractor for the same period as suspension.
- As of 12/11/18, the volume dredged was 484,000m³ from the contract volume of 750,000m³ for which the contractor was paid a sum of \$1,069,948. The balance of the volume to be dredged was 270,000m³ or 36%.
- On 15/11/18, notice of temporary suspension of works was issued by the Engineer of the project which was effective from 16/10/18. The suspension of works was effective until further notice when dumpsite will be made available.
- The current rates of compensation were 20 years old and did not provide with current market rates.
- Ministry of Agriculture advised that crop assessment in relation to market values can be made and will be submitted to the Ministry.
- Discussions with Director Operations on 18/2/19 revealed that on 31/01/19, the Permanent Secretary on the recommendation of the Principal Engineer agreed to close the project. The decision was made as the contract had expired on 12/01/19. The recommendation also included that a tender will be advertised to continue dredging works once dumpsite land is made available.

Root Cause/Implication

The findings indicate that the Ministry did not consider land issue with the landowners during the preliminary planning phase. The findings also indicate that the Ministry did not review the plans and implementation timeline over the years.

As a result, the Ministry did not utilize the fund allocated for the project and the project works were not completed. Since the project was closed there is a high risk of benefits arising from the project not being realized by the Ministry.

Recommendations

The Ministry should ensure that:

- **proper consultation with landowners are undertaken well before similar projects are commenced in future;**
- **proper due diligence is carried out in delivery of the contract in future.**

Ministry's Comments

1. *The Sigatoka River Dredging phase 2 project commenced and amount of siltation/sand being extracted was huge than anticipated.*
2. *The existing dump-sites that were identified was fully filled with dredge spoils. Additional dump site was identified but due to standing crops/vegetables had to be compensated before we could dump dredge spoil.*
3. *We had instructed Ministry of Agriculture to conduct assessment of crops compensation. However, rates provided in the crop assessment by Ministry is 20 years old and does not show current market rates. Thus the mataqalis (landowners) had withdrawn their consent for the dump site.*
4. *Way forward – Ministry will sort out the dump site availability issue then will re-advertise tender for dredging works.*

Officer Responsible

Director Operation

42.11 Performance Bond Delay - Nakauvadra River Channel Improvement Works

The Government Tender Board (GTB) on 11/6/18 approved Tender No WSC 111/2018 Contract for Nakauvadra River Channel Improvement Works amounting to \$1,490,448.02 to Sivams Digging Works (Contractor) for a period of 120 days. A contract agreement was entered into on 15/6/18. GTB required the Contractor to provide a surety amounting to \$149,044.80 as performance bond within 14 days of notification of award, prior to signing of contract.

Our review of contract documents revealed that the Contractor provided a performance bond from Fiji Development Bank dated 27/08/18 for six months after a delay by 73 days. However, the contractor had commenced work and was paid a total of \$161,352 in July 2018

Root Cause/Implication

The findings indicate non-compliance by the Ministry with the directives of the GTB.

Delay in the payment of bond increases the risk of loss to government in case the contractor did not comply and contract conditions.

Recommendations

The Ministry should ensure that:

- stringent measures are put in place to ensure that performance bonds are received prior to commencement of contract works;
- disciplinary measures should be in place as a deterrent for non-performance of the required task by the responsible staff.

Ministry's Comments

1. The contractor had provided performance bond. This river improvement project was emergency work and flooding in Rakiraki was a major issue of national matter. Rakiraki town was flooded 11 times in 2017 and urgent emergency works was to be implemented to mitigate flooding and damages from flooding. While bond was being prepared as undertaking was provided by the bank, contract was signed, works commenced.
2. Recommendation made by audit findings is noted and Ministry will ensure that bond is provided prior to signing of contracts.

Officer Responsible

Director Operation

42.12 Insurance Cover for Contracts not provided

Insurance covers were not provided by the contractors contrary to the requirements in the contract agreement. Refer to **Table 42.4** for details of insurance covers not provided.

Table 42.4: Details of Insurance Covers Not Provided

Contract Details	Contractor	Contract Sum VIP(\$)	Indemnity Cover not Provided	Value	Project Completion Date
Tender No WSC 28/2018 - Contract for Sigatoka River Dredging Works Phase 2 to China Railway First Group Limited	China Railway First Group (Fiji) Co. Ltd	5,073,950.00	Workers Compensation and Clients indemnity Third Party Insurance cover Insurance in relation to works performed	Not Less than FJ\$500,000 Not Less than FJ\$500,001 Minimum value of total fees	13/01/19
Tender No WSC 23/2018 - Contract for Construction of	Yandra Investment Limited	561,292.23	Workers Compensation and Clients indemnity	No Value in Contract	11/11/2018

Contract Details	Contractor	Contract Sum VIP(\$)	Indemnity Cover not Provided	Value	Project Completion Date
Riverbank Protection Works for Navua River at Vunibau Serua			Public Liability Insurance for Works All risks insurance, business interruption, professional indemnity	Not Less than FJ\$1,000,000 Contract Price - \$561,292.23 No Value in Contract	
Tender No WSC 111/2018 - Contract for Nakauvadra River Channel Improvement Works	Sivams Digging Works	1,490,448.02	Workers Compensation and Clients indemnity Public Liability All risks insurance, business interruption, professional indemnity	No Value in Contract Note Less than FJ\$1,000,000 No Value in Contract	13/10/18

Root Cause/Implication

Discussions with the Director Operations revealed that the insurance cover was overlooked by the Ministry for these contracts.

As a result, the Ministry's interests in the projects was not fully covered and increases the risk of loss to government.

Recommendation

The Ministry should properly review all contracts and ensure that correct and valid insurance cover exist with the Contractor.

Ministry's Comments

Recommendations made by the audit is highly acknowledged and noted.

Ministry will ensure that following insurances are provided before contracts will be signed;

1. Workers Compensation
2. Public Liability
3. All Risks

Officer Responsible

Director Operation

42.13 Koronivia Road Drainage Works and Markaz Road Anomalies

The Ministry did not call for a tender for the Drainage Outlet Improvement Works carried out by the Fiji Roads Authority (FRA) at Koronivia Road and Markaz Road amounting \$160,230 VIP contrary to the requirements of the Procurement (Amendment) Regulations 2012.

We further noted that there was no waiver of tender and contract agreement for the works to be carried out by FRA.

Root Cause/Implication

The findings indicate that the Ministry did not follow the proper procurement process while engaging FRA for the Drainage outlet improvement works.

There is no transparency in awarding of the works to FRA. We were unable to determine if FRA was the most economical supplier of the drainage works.

Recommendations

The Ministry should:

- **ensure that proper procurement procedures are followed at all times; and**
- **take appropriate actions against those officers for not following proper procurement procedures.**

Ministry's Comments

The drainage works was needed beside road side drains maintenance at Markaz road and Koronivia road. Hon. Minister instructed that he needs this drainage works to be implemented. Only Fiji Roads Authority (FRA) contractors could implement road side drainage works as required by FRA. Ministry of Economy also advised for this work to be implemented.

Scope of work, costing and invoice was provided by FRA. Work was done to quality/standard of FRA by their contractor.

Recommendation of audit is noted that waiver of tender and contract agreement will be done for future similar project.

Officer Responsible

Director Operation

42.14 Board of Survey of Fixed Assets not conducted

An annual Board of Survey must be conducted each year to verify the existence and conditions of assets recorded on the assets register provided that for agencies that have, in the opinion of the Permanent Secretary a large assets base, the board of survey to be conducted on a cyclical basis so that all assets are checked every three years.

We noted that the annual board of survey of fixed assets was not conducted for the financial year ending 31 July 2018.

Root Cause/Implication

We were informed by the Ministry that the anomaly was due to unavailability of appropriate staff to carry out the necessary task as most of the personnel commence in September 2018.

The above anomaly increases the risk of loss of assets without being detected in a timely manner.

Recommendation

The Ministry should ensure that annual Board of Survey for fixed assets is carried out in a timely manner.

Ministry's Comments

Recommendation is acknowledged and noted.

The Ministry has just been established for over a year. The Principal Accountant was appointed in September 2018, therefore the Board of Survey (BOS) members will be appointed and the BOS for 2018 will be conducted soon.

Officer Responsible

Director Operation

42.15 Anomalies in Drawing Accounts

The PS shall appoint three officers to be part of a Board of Survey to conduct a physical stock take of all money on hand and other stock held in safes.¹

Review of the Drawings Account of the Ministry revealed the following anomalies:

- The Ministry did not carry out a board of Survey of the Drawings account contrary to Section 5.2.1 of the Draft Finance Manual
- Reconciliations were not prepared in a timely manner. Refer below for details.

Table 42.5: Details of Delayed Reconciliation

Month	Balance (\$)	Date Prepared
Jan – 18	55,131.08	15/06/18
Feb – 18	93,037.56	15/06/18
March – 18	103,133.61	19/09/18
April – 18	81,701.64	19/09/18
May-Jun – 18	1,485,179.08	19/08/19
July- 18	1,595,410.28	19/09/18

- Copies of August to December Reconciliation were not maintained by the Ministry for their records.

Root Cause/Implications

We were informed by the Ministry that the anomaly was due to unavailability of appropriate staff to carry out the necessary accounting work as most of the accounts personnel including the Principal Accountant commenced work in September 2018.

Untimely preparation of the reconciliation will prevent errors or omission from being detected on a timely basis.

¹ Ministry of Waterways – Draft Finance Manual, Section 5.2.1

Recommendation

The Ministry should ensure that reconciliations are carried on a timely basis.

Ministry's Comments

During the establishment of the Ministry's Accounts section, there was unavailability of appropriate staff to carry out the necessary accounting work as we had to establish the section and keep up to par with the deadlines required by Ministry Economy.

We were assisted by MOE for compilation of all our reconciliations and we continued to do ours from May 2018.

With the appointment of the Principal Accounts officer we will ensure that all Reconciliations and BOS of Drawings Account are conducted in the timely manner.

Officer Responsible

Director Operation

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