



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

Audit Reports on:

- 1. Audit on Management of the Workers Compensation Trust Fund**
- 2. Audit of Social Welfare Scheme**
- 3. Audit of Government Subvention – Council of Rotuma**
- 4. Audit of Fiji Procurement Office and the Construction Implementation Unit**





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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

PERFORMANCE AUDIT REPORT

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on:

1. The Management of Workers Compensation Trust Fund;
2. Audit of Social Welfare Schemes;
3. Audit of Government Subvention – Council of Rotuma; and
4. Audit of Fiji Procurement Office and Construction Implementation Unit.

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 Republic of Fiji. Its roles and responsibilities include carrying out performance audits to determine whether an entity is achieving its objectives effectively, economically and efficiently and in compliance with relevant legislation. These audits are carried out by the Auditor-General on behalf of Parliament.

The Auditor-General must submit a report on performance audits carried out to Parliament. In addition, a single report may include two or more audits. This report satisfies these requirements.

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.

Audit on Management of Workers Compensation Trust Fund

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1. EXECUTIVE SUMMARY

The Office of the Auditor General carried out a performance audit on the Management of the Workmen Compensation trust fund account of the Ministry of Employment, Productivity & Industrial Relations (MEP & IR).

The overall objective of this audit to assess the effectiveness of Workmen Compensation Unit under the OHS division of the MEP & IR in the processing of workmen compensation payments for the period August 2017 to May 2018.

Our audit covered all the stages of the reporting, investigation and medical assessment process and payment of workmen compensation claims. It was conducted based on the information and records provided by the Workmen Compensation Unit during the period the audit was undertaken.

We examined a total of 84 workmen compensation case files (48 private sector injury cases, 17 government injury cases, 2 private death cases, 17 government death cases) for which payments were made during the period of review amounting to \$1.4 million. Another 86 files were separately considered for detailed testing of the IT system controls to ascertain whether the database is updated and all information is captured. A total of 81 withdrawals made between the periods 2016 to 2018 amounting to \$67,422 for the dependents (minors) trust fund bank accounts were separately reviewed.

Based on our audit, we established that the Workmen Compensation Unit did not fully comply with the Workmen Compensation Act 1964, Workmen Compensation (Amendment) Act 2015, Workmen Compensation (Amendment) Act 2017, related standard operating procedures and related financial policy guidelines.

Significant findings identified from the audit include the following:

- Significant disparity in reporting and processing time of compensation claims was noted between the government ministries/departments and private sector cases.
- The enforcement mechanisms under the Act have not been strictly implemented by the Ministry to ensure timely reporting of work related injuries and deaths.
- Medical reports were not available on a timely basis due to labour mobility issues.
- Approval from Cabinet for the use of American Medical Association Guidelines was not obtained.
- Requirements of the standard operating procedures not fully complied with.
- The record keeping and filing processes is archaic and IT systems were inadequate to fully capture information that would aid decision making for effective planning, monitoring and reporting and also allow for proper post-payment review.
- It seems that the importance of proper record keeping for trust fund accounting records (receipts) is not given due considerations resulting in missing receipt books.
- There is absence of proper or approved policy/guideline to direct the Unit in managing the trust monies held for the dependents of the deceased.

The main factors that have been identified and crucial to improving the Workmen Compensation Unit are the strict enforcement of the current reporting mechanisms under the Act and provision of a modern IT system to improve filing systems that would enable the Ministry to efficiently

monitor the progress of all the cases. The MEP & IR should also consider transferring the trust monies held for the minors to the Fiji Public Trustee Corporation Ltd to manage the trust which would ultimately free up the Unit's resources to focus on its core functions

2. AUDITING STANDARDS

We have conducted this audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 4000) on Compliance Auditing.

3. REFERENCE TO COMMENTS

Comments provided by MEP & IR have been incorporated in this report.

4. WHAT WE AUDITED & AUDIT SCOPE

The subject matter for this audit was to determine whether the MEP & IR has processes and related controls for processing of workers compensation claims. Furthermore, there is assurance that only valid claims are paid in the correct amounts and in a timely manner in compliance with the applicable laws, regulation and the Unit's standard operating procedures.

Due to the absence of a proper file archiving system for previous year's workmen files, geographical location of district offices and limitation in extracting reports from the Workmen Compensation database, the scope of the audit was limited to the compensation payments made between the period August 2017 and May 2018. We did not review the files for cases which have been reported, investigated and no compensation was made due to the injury or death not being work related. However, workmen compensation cases that were initiated from previous years but completed and paid for in the 2017/2018 financial year were also covered.

Through this audit, we examined whether the MEP & IR complied in all material respects with the Workmen Compensation Act 1964, Workmen Compensation (Amendment) Act 2015, Workmen Compensation (Amendment) Act 2017, Workmen Compensation (Occupational Diseases) Regulations 2017, standard operating procedures and related financial policy guidelines. In areas where the above Regulations are limited, in terms of the sound financial management, the generally accepted principles are recognized as best practices. Our audit addressed the following main questions:

1. Whether employment related personal injuries and death cases are reported by the employers to the MEP & IR in a timely manner and are being compensated accordingly in a timely manner?
2. Did the MEP & IR consistently comply with the Workmen Compensation Act 1964, Workmen Compensation (Amendment) Act 2015 and Workmen Compensation (Amendment) Act 2017 and with related standard operating procedures when processing and computing the compensation amount payable and whether payment was made to only those that were entitled for compensation?
3. Did the MEP & IR maintain proper accounting and related trust records in compliance with the requirements of the Ministry's finance manual, Financial Management Act 2004, Financial Management (Amendment) Act 2016, Finance Instructions 2010 and Finance (Amendment) Instructions 2016 and all information is updated regularly in the workmen database?
4. Whether the trust accounts records for dependents (minors) of the deceased workmen are properly kept and all withdrawals made are acquitted?

For each of these questions, we examined if the Ministry through Workmen Compensation Unit complied in all material respects with the agreed criteria specified in Section 4 of the report, with respect to processing of workmen compensation claims during the period in review.

5. AUDIT CRITERIA

The MEP & IR, as a Government agency, must operate within an environment of government legislation and policies. The criteria for the audit is based on regulations, policy framework, and manuals designed to ensure compliance with laws governing all workmen's compensation related issues. These include:

- a) Workmen's Compensation Act 1964.
- b) Act no. 8 of 2015 – Amendment to Workmen Compensation Act (CAP 94) dated 14/07/15.
- c) Act no.3 of 2017 – Amendment to Workmen Compensation Act (CAP 94) dated 14/02/17.
- d) Workmen Compensation (Occupational Diseases) Regulations 2017.
- e) Workers Compensation Service Customer Feedback Procedure (ME/WC-07).
- f) Employment Relations Tribunal Procedure (ME/WC-06).
- g) Workers Compensation Claims Procedure (ME/WC-05).
- h) Occupational Disease Case Procedure (ME/WC-04).
- i) Death Case Procedure (ME/WC-03).
- j) Injury Case Procedure (ME/WC-02).
- k) Registration Procedure (ME//WC-01).
- l) Ministry of Employment - Finance Manual.
- m) Financial Management Act.
- n) Finance Instructions 2010.

We believe that the criteria tested in each area of the audit are sufficient to conclude on the overall compliance of relevant legislations and polices related to workmen's compensations.

6. METHODOLOGY

The audit methodology included conducting interviews, collecting and reviewing information from individual workmen files and database, recalculating compensation payments, performing tests, procedures and analysis against predetermined criteria.

Information collected and reviewed included the following:

- Ministry's internal policies and standard operating procedures for receiving, processing, and paying workers compensation claims.
- Interviews with Ministry's staff and management.
- Workers' compensation files including forms, medical assessment records, statements, compensation calculation sheets, payment vouchers and trust fund receipts.
- The workers' compensation case progress tracking database.

Procedures and tests conducted included the following:

- Verified workers' compensation payments for compliance with statute, rules, and Ministry's policies and procedures, including accuracy and timeliness requirements.
- Interviewed key personnel at the Ministry.

- Compared claim information in the database to documents contained in the files for data accuracy.
- Performed analytical procedures over the impairment percentages.
- Reviewed the Ministry's trust fund payment and receipt records including the verification of minors (beneficiaries) trust accounts.
- Verified withdrawals and acquittals from minors trust bank accounts.

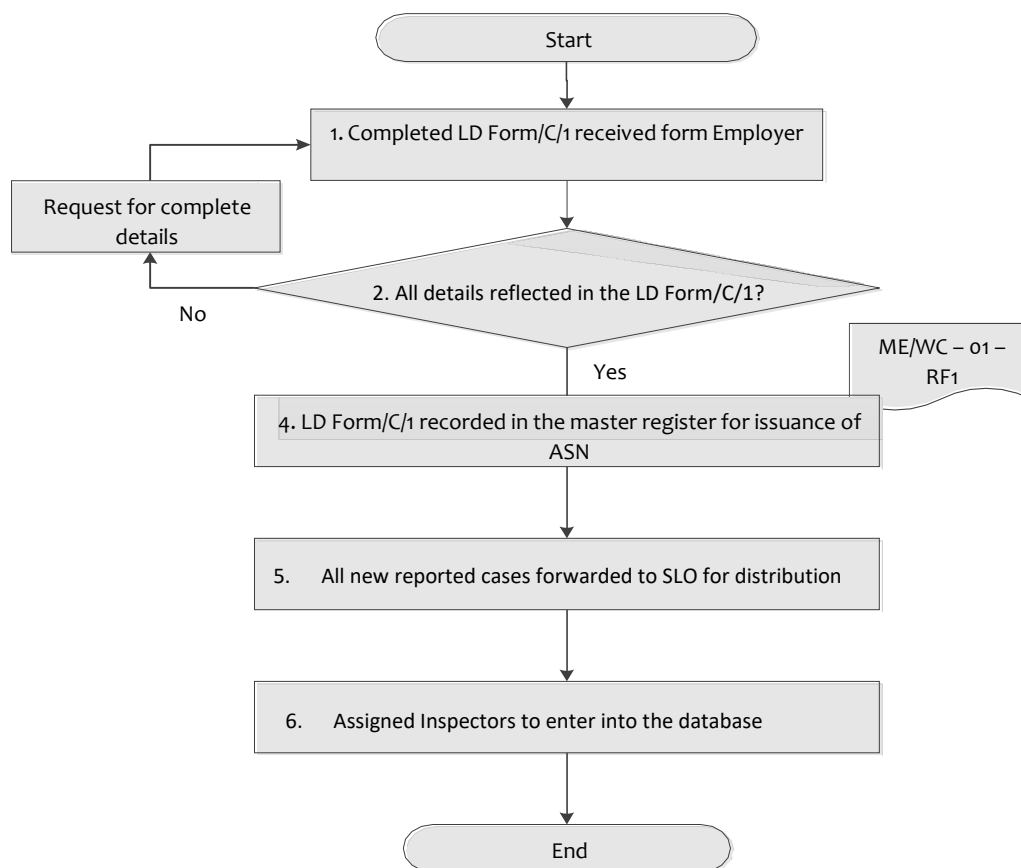
Audit findings identified were initially discussed with the Manager Workmen Compensation and the Senior Labour Officer.

7. AUDIT FINDINGS AND RECOMMENDATION FOR IMPROVEMENT

7.1 The progress of cases are not efficiently tracked to ensure that the processes are completed within the approved timeframe

Reporting and registration process

All work related injury and death cases are investigated by the Ministry after they are reported by employers and recorded in the Master Register using the reporting protocols shown in the diagram below.



Source: MEP & IR Death Case Procedure (ME/WC-03), Injury Case Procedure (ME/WC-02)

Average time to process reported work related injury/death cases

The Workmen Compensation Act 1964, Workmen Compensation (Amendment) Act 2015 and Workmen Compensation (Amendment) Act 2017 indicates that employers have a responsibility to provide notice to the Permanent Secretary of MEP & IR of all work related injuries and deaths.

Any injury to a workman should be reported not later than fourteen days. For work related deaths, a one-week timeframe is provided for the employer to provide notice to the Permanent Secretary regarding the deaths and the circumstances of the death of the workman if they are known to the employer. If an employer fails to comply with the stipulated timeframe without reasonable cause, a labour inspector shall issue the employer with a demand notice.

The data for workmen compensation claims paid from August 2017 to May 2018 was analyzed to determine the time it took an injured employee or dependents of the deceased workmen to receive compensation. Based on the current reporting data, the following dates are captured in the registration form and database system:

- the date employee was injured or died.
- the date the injury was reported to the Ministry.
- the date the impairment and medical assessment was done by the medical officer.
- the date the claims were sent to the employer (for private cases) and approval for payment to the respective Permanent Secretaries (for government cases).
- the date the payment was received from the employer or insurer (for private cases) and date approval received from the respective government Ministry/Department.
- the date the decision from the ERT was obtained (for death cases only).
- the date the payment was made to the employee or dependents.

We carried out analysis of the average reporting and processing time of reported cases using the data in the individual workmen files. The analysis included case files with lengthy reporting time which affected the overall reporting results. Hence, the median number of days was used to provide a more representative portrayal of reporting and processing times. Refer to table below for examples.

Table 7.1: Details of Reporting and Processing Times

| | Reporting and processing time | Average Days for Government Ministries Departments | | | | Average Days for Private sector | | | |
|----|--|--|--------|-------------|--------|---------------------------------|--------|-------------|--------|
| | | Injury cases | Median | Death cases | Median | Injury cases | Median | Death cases | Median |
| 1. | From injury/death to report to Ministry of Employment, Productivity and Industrial Relations | 281 | 125 | 75 | 67 | 109 | 31.5 | 9 | 9 |
| 2. | From reporting date to final medical assessment report received | 450 | 340 | 435 | 254 | 610 | 529 | 0 | 0 |
| 3. | From final medical assessment to claim sent to employer or approval from PS | 91 | 20 | 95 | 17 | 103 | 33.5 | 79 | 79 |
| 4. | From approval sent to PS to approval received (for ministries and departments) From claim sent to employer to payment received (for private). | 78 | 12 | 31 | 17 | 76 | 40 | 6 | 6 |
| 5. | From payment received from employer/insurer (for private cases) or approval received from PS (for ministries and | | | 84 | 91 | | | 44 | 44 |

| | Reporting and processing time | Average Days for Government Ministries Departments | | | | Average Days for Private sector | | | |
|----|--|--|------------|-------------|------------|---------------------------------|------------|-------------|------------|
| | | Injury cases | Median | Death cases | Median | Injury cases | Median | Death cases | Median |
| | departments) to ERT decision for death cases only | | | | | | | | |
| 6. | From payment received from employer/insurer (for private cases) or approval received from PS (for ministries and departments) to payment made to injured employee. | 55 | 42 | | | 34 | 31 | | |
| 7. | From ERT decision to payment made to dependents of the death employee. | | | 94 | 100 | | | 14 | 14 |
| | Total days | 955 | 539 | 814 | 546 | 932 | 665 | 152 | 152 |

7.1.1 Processing Time for Injury Cases - Government Ministries/department versus Private sector

The above analysis indicates that the average processing times for both government and private sector is approximately the same. It takes 955 days to complete the full process of the compensation claim payments for government injury cases while it takes 932 days to process compensation payments for the private sector injury cases.

We noted that government ministries/departments tend to report injury cases very late in comparison to those employers in the private sector. The delay by the government ministries/departments is attributed to the general lack of awareness of human resources and administration units to report work related injuries/death cases to the MEP & IR within the legislative deadlines. For private sector employers, compliance level is generally good. Discussion with the Workmen Compensation Unit team noted that trainings regarding the Workmen Compensation Act 1964, Workmen Compensation (Amendment) Act 2015 and Workmen Compensation (Amendment) Act 2017 are also conducted. However, the compliance level for the government ministries/departments remains a concern.

Audit review indicated that the final medical reports for government ministries/departments are obtained quickly when compared to private sector. It takes an average of 450 days to obtain final medical reports for government employees whilst a much longer period of 610 days is taken by private sector employees to obtain their final medical reports.

For government ministries/departments, Permanent Secretaries or Heads of Department tend to agree with the percentage incapacity or impairment provided in the initial medical report and calculation of compensation amounts payable to the injured employees. From the files reviewed, none of the Permanent Secretaries of government ministries/ departments disputed the medical opinions and compensation calculation provided by the MEP & IR. More time is normally taken for the private sector employees because their employers and insurers tend to dispute the initial medical opinion on the percentage of incapacity or impairment. In some cases, the employers opt

to obtain a second medical opinion, which further prolongs the process. From the 48 private injury cases reviewed, 7 or 14.6% were disputed by either the employers or insurers.

In some instance, conflicting medical opinions and assessments are received from the doctors, hence delaying the process. Refer to Table 7.2 below for examples.

Table 7.2: Examples of private sector injury cases with lengthy processing times

| ASN Number | Date of Injury | Date case Reported | Remarks |
|------------|----------------|--------------------|--|
| 1756/08 | 13/10/2008 | 27/01/2009 | Workmen withdrew his case from MEPIR on 11/05/10 and again requested for reactivation of file on 05/09/13 on the basis that there has been no progress with the private lawyer. |
| 885/12 | 08/05/2012 | 17/05/2012 | Workmen was initially awarded 1% WPI assessment> However, he disagreed with the assessment and opted for Ministry doctor to do the assessment which gave a 14% WPI. VGML did not agree and opted to have another opinion which gave a 28% WPI. Claim was processed on the 28% basis. |
| 1878/10 | 16/11/2010 | 27/11/2010 | Worker was referred by insurer for a 2nd opinion and was seen by a doctor on 06/08/12 and awarded 0% WPI. However, another doctor had initially given assessment on 24/06/12 and gave a 16% WPI. |
| 2121/10 | 1/12/2010 | 7/11/2013 | Conflicting medical opinion received in this case as one doctor had given a 1% WPI and another doctor had given a 5% WPI assessment. |
| 1383/15 | 1/09/2015 | 21/09/2015 | The Doctor had actually given 30% WPI based on AMA guidelines, however, the Ministry still used 40% as the WPI for loss of eyesight on the basis that it was a scheduled injury. |

The Ministry of Employment takes between 91 to 103 days (3 months) to send the compensation claims to the employers which is more than the 4 days' timeframe stipulated in the Ministry's standard operating procedure. This indicates that responsible officers are not ensuring that claims are sent to the employers on a timely basis and within the timelines stated in the standard operating procedures.

We further noted that both government and private sector employers were often not complying with the 21 days' timeframe to either dispute the compensation claims or make the payment to the workmen compensation trust fund. On average, it took 78 days for government ministries/departments to provide the approval for payment to the Permanent Secretary for MEP & IR to pay the injured employee whilst it took an average of 76 days for the private sector employers to make payments to the trust fund account held by the Ministry.

We also noted that on average, it takes between 34 to 55 days for the Ministry of Employment to process the payment to the injured employees. The delay in processing the payment is attributed to the process within the Ministry's payment process where all the compensation payments require the approval of Permanent Secretary of Employment.

7.1.2 Processing Time for Death Cases - Government Ministries/department versus Private sector

For work related death cases, we noted that it takes the MEP & IR on average approximately 814 days (2 years & 3 months) to complete the full process of the compensation claim payments for government death cases whilst for the private sector, it takes on average around 152 days to make settlement to the dependents of the deceased workmen.

Our review indicated that more time is taken to process the compensation for government ministries/ departments because majority of the reported cases were natural cause deaths whereas for the private sector, two of the death cases reviewed out of the total of three cases reported during the period were fatality death cases which occurred at the workplace.

Government ministries/departments on average take 75 days to report death cases to the MEP & IR whilst those employers in the private sector took on average 9 days to report the case to the Ministry. In most cases, the deaths were reported by the dependents of the deceased and later brought to the attention of the employer by the MEP & IR. This is the result of the general lack of awareness in the human resources and administration units of Ministries/Departments to report work related death cases to the Ministry.

Given that majority of the reported cases from Ministries/Departments are natural deaths, the investigation process to collate all the statements and evidences is quite lengthy before it is given to the doctor to assess and provide an opinion whether the death is work related or not. The analysis noted that on average, it takes 435 days to obtain final medical reports for government employees whilst no medical opinion was required for the private sector deaths as they were all fatality cases. We did not observe any natural cause death payment being made for private sector employee during the period of review whilst for the government cases, a total of 16 out of the 17 cases reviewed or 94% were natural cause deaths and only one was a fatality case. Refer to Table 7.3 below for details.

Table 7.3: Details of government employees deaths through natural causes

| ASN No. | Date of death | Date death reported | Remarks |
|---------|---------------|---------------------|--|
| 649/16 | 12/04/2016 | 8/08/2016 | Diagnosed of acute fabric illness, renal impairment, thrombocytopenia, end stage kidney disease. Workman was discharged against medical advice by wife despite consultant's explanation on his medical conditions at CWMH on 10/04/16. |
| 1621/15 | 27/10/2015 | 19/11/2015 | Passed away while on normal physical training which was organized by the battalion. |
| 1947/16 | 16/11/2016 | 22/01/2017 | Officer was on Annual Leave and was returning from Nausori to Korovou in a van when he had asthma and heart attack. Was pronounced dead on arrival at Korovou hospital. |
| 1182/14 | 08/07/2014 | 20/10/2014 | Collapsed during physical training |
| 1136/15 | 14/07/2015 | 13/08/2015 | Cardiac dysrhythmia ventricular fibrillation |

| ASN No. | Date of death | Date death reported | Remarks |
|---------|---------------|---------------------|--|
| 780/10 | 24/05/2010 | 26/05/2010 | Acute myocardial infarction, coronary artery disease. Workmen is a known heart patient as he was already been medically boarded. However, with the nature of work that he was doing, accelerated his death, hence it was work related. The doctors in this case (medical superintendent, CWM hospital dated 08/10/10 (not work related) and Medical superintendent, Tamavua Twomey hospital dated 06/11/12 (work related)) had conflicting opinions. |
| 1626/16 | 24/09/2016 | 9/01/2017 | Acute anteroseptal myocardial infarction, severe coronary artery |
| 1946/16 | 19/11/2016 | 22/02/2017 | Acute Anterior Myocardial Infarction, Cardio Vascular Disease , Old Lateral Myocardial |
| 163/17 | 13/02/2017 | 20/02/2017 | Acute anterior myocardial infarction |
| 164/17 | 08/02/2017 | 22/02/2017 | Cardiac arrest |
| 1284/15 | 28/08/2015 | 18/11/2015 | Officer went to Rotuma on official duties for fruit flies testing in July 2015. The deceased felt cold and visited Rotuma Hospital but doctors were not there. The deceased had to wait for one week in Rotuma for the boat to return. ¹ |
| 1022/16 | 25/05/2016 | 24/04/2017 | Primary school teacher and she died before arriving to Rakiraki hospital. |
| 2079/16 | 26/12/2016 | 30/03/2017 | Congestive cardiac failure, hypercholesterolemia. Workmen died peacefully in his sleep at home. |
| 1948/16 | 26/11/2016 | 22/02/2017 | Acute myocardial infarction, hypertension |
| 1944/16 | 26/11/2016 | 10/01/2017 | Acute Pulmonary Odema, Acute Coronary Syndrome, Diabetes Type 2 , Hypertension |
| 2305/14 | 17/12/2014 | 20/02/2015 | Severe Sepsis , Right Foot Sepsis |

The above finding indicates that some employers are not reporting natural cause deaths to the Ministry even though some may be work related. In addition, currently there are no enforcement measures in place to ensure that all employee deaths are investigated.

We further noted that on average, it takes the Ministry of Employment between 79 to 95 days (2-3 months) to send the compensation claims to the employer which is above the 4 days' timeframe as provided for in the Ministry's standard operating procedure. This indicates that responsible officers are not ensuring that claims are sent to the employers on a timely basis and within the timelines stated in the standard operating procedures.

It was also noted that private sector employers often comply with the 21 days' timeframe to either dispute the compensation claims or make the payment to the workmen compensation trust fund. On average, it took 6 days for the private sector employers to make payments to the trust fund account held by the Ministry whilst it took 31 days on average, for government ministries/departments to provide the approval for payment to the Permanent Secretary for Employment to make the payment.

Whilst the approvals from respective Permanent Secretaries for payments to be effected and payments were received from the private sector employers, we noted that on average, it takes

¹ C 1 form – Employer notification of death

between 44 to 84 days to obtain the decisions or rulings of the Employee Relations Tribunal (ERT) on the percentage distribution of compensation monies to the dependents of the deceased.

When the decision/rulings from the ERT are received, it was noted that it again takes the Ministry on average 14 days to process payments for private sector cases whilst an average of 94 days is taken to process payments to the dependents of the deceased employees of the Government Ministry/Departments.

7.1.3 Enforcement mechanism not effective for delays in reporting of work related injury/death cases

On average, the reporting requirements for employers are not met due to delays in reporting of injuries or death to the Ministry of Employment, Productivity and Industrial Relations.

Section 14 (3) of the amended Act allows the labour inspector to issue demand notice and convict employers that fail to comply with the provisions of Section 14 (1 & 2) of the Act. However, despite the delays in reporting by employers, the Ministry, there was no evidence provided to indicate legal action was taken against those employers that did not report cases within the legislative timeframe. While there may be many causes for these delays in reporting by employers, we noted that none of the employers from the sample reviewed were convicted in accordance with Section 14 (3) to 14(3E) of the Act for not complying with Section 14 (1 & 2) of the Act.

Further, it was noted that the Workmen Compensation Unit did not effectively invoke the provisions of Section 14(3) to 14(3E) of the Act.

Therefore, the Unit has not issued Fixed Penalty Notices under the Section 14(3A) of the Act during the period of audit review. In order to encourage compliance, the Ministry has only conducted awareness trainings to its stakeholders and taking part in roadshows to advocate on the provisions of Workmen's Compensation Act.

7.1.4 Medical reports not available on a timely basis

Majority of the time taken to process the compensation cases is during the investigation process and obtaining the medical reports on the impairment or percentage of disability.

To carry out the impairment assessments, currently, there is a full time specialized doctor based at Ministry of Employment that deals with these cases, and a total of 91 doctors around the country have also undergone the specialized Phase 1 and 2 impairment assessment training in the past years since 2010 to conduct impairment assessment.

Audit review noted that the availability of the medical reports mainly depends on the nature and extent of the injury sustained. In most cases, the delay in obtaining the final medical assessments done is due to labour mobility where the workmen changes their initial address and contacts and the unit faces a big challenge in locating the worker to get their final medical assessment done.

While there are sufficient medical officers available, the Ministry is often at the mercy of the availability of the workmen in order to finalize the cases.

The Ministry clarified that as per Workmen Compensation Amendment of 2017 (3 of 2017), officers can issue demand notices to obtain documentation. One of the main reason for delay in processing compensation cases was due to the labour mobility. To locate these workers and dependents, the Ministry had placed an advertisement in the Fiji Sun on 15 September 2018 for 688 workers or dependents to visit the office for finalization of their cases.

The Ministry informed audit that awareness are created jointly with Training, Accreditation and Chemical Hygiene Unit of National Occupational Health and Safety Services to its stakeholders on the provisions of the Workmen Compensation Act 1964, Workmen Compensation (Amendment) Act 2015 and Workmen Compensation (Amendment) Act 2017. It was further noted that reporting of workplace injuries and deaths is a requirement for employers. Ministry of Employment, Productivity and Industrial Relation is working with the Ministry of Health and Medical Services on the required medical documents and also with the Fiji Police Force in terms of fatality.

Recommendations

- The MEP & IR should consider signing a Memorandum of Understanding with agencies such as the Fiji Revenue and Customs Services for the purposes of obtaining the employers revenue records on a timely basis as required under Section 14(3A) of the Workmen's Compensation Act 1964.
- The Ministry should review its current systems and processes and include practical performance indicators in the relevant Standard Operating Procedures to ensure that current legislations under Section 14(3) of the Act are strictly enforced to improve employer reporting.
- The Ministry should develop a communication strategy and create more awareness and trainings programs are conducted to influence the behavior of all employers and promote voluntary compliance.
- The Ministry should also consider working closely with the Ministry of Health and Fiji Police Force and put in place mechanisms to ensure that all work related injuries/deaths are reported, investigated and compensated accordingly.

7.2 The Ministry did not consistently comply with the standard operating procedures

7.2.1 Approval for use American Medical Association Guidelines not obtained

The Workmen's Compensation Act (cap 94) also provides a Schedule for types of injuries and the respective Whole Person Impairment (WPI) to be awarded for each nature of injury. However, the Schedule does not capture an exhaustive list of all types of injuries. Hence, doctors currently use the "American Medical Association" (5th edition) as a guideline to provide WPI percentages.

There is no formal documentation maintained by the Ministry as approval to adopt the guideline to be used for unscheduled injuries. Inquiries with management revealed that no such formal documentation has been maintained. However, the reference medical guide has been adopted worldwide as the most reliable guide for doctors to refer to, when carrying out impairment assessments.

A draft of the Fiji Impairment Guide is under process which has not been submitted for Cabinet endorsement as it is under consultation phase. The Ministry expects to formalize this by the end of the financial year 2018/2019. Not formalizing and documenting these essential policies and procedures increases the risk that the Unit's functions may not be adequately or consistently performed by all personnel.

7.2.2 Requirements of the standard operating procedures not fully complied with

The MEP & IR (Workmen Compensation Unit) has seven standard operating procedures regarding the processing of injury and death compensation claims whereby each case file goes through a series of steps and authorization process before compensations are paid out. This is listed below:

- a) Workers Compensation Service Customer Feedback Procedure (ME/WC-07).
- b) Employment Relations Tribunal Procedure (ME/WC-06).
- c) Workers Compensation Claims Procedure (ME/WC-05).
- d) Occupational Disease Case Procedure (ME/WC-04).
- e) Death Case Procedure (ME/WC-03).
- f) Injury Case Procedure (ME/WC-02).
- g) Registration Procedure (ME/WC-01).

The standard operating procedures supplements the Workmen Compensation Act 1964, Workmen Compensation (Amendment) Act 2015 and Workmen Compensation (Amendment) Act 2017 and it acts as a guideline for officers when processing the compensation cases and ensure that they are carried out objectively and only valid claims are paid correctly.

We analyzed 20 claims from the three categories of incapacities to determine if weekly earnings used to calculate the compensation is in accordance with Section 10 of the Act and if claims are properly authorized with proper assessments being done in accordance with the approved standard operating procedures.

All 20 cases verified were valid claims whereby the workman's gross weekly wages were correctly computed and in a manner to give the best calculated rate per week and the percentage used were based on the impairment percentage provided for in the medical reports.

However, we found the following compliance issues:

- 9 (45%) of the case files did not have the “L.D.FORM/C/9” (blue copy) signed by the respective labor officers before the files were dispersed for the Permanent Secretary’s (PS) authorization. After the PS approvals were sought, the labor officers’ did not sign on the final documented form attached in the case file.
- 6 (30%) of the case files only had the Senior Labor Officer’s approval was obtained on the “Claim Information (ME/WC-05-RF2)” form whereas there is provision in the form for the Manager Workmen Compensation to verify and place initials.
- 1 (5%) of the cases did not have the completed questionnaire provided by the employer. Refer to Table 7.4 below for details;

Table 7.4: Case files with non-compliance issues

| ASN Number | Date of Accident / Injury | Observation |
|------------|---------------------------|---|
| 53/15 | 26/01/15 | These case files did not have the “L.D.FORM/C/9” (blue copy) not signed by the respective labor officers before the files were dispersed for the Permanent Secretary’s authorization. |
| 2081/15 | 29/07/15 | |
| 1735/16 | 06/10/16 | |
| 1163/15 | 29/07/15 | |
| 841/16 | 06/10/16 | |
| 1894/14 | 15/10/14 | |
| 1493/15 | 22/09/15 | |
| 763/15 | 26/05/15 | |
| 1518/16 | 18/08/16 | These case files were approved by the Senior Labor Officer’s as per the “Claim Information (ME/WC-05-RF2)” form instead of Manager W/C to verify and place initials. |
| 53/15 | 26/01/15 | |
| 1163/15 | 29/07/15 | |
| 100/16 | 06/10/16 | |
| 1119/16 | 13/06/16 | |
| 801/16 | 13/05/16 | |
| 1518/16 | 18/08/16 | Employer did not provide the completed questionnaire. |
| 841/16 | 06/10/16 | |

The Ministry informed audit that the draft guide to the Evaluation of Permanent Impairment has been completed and working is in progress on the publication of the document. Audit was informed that the files are vetted by the Responsible Officers. In cases for payment, the final approval is given by the Permanent Secretary for Employment, Productivity & Industrial Relations. The LD form C9 which is the discharge liability form is first endorsed by the Permanent Secretary before it is signed by the workers and the employers and witnessed by the Officer.

Recommendations

- **The Ministry should explore avenues to expedite the finalization of the Fiji Impairment Guide.**
- **Supervisory checks should be strengthened to ensure that processes and procedures outlined in the standing operating procedures are complied with at all times.**

7.3 Review of Workmen Compensation Unit Information Technology System

7.3.1 Limitations of the Workmen Compensation Database

The Workmen's Compensation Unit currently maintains a database for recording each case filed with the Ministry and has been used by the MEP & IR for several years. Review of the database revealed that it has become fairly outdated and has limited information in terms of generating and evaluating data.

The main functionality of the database in the Unit is to maintain logs to track progress of each case. However, we noted the database lacks the functionality to produce reports with various important fields which can be used for data analysis by the Unit or provided as audit trail.

Key data regarding cases such as WPI percentages awarded, doctor responsible, nature or cause of death (natural/fatal), disputed cases information, injury descriptions, nature of incapacity, revenue receipt number and date received are some pertinent data which are not included in the database.

Currently, records relating to the above are only kept in the respective hard copy files and cannot be automatically generated from the database as these have not been scanned and uploaded. To retrieve such information, one has to enquire on a case by case basis on the database and the respective files maintained for each workman which are manually kept by the Unit.

This increases the likelihood of damage and loss to records as in times of data loss it would be extremely difficult to re-create the files. The model of files and filing system used are archaic which also impedes with upholding efficiency at the workplace.

7.3.2 Inconsistencies noted in data entry

Audit review of reports from the database revealed that there were errors in data entered for specific fields or incomplete data were input into the system resulting in gaps in data when reports are extracted. Significant findings identified included:

- 3 samples (15%) from paid out cases noted that the payout detail fields were left blank and only notes were written. As a result, when injury reports were generated, zero payout amounts are shown when in reality payments have been remitted as per the hardcopy case files.
- 86 samples were selected for WPI testing of which 3 (3.4%) samples noted no data input under the "injury description" fields. Samples were tested against the database information whereby it was also observed that detailed information about injury or deaths are not input into the database hence limiting the audit trails and testing.

Discussion with the management of Workmen Compensation Unit noted that the current database has served its purpose and there are a lot of improvements required to ensure that all information gathered is captured in the database and required reports are generated.

The Ministry agreed on the need to revamp the Workers Compensation database.

Recommendations

- The Ministry should consider upgrading its database and input controls are strengthened to ensure that all pertinent information is captured in the database and allows exception reports to be generated for decision making.
- The Unit should also consider maintaining an electronic record keeping system – making it easier to capture information, generate reports and to better safeguard the information contained in manual files. Provisions should be made for maintaining electronic copies of supporting documentation on an imaging system as backups.

7.4 No proper records of trust fund receipts issued during the year were maintained

We noted that controls over the issue of trust fund receipt books at the Ministry's Headquarters are generally weak. Review of the main register for issue of receipt books noted that the following receipt books were issued but the books could not be located. It was noted that in most cases, the officers uplifting the books did not sign the register. Refer to table below for details.

Table 7.5: Details of missing receipt books

| Book Number | Receipt Number | Signed off by | Date |
|-------------|-----------------|----------------|-----------|
| 42 | 504051 – 504100 | Harshika (HQ) | 03/07/17 |
| 45 | 504201 – 504250 | Not signed off | Not dated |
| 46 | 504251 – 504300 | Not signed off | Not dated |
| 48 | 504351 – 504400 | Harshika (HQ) | 16/10/17 |
| 54 | 504651 – 504700 | Not signed off | Not dated |
| 56 | 504751 – 504800 | Not signed off | Not dated |

We further noted that trust receipt books issued are not reconciled in a timely manner and the missing receipts sequence from receipt books are not promptly investigated and followed up with the revenue collectors to ensure that appropriate actions are taken.

No explanations could be provided by the Ministry regarding the non-signing off of the main register. Inquiries with the responsible officer noted that the receipts may have been misplaced during the refurbishment of the Cashiers room.

The weaknesses are attributed to the poor internal control over trust fund receipts and if not addressed immediately can result in misappropriation of revenue being undetected.

The Ministry informed audit that an investigation team will be appointed to look into the missing receipt, process and gather information and take recommended action to avoid such issue arising again in the future.

Recommendations

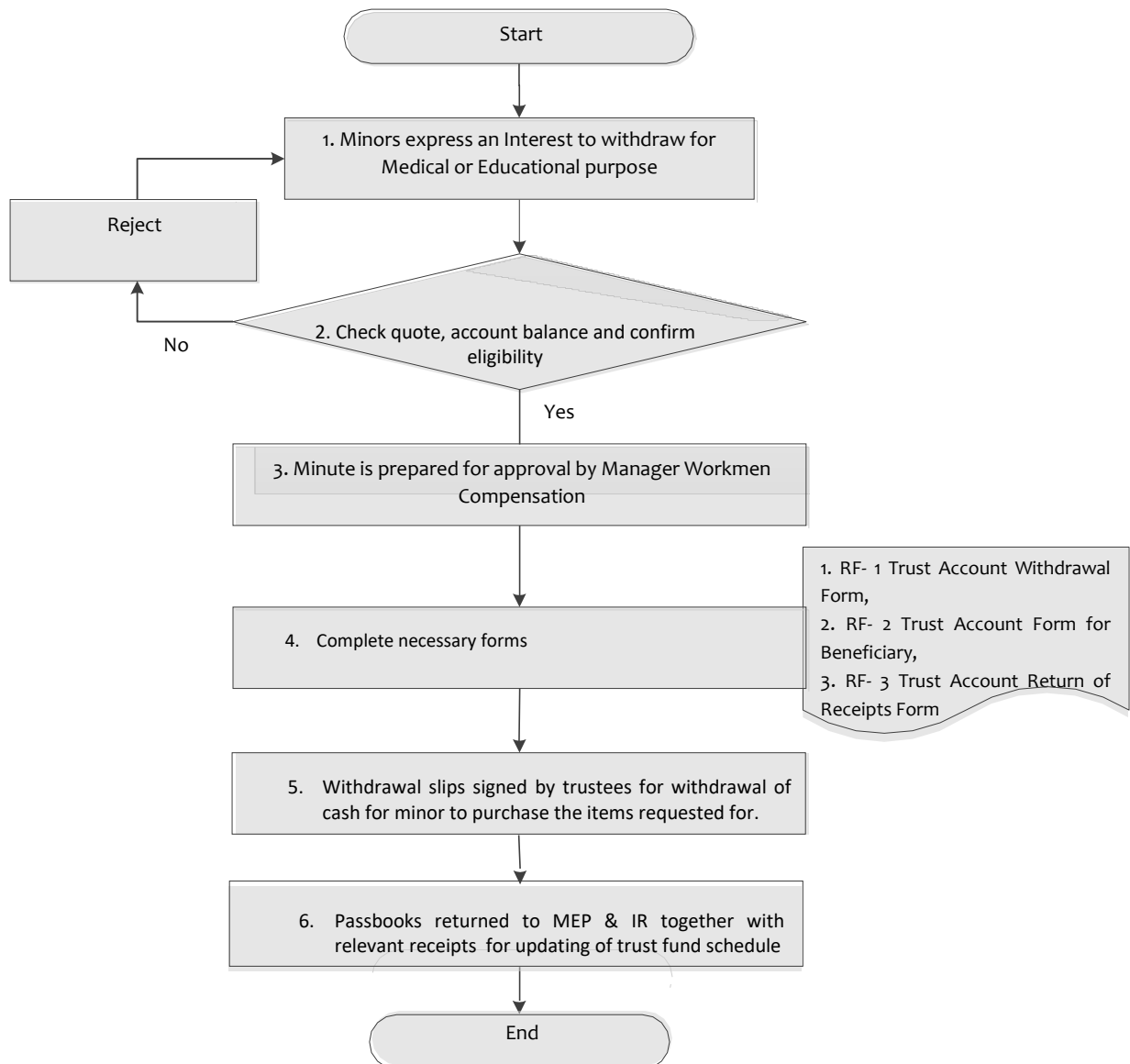
The Ministry should ensure that:

- Monthly returns on all used receipt books are provided by the respective revenue collectors in each District to the Headquarters for reconciliation purposes and used as basis for the issue of new books.
- An internal investigation is carried out by the Ministry on the missing receipt and appropriate actions are taken.

7.5 No proper trust fund accounting records for dependents (minors) of the deceased workmen were maintained

The MEP & IR holds trust accounts on behalf of beneficiaries for the death compensation cases and acts as trustees for the minors to approve the utilization of the funds. For the current practice, withdrawals should only be approved for medical and educational purposes.

The Ministry currently follows the following processes for withdrawal.



Source: MEP & IR Workers Compensation Claims Procedure (ME/WC-05)

We noted that there is no proper financial and legislative framework or documented policy in place to ensure that the Ministry:

- Holds and protect trust funds.
- Invest the funds during the term of the trust.
- Make appropriate disbursements from the trust.
- Pay out the funds to the beneficiary at majority age or as per the conditions of the trust.

Our audit reviewed controls on the withdrawals made from the beneficiaries (minors) trust accounts for the period 2016-2018.

A total of 81 withdrawals was made amounting to \$67,422.13 (\$14,169.07 - 2016, \$32,379.41 – 2017, \$20,873.65 – 2018) for the three years. All the trust fund withdrawals reviewed were valid claims for medical purposes and majority for educational purposes.

However, out of the 81 samples tested, we established that in 42 cases or 52% for the minor's trust fund withdrawals did not comply with all the requirements of the established criteria and good practices guides. Significant findings identified from the audit include:

- 32 or 40% of the withdrawals reviewed were not supported with receipts or proper acquittals attached for the withdrawals made. Therefore, we were unable to determine whether funds were utilized for its intended purpose. In some instances, the same minors were allowed to withdraw again even though receipts for the previous withdrawals were not provided.
- 3 or 4% of the cases approved minute was not attached with other documentation. Hence, we were unable to determine whether the withdrawals were properly authorized.
- The withdrawal passbooks for 20 trust accounts were not available for verification to confirm the bank balances. We were informed by the Ministry that these passbooks may have not been returned by the minors.

The above findings are a result of absence of proper policies/guidelines for the administration of these funds. There is a risk that business functions may not be adequately or consistently performed by all personnel. If this anomaly is not addressed in a timely manner, it can result in fraudulent withdrawals being made and not detected on a timely basis.

The Ministry confirmed that in certain cases, receipts have been misplaced, hence declaration has been provided by the beneficiaries. The Ministry agreed to ensure that the trust fund monies are used for its intended purposes.

Recommendations

- **The MEP & IR should ensure that all withdrawals are adequately supported with relevant documents.**
- **Supervisory checks on the withdrawals should be strengthened to avoid the irregularities highlighted above.**
- **The MEP & IR should constantly review the policies and guidelines in order to protect trust monies and ensure they are managed and administered appropriately.**
- **The MEP & IR should also consider discussing with the Fiji Public Trustee Corporation Ltd on the possibility of the Corporation administering the trust funds on behalf of the minors or developing guidelines and best practices in management of funds for minors.**

7.6 Conclusion

Overall, the Workmen Compensation Unit of the Ministry of Employment, Productivity & Industrial Relations consistently paid bonafide workers compensation claims in correct amounts. However, the progress of cases are not properly tracked to ensure that the processes are completed within the approved timeframe. Voluntary compliance by employers to report all work related injury/death cases within the legislated timeframe remains a concern exacerbated by the challenges in the practical application of the Section 14 (3) of the Act which needs to be addressed immediately.

The current IT database system is not effective to track the progress of all cases. An overall upgrade of the current IT database system is warranted to not only improve efficiency or turnaround time in the processing of cases but also able to capture all the important information and provide exception reports that is reliable for decision making.

While departures from the Ministry's Standard Operating Procedures are not considered to be significant, supervisory checks needs to be strengthened and the finalization of the Fiji Impairment Guide has to be expedited.

Finally, the controls over the issuance of trust receipt books from the Headquarters and reconciliation of each receipt issued is generally weak and remains a concern despite the issue being raised in previous years audit reports.

In addition, the Ministry should consider transferring the trust monies for minors to the Fiji Public Trustees Corporation Limited (FPTCL) to properly manage these funds or obtain assistance from FPTCL to develop guidelines or best practices for management of accounts of minors.

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Audit of the Social Welfare Schemes

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1. EXECUTIVE SUMMARY

The Office of the Auditor General carried out a performance audit on the Social Welfare Schemes under the Ministry of Women, Children and Poverty Alleviation (MWCPA).

This audit focused on assessing the effectiveness of the Ministry in complying with the Standard Operating Procedures for processing of application under the Social Welfare Schemes for the period from August 2017 to July 2018.

The Department of Social Welfare administers Fiji's recently reformed programmes, which include the Social Pension Scheme (SPS), Poverty Benefit Scheme (PBS), Child Protection Allowance (C&P) and the Food Voucher Program for Rural Pregnant Mothers (RPM). In managing these programmes, the Department is responsible for ensuring that those most in need and eliminating corruption and fraud in the system.

Where the current guideline is limited, specifically for financial management and proper record maintenance, the generally accepted best practice is accepted.

Our audit covered all processes from application, verification, approval, notification, to payment of Social welfare scheme allowance. In addition, our audit was conducted based on information and records provided by Department of Social Welfare during the period the audit was undertaken.

We examined a total of 250 recipient case files (100 case files Social Pension Scheme, 50 case files for Poverty Benefit Scheme, 50 case files for Child Protection and 50 case files for Food Voucher for Rural Pregnant Mothers) for which payments were made during the period amounting to \$85,246,927.

From our audit we noted that the Social Welfare Unit did not fully comply with the SoPs and related financial policy guidelines.

Significant findings identified from the audit include the following:

Social Pension Scheme (SPS)

- Life certificates were not issued to recipients in accordance with the SoPs;
- Necessary verification from Fiji National Provident Fund was not carried out before approving pay-outs; and
- In some instances, payments made to deceased recipients.

Poverty Benefit Scheme (PBS)

- Life certificates were not issued to recipients in accordance with the SoPs;
- Inconsistency was noted in determination of eligible income for recipients and;
- Significant delays were noted in processing of applications.

Care and Protection Allowance (C&P)

- Recipients were not paid in accordance with the rates in the SOP;
- Lack of timely reviews were noted in recipient case files;
- Recipients details were not maintained in files; and
- Non-termination of allowance to 18 year old recipients.

Food Voucher Programme for Rural Pregnant Mothers (RPM)

- SoPs were not regularly updated.

The key findings noted indicate the need for the Ministry to evaluate and review its standard operating process and ensure that application and payment processes are fully complied with.

2. AUDITING STANDARDS

We have conducted this audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 4000) for Compliance Auditing.

3. REFERENCE TO COMMENTS

The detail response from Ministry of Women, Children and Poverty Alleviation has been incorporated in Section 8 of this report.

4. WHAT WE AUDITED & AUDIT SCOPE

The subject matter for this audit was to determine whether Ministry of Women, Children and Poverty Alleviation has robust processes and related controls for social welfare schemes.

Through this audit, we examined whether the Ministry of Women, Children and Poverty Alleviation complied its SoPs and related financial policy guidelines. In areas where the above regulations are limited, in terms of the sound financial management, the generally accepted principles are recognized as best practices.

Our audit addressed the following main questions:

1. Did the Ministry Women, Children and Poverty Alleviation comply with the Standard Operating Procedures when processing and computing eligible recipients?
2. Are SoPs effective in the processing of the applications?

For each questions, we examined if the Ministry complied in all material respects with the agreed criteria specified on Section 5.

5. AUDIT CRITERIA

The Ministry, as a Government agency, must operate within an environment of government legislation and policies. The criteria for the audit is based on regulations, policy framework, and manuals designed to ensure compliance with laws governing all government procurements. These include:

- Standard Operating Procedures 2018
 - Social Pension Scheme
 - Poverty Benefit Scheme
 - Child & Protection Allowance
- Ministry of Women, Children and Poverty Alleviation - Finance Manual
- Finance Instructions 2010
- Guide to Good Practice Financial Management 2005

6. METHODOLOGY

The audit methodology included reviewing of information from recipient case files and database, recalculating eligibility and performing tests, procedures and analysis against predetermined criteria.

Information collected and reviewed included the following:

- Ministry's SoPs for background, criteria and processes for social welfare schemes
- Discussions with Ministry's staff and management
- Recipients' case files included forms, assessment records, statements, birth certificates and approvals.

Procedures and tests conducted included the followings:

- Verification of social welfare schemes payments for compliance with Ministry's policies and procedures, including accuracy and timeliness requirements
- Discussions with key personnel at the Ministry.
- Performance of analytical procedures

Audit finding identified were discussed with the Permanent Secretary and the Director of Social Welfare on 06 September 2019.

7. ACRONYMS

| Acronym | Definition |
|----------------|--|
| MWCPA | Ministry of Women Children and Poverty Alleviation |
| SPS | Social Pension Scheme |
| PBS | Poverty Benefit Scheme |
| C&P | Care & Protection Allowance |
| RPM | Rural Pregnant Mothers |
| DSW | Department of Social Welfare |
| SOP | Standard Operating Procedure |
| BDMS | Birth, Deaths and Marriage Service |

8. AUDIT FINDINGS

Question 1: Did the Ministry Women, Children and Poverty Alleviation comply with the Standard Operating Procedures when processing and computing eligible recipients?

Standard Operating procedures serves as a guideline in ensuring that there is standard uniformity within the operations of the program.

Management is responsible for establishing the systems designed to ensure compliance with policies, plans, procedures and applicable laws and regulation.²

8.1 SPS issue: Lack of verification from Fiji National Provident Fund (FNPF)

To be eligible for the Social Pension Fund, the applicant must not be a recipient of Fiji National Provident Fund pension.³

Review of the recipients' record showed lack of verification from FNPF to ascertain that recipients are not beneficiaries of FNPF pension scheme.

Furthermore, an independent confirmation was obtained from FNPF which indicated that various Social Pension Scheme (SPS) recipients were also recipients of FNPF. Refer to **Appendix 1** for details.

Lack of verification with FNPF increases the risk of applications being approved for individuals who are also recipients of FNPF pension scheme which is a breach of the eligibility criteria of the Ministry's Social Pension Scheme.

The Ministry informed that they had initially approached FNPF for the verification of applicants with an initial MOA signed between both parties. However, due to the huge number of applications it was difficult for both parties to verify the all applications. The Ministry explained that it would require almost a full time officer on the part of FNPF to verify every names submitted and the majority of these applicants have never worked in their entire lives. The Ministry resorted to asking applicants during the interviews to provide validation from FNPF. The Ministry further explained that it will need to re-look and renew the Memorandum of Agreement with FNPF whilst awaiting the Digital Fiji Peoples HUB with the hope that it will enable the Ministry to have access to such information in the future.

8.2 SPS and PBS issue: Life Certificates not issued

In accordance to section 9 of the standard operating procedure for Social Pension Scheme (SPS) and section 10.4 of the standard operating procedure for Poverty Benefit Scheme (PBS) of the Ministry, life certificates are to be issued every 6 months as part of the review process to ensure that the recipients are still alive.

Our audit noted that the Ministry did not obtain life certificates for the payments made to recipients in the financial year 2017/2018.

Discussions revealed that this process was not implemented in the financial year 2017 / 2018.

² Guide to Good Practice Financial Management 2005

³ Section B of Social pension Scheme Application Form

Lack of reviews and life certificates increase risk of payments being made to deceased applicants and hence loss of public funds.

Explanation provided by the Ministry was that the Ministry had initially incorporated the Life Certificate in the SOPs as part of its strategies to minimise the fraudulence of the system; this was after consultations were conducted with MOE and the Ex-Servicemen's Unit which have employed this approach. However, the Ministry was advised to seek Cabinet's approval prior to implementation. Furthermore the Ministry informed that the Cabinet Paper has been submitted. In addition, the Ministry plans to have this implemented in the first quarter of the 2019-2020 financial year once it is approved by Cabinet.

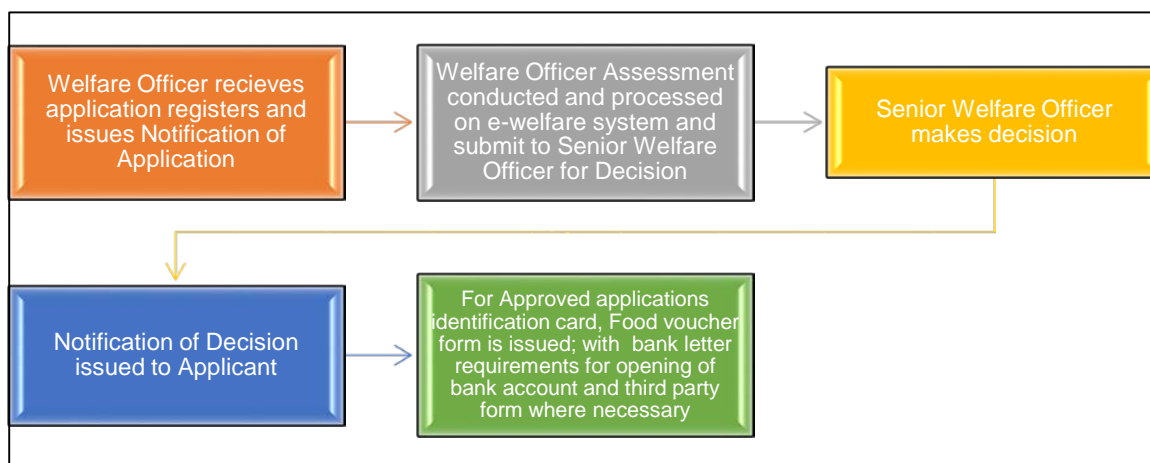
8.3 PBS and C&P issue: Delay in processing of application

Poverty Benefit Scheme (PBS)

This process whereby an application is received, home visited, processed, and completed in the system with decision made by the Senior Welfare Officer should take less than 30 days minimum (1 month) and within the maximum of 90 days (3 months) if more time is needed.⁴

Refer to Figure 8.1 below for details.

Figure 8.1: Process of Poverty Benefit Scheme Applications



The audit noted from the review of a sample of cases that the assessment turnaround time was more than 90 days in some cases. Refer to the table below for examples from samples selected and tested.

⁴ Poverty Benefit Scheme Standard Operating Procedure 2018 section 4.7

Table 8.1: Delay of processing of applications

| No. | Case File Ref. | Primary Applicant | Application Date | Approval Date | Delay by No. of Working Days |
|-----|-------------------|-------------------|------------------|---------------|------------------------------|
| 1 | SUV/PBS/854/17 | B.G | 2/05/2017 | 23/10/2017 | 127 |
| 2 | SUV/PBS/KV/529/16 | T.K | 8/03/2016 | 23/09/2016 | 143 |
| 3 | SUV/PBS/1069/18 | L.V | 18/07/2017 | 14/03/2018 | 170 |

Delay was due to the Ministry accepting applications with pending documentation from the applicants.

The Ministry explained that efforts were made to ensure applications were completed on time. In the past financial year (2018-2019), there was a total of 20,095 new applications received for all the social protection programs with 19,571 cases approved. However, challenges and delays continue to be encountered in the processing of some of these applications due to locations as home visitations need to be carried for PBS. In addition, cases could not be completed if required documents such as Birth Certificates, and school letters were not produced on time.

The Ministry also informed that at times, incomplete applications were submitted especially from maritime islands and rural locations. Moreover, the Ministry explained that welfare officers had several responsibilities which include child welfare, disability and elderly care, with competing priorities that often affects the timeliness in the processing of cases. One of the strategies engaged by the Divisional Offices was to carry out sweeps in their divisions to address the pending cases. This would include officers from the different districts (e.g. Tavua, Ba and Rakiraki) coming together for a week or two in a district to clear the pending cases and then moving to the next district to do the same. The other strategy is using the REACH Program, especially in the rural and maritime communities to attend to the pending cases.

Care & Protection Allowance (C&P)

The process whereby an application is received, processed, and completed in the system with decision made by the Principal welfare Officers/Assistant Directors should take less than 30 days minimum and within the maximum of 90 days (3 months) if more time is needed, especially in maritime cases where relevant documents cannot be provided on time by the applicant.⁵

From the review of a sample of cases, the audit noted that timelines for assessment exceeded 90 days in a number of cases. Refer to the table below for details.

Table 8.2: Delay of processing of applications

| No. | Case File Ref | Primary Applicant | Application Date | Approval Date | No. of Days |
|-----|------------------|-------------------|------------------|-----------------------|-------------|
| 1 | SUV/CP/PT/259/18 | A.L | 12/01/2018 | APPROVED – 18/06/2018 | 157 |
| 2 | NAS/CP/AV/126/18 | S.L | 18/09/2017 | APPROVED - 06/07/2018 | 291 |
| 3 | NAS/CW/AV/26/17 | V.L | 20/02/2017 | APPROVED - 15/08/2017 | 176 |
| 4 | NAS/CW/AV/58/17 | T.M | 31/07/2017 | APPROVED 20/11/2017 | 112 |
| 5 | SU/CW/AD/233/17 | E.T | 30/05/2017 | APPROVED 11/09/2017 | 104 |

⁵ C&P Amended SOP – Section 3.14

8.4 C&P issue: Non Compliance to SOP scheme rates

The care & protection allowance (C&P) is paid to the caregiver on a monthly basis through electronic banking or vouchers with allocations ranging from a minimum of \$29 to a maximum of \$129, regardless the number of children. In 2017, the initial scheme rate for 2013 was revised and increased by 15%.

We noted from a sample of cases reviewed that the scheme rates used were inconsistent with that in the SoPs. Although scheme rates were revised in 2017, it was noted that recipients, as at 31st July 2018, were still assisted based on the rates set in 2013. Table 8.3 shows the scheme rate allocations.

Table 8.3: Scheme Rates Allocation

| Monthly Allowance | 2013 Amount (\$) | 2017-2018 Amount (\$) |
|-----------------------|------------------|-----------------------|
| Pre School | 25 | 29 |
| Primary School | 30 | 35 |
| Secondary School | 40 | 46 |
| Child with Disability | 60 | 69 |

Table 8.4: Inconsistent Scheme Rates

| No. | Case File Ref | Primary Applicant | Amount (\$) | Audit Calculation (\$) | Variance (\$) |
|-----|------------------|-------------------|-------------|------------------------|---------------|
| 1 | NAS/CP/AV/126/18 | S.L | 30 | 35 | 5 |
| 2 | SUV/CP/PT/259/18 | A.L | 110 | 127 | 17 |
| 3 | NAS/CP/SB/110/17 | M.T | 70 | 81 | 11 |
| 4 | NAS/CW/AV/69/17 | M.L | 60 | 70 | 10 |
| 5 | NAS/CW/AV/26/17 | V.L | 50 | 58 | 8 |
| 6 | 101_106775 | L.B | 69 | 92 | 23 |
| 7 | NAS/CP/RW/119/17 | V.B | 110 | 127 | 17 |
| 8 | NAS/CW/AV/58/17 | T.M | 30 | 35 | 5 |

The Ministry informed that adjustments were made to the pay-out database as this was easily identified when Divisions submit their pay list to Headquarters for payment. The Ministry however agreed, that that this needs to be amended in case files as identified.

8.5 C&P issue: Lack of reviews of recipients case files

All approved cases will be subject for review; this will be done annually (from the date of approval) either through desk review or home visitation.⁶

From the review of a sample cases, we noted that annual reviews were not carried out as per the SoP. Refer to table below for details

⁶ C&P Amended SOP – Section 9.1 Review of Cases

Table 8.5: Lack of Annual Reviews

| No | Case File Ref | Applicant |
|----|-------------------|-----------|
| 1 | CW/NSR/LD/185/15 | A.N |
| 2 | NAS/CP/SB/94/17 | M.V |
| 3 | NAS/CP/SB/110/17 | M.T |
| 4 | NAS/CW/AV/69/17 | M.L |
| 5 | SU/CW/NR/311/17 | M.M |
| 6 | SU/CW/AD/233/17 | E.T |
| 7 | SUV/CW/NRR/496/17 | S.T |

Lack of timely reviews increase the risk of overpayment or underpayment of allowances. This is evident through the inconsistency in scheme rates after the amendments in 2017. As such, certain applicants are still receiving assistance based on the previous year's rates.

Explanation provided by the Ministry was that reviews were carried out annually as part of the outputs factored in the Ministry's COP. The Ministry further explained that in the Financial Year (2018-2019), the total number of recipients in the Ministry's Social Protection Programs were 86,578, the total number of cases reviewed were 22,210, 25% of the total recipients (PBS-26,972/5,562; C&P-8106/1,767; SPS 44,547/14,258; DAS-7003/623). As a result of these reviews, a total of 7,328 cases were removed from the system. However, the Ministry also agreed that due to the huge number of recipients, it was impossible for the Ministry to carry out 100% review of cases annually but reviews were done systematically year after year.

8.6 C&P issue: Maintenance of Case Files

Once applications are complete in the system (approved or declined), the case officer must ensure that a hard copy of the completed application is printed out and kept in a case file (clearly labelled) together with the copies of documents.⁷

From the selected samples, we noted that certain case files were not maintained properly as per the SoP requirements. Refer to table for details.

Table 8.6 Anomalies in case files

| No. | Case File Ref | Primary Applicant | Anomaly |
|-----|------------------|-------------------|--|
| 1 | NAS/CW/AR/68/17 | T.K | No evidence of source of fund (Pay slip) |
| 3 | 101_106775 | L.B | No confirmation of children's education status |
| 4 | SUV/CP/PT/276/18 | S.R | Bank Account details of recipient not on file |
| 5 | CW/NSR/LD/185/15 | A.N | |
| 6 | SUV/CP/PT/259/18 | A.L | |

The absence of important documents from case files is an indicator of weak controls implemented by the Ministry.

The Ministry informed that this was an ongoing challenge which had been highlighted in past audits, especially with office space. The Ministry explained that they are making every effort to ensure that case files and documentation are securely kept and systems are improved to minimise the misplacements and loss of documents.

⁷ C&P Amended SOP – Section 8.1 Maintenance of Case Records

8.7 C&P issue: Non-termination of allowance to 18 year old recipients

In accordance with section 1.4 of the Standard Operating Procedures, the assistance can be given until the child/children turns 18 years after which the allowance will be terminated without notification.⁸

Findings from the review of a sample of cases selected indicated that despite children having reaching the age of eighteen years and above, recipients were still being paid the care & protection allowance. Refer to the table below for details.

Table 8.7: Non-termination of allowance to 18year old recipients

| No. | Case File Ref | Caregiver | C&P Recipient | D.O.B | Age as at 31/07/2018 | Amount Paid (\$) |
|-----|------------------|-----------|---------------|------------|----------------------|------------------|
| 1 | NAS/CP/SB/94/17 | M.V | S.C | 07/03/2000 | 18 YRS | 70 |
| 2 | CP/NSR/SS/211/16 | F.B | S.K | 12/04/2000 | 18 YRS | 115 |
| 3 | SU/CW/SR/97/11 | M.M | A.R | 1/4/2000 | 19 YRS | 69 |
| 4 | NAS/VW/01/12 | S.R | S.B | 28/07/1997 | 21 YRS | 81 |
| | | | J.D | 02/05/1994 | 24 YRS | |

The above finding implies lack of proper review and monitoring of payments for beneficiaries, resulting in overpayment of allowances by the Ministry.

Explanation provided by the Ministry was that the system that was developed was supposed to generate this information. As it was not able to do so, the Ministry had resorted to manual identification. This resulted in some cases not amended. The Ministry further explained that this is an ongoing exercise for the Ministry to update all its Social Protections cases.

Recommendations

The Ministry should:

- verify the applicants with FNPF before approving applications for social pension's scheme;
- ensure that life certificates are obtained from recipients, as required by the SoPs, before payments are made;
- identify strategies and review processes to ensure that applications are processed on a timely manner;
- ensure that case files are reviewed and scheme rates adjusted in accordance with the approved rates;
- ensure that annual review of case files are carried out as per section 3.14 of the SoP;
- ensure that all relevant documents are kept properly in the respective case files; and
- consider having a robust system to review previous years case files and ensure that assistance to recipients above the age of 18 are terminated with necessary adjustments made for primary recipients' allowance.

⁸ C&P Amended SOP – Section 1.4 Overview

Question 2: Are the standard operating procedures effective in the processing of applications?

Section 59 (1) of the Finance Instructions 2010 states that each agency must have in place a cost effective system of internal controls which safeguards money and property against loss; avoids or detects accounting errors; and avoids unfavourable audit reports.

Effective policies and procedures can help an agency mitigate/reduce risks, detect and prevent irregularities and safeguard assets and records.⁹

8.8 SPS issue: Payment made to deceased recipients

The Social Pension Scheme (SPS) is for elderly persons in Fiji who have attained the age of 65 years with no source of income, and not receiving Government Pension, Ex-Serviceman Funds or FNPF pension or any other superannuation. (*Department of Social Welfare Social Pension Scheme Procedures Section 1.1*)

Independent confirmation obtained from the Registrar General of Births, Deaths and Marriage Services during audit revealed that some of the recipients were deceased but the Ministry was still paying the Social Pension Allowance as of July 2018. The table below shows details.

Table 8.8 Overpayment to Recipients

| Overpayment as at 31 July 2018 | | | | |
|--------------------------------|---------------|----------------|--------|---------------|
| Name | Date of Death | Case No. | Months | Amount (\$) |
| R | 23/03/2015 | SU/SPS/758/14 | 40 | 4,000 |
| A.V | 14/01/2018 | SU/SPS/1368/15 | 6 | 600 |
| M.T | 18/10/2015 | NSR/SPS/152/15 | 33 | 3,300 |
| J.T | 20/02/2016 | Lau/SPS/338/15 | 29 | 2,900 |
| G.M | 06/04/1993 | NSR/SPS/122/15 | 67 | 6,700 |
| L | 15/09/2017 | NSR/SPS/206/15 | 10 | 1,000 |
| Total | | | | 18,500 |

Furthermore, it was noted that a recipient (Case Number NSR/SPS/122/15) had passed away on 06 April 1993. However, the application was received by the Ministry on 15 February 2015 and was approved for payment. This indicates the existence of fraud which the Ministry has not detected and has approved for payment.

The Ministry informed that they had approached BDM as recommended in previous audits and were provided with a sample of viewing privileges for testing purposes. However the Ministry is requesting access for viewing privileges to be available at Field level. The Ministry also explained that in some cases, information will not be available in the BDM system if children are not registered or deaths are not recorded, especially in the rural and maritime areas. The Ministry has agreed to follow up on these cases and provide an update on actions taken.

⁹ Guide to Good Practice Financial Management 2005

8.9 PBS issue: Inconsistent determination of Eligible Income and Recipients

Based on the Household, Income and Expenditure Survey (HIES), the average members of a household is made up of four (4). As per information gathered from this survey, the new Poverty Benefit Scheme (PBS) will consider assisting four members in the household. This means that when assessing a case, only four members in the household will be included although there may be more than four members in that family.¹⁰

In 2017, the initial rate set in 2013 was increased by 15%. Refer table below for details.

| Monthly Allowance | Amount (\$) 2013 | Amount (\$) 2017 |
|------------------------|------------------------|------------------------|
| 1 Person per household | 30 | 35 |
| 2 Person per household | 50 | 58 |
| 3 Person per household | 80 | 92 |
| 4 Person per household | 110 | 127 |
| Monthly Food Voucher | 50 | 50 |

From the review of a sample of cases, we noted that there were inconsistencies in the eligible amounts and recipients. Refer to the table below for details.

Table 8.9: Review of Sample Case Files

| No. | Case File Ref. | Primary Applicant | Amount Approved (\$) | Audit Calculation (\$) | Comment |
|-----|-------------------|-------------------|----------------------|---------------------------------------|---|
| 1 | SUV/PBS/1109/18 | E.R | 127 | 120 | -Incorrect entry for an extra adult. -Only six household members consisting of 1 adult and 5 children. -Overpayment of \$7 per month |
| 2 | LAU/PBS/195/17 | F.L | 80 | 104 | Date approved 04/10/2017. Note that the youngest child is the 4th member. There is a need to review to pay the correct amount |
| 3 | SUV/PBS/1224/18 | E.V | 92 | 104 | 2 adults and 2 children calculated to receive the amount of \$94. There is a need to review and re-adjust. |
| 4 | SUV/PBS/1069/18 | L.V | 75 | 87 | 2 adults and 1 child is calculated to receive \$87.00. There is a need to review and re-adjust |
| 5 | PBS/NSR/SS/406/14 | N.D | 30 | This is a Care & Protection scheme | The case to be re-assessed under the new DAS scheme or CP scheme. Case required immediate intervention, was entered to PBS. |
| 6 | NAS/PBS/AV/64/17 | R.P | 50 | This is a Disability Allowance scheme | Case officer recommended for \$50 as the client lived alone and was physically disabled. Recipient should have been paid from Disability Allowance Scheme |

¹⁰ Poverty Benefit Scheme Standard Operating Procedure 2018 section 1.2

We further noted that the lack of clarity in the SoPs may be creating confusion resulting in the above inconsistencies.

The Ministry has noted the need to update the SoPs as there is the risk of misinterpretation and errors in determining the eligible recipients and amounts.

8.10 Food Voucher Programme (RPM) issue: Un-updated standard operating procedure

We noted that the standard operating procedures (SOP) for the Food voucher Programme – Rural Pregnant Mothers (RPM) was not updated to reflect the changes in the allowance as announced in the 2017 / 2018 budget. There was an increase in the allowance from \$30 to \$50 which was not updated in the SoP.

The lack of review of the SOP can lead to incorrect payments to Food Voucher Program recipients.

Comments received from the Ministry stated that the SOP for the Social protection programs are constantly reviewed with the amendments made as new changes are factored. Capacity building and training has been carried out with officers and the latest changes are communicated through emails for the officers' information. The Ministry also explained that this capacity building is an ongoing process as new changes come about.

Recommendations

The Ministry should:

- **having independent checks with Births, Deaths and Marriage Services in order to establish if any of the recipients have deceased;**
- **consider making arrangements for view access to BDMS to validate recipient's status on a timely basis;**
- **consider to move towards a fully computerised system for the processing of all social protection applications that could address some of the on-going issues highlighted, and for digital filing for information stored in large volumes of case files;**
- **carry out a review of all SoPs to update the current process and procedures and**
- **Investigate the overpayments to recipients identified in this report and take appropriate action.**

9. CONCLUSION



Based on the audit work performed, we conclude that controls in the processing of Social Welfare Schemes are weak. If not addressed promptly this may result in material misstatements and possible financial losses in future.

Appendix 1: SPS Recipients who have received FNPF Pension

| Index | Recipient Name | Fathers Name | Date of Birth | Have they Received funds from FNPF |
|-------|----------------|--------------|---------------|------------------------------------|
| 1 | M.T | V.K | 26.01.50 | Yes |
| 2 | K.N | B | 11.01.52 | Yes |
| 3 | B.S | F.L | 11.03.44 | Yes |
| 4 | H.H | J.H | 17.10.50 | Yes |
| 5 | U.C | R.N | 29.07.52 | Yes |
| 6 | S.W | I | 27.11.51 | Yes |
| 7 | C.L | R | 17.02.53 | Yes |
| 8 | P.W | D.S | 11.11.52 | Yes |
| 9 | E.D | R.I | 19.09.42 | Yes |
| 10 | E.M | S.L | 23.07.42 | Yes |
| 11 | P.P | R | 06.06.50 | Yes |
| 12 | N.V | U | 22.04.48 | Yes |
| 13 | T.R | L.V | 25.07.50 | Yes |
| 14 | J.K | B.S | 15.04.50 | Yes* |
| 15 | A.Y | T.L | 01.06.52 | Yes |
| 16 | T.C | L.C | 07.01.52 | Yes |
| 17 | N.P | S.K | 07.12.52 | Yes |
| 18 | M.S | S.S | 09.10.49 | Yes |
| 19 | W.K | P.K | 05.06.49 | Yes |
| 20 | Y.L | S | 06.05.52 | Yes |
| 21 | B.K.F | F.K.H | 07.10.50 | Yes |
| 22 | S.T | L.C | 10.05.51 | Yes |

(Independent confirmation from FNPF)

Appendix 2: Social Pension Scheme Application Form

| | | | | | |
|--|--|--|--|---|--|
|  MINISTRY OF WOMEN, CHILDREN & POVERTY ALLEVIATION | | Office of the Minister and Permanent Secretary 5th Floor, Civic Towers- P O Box 14068 Suva Phone: (679) 3312 199 Fax: (679) 3303 829 | Department of Social Welfare 72 Sawa Street, Torok P O Box 2127, Govt Bldg, Suva, FJI Phone: (679) 3315 585 / 3315 981 Fax: (679) 3305 110 | Department of Women: 5th Floor, Civic Towers P O Box 14068 Suva Phone: (679) 3312 199 Fax: (679) 3303 829 |  |
|--|--|--|--|---|--|

SOCIAL PENSION SCHEME APPLICATION FORM

This is the Official Application Form to be filled by anyone applying for the Social Pension Scheme (SPS). This is for Elderly persons over the age of 65 years who have no source of income or are not beneficiaries of any other superannuation scheme such as FNPF, After Care, Government Pension or Insurance or Poverty Benefit Scheme (PBS). This Form remains the Property of the Ministry and should be sent to the nearest District/Divisional Welfare Office with a certified copy of the Birth Certificate and 2 passport size photos for assessment. This Form cannot be used for any other purpose.

Case No: (To be filled by the Welfare Officer)

Section A. Personal Information

1. Name of Applicant: 2. Age
3. Date of Birth: 4. BC No:
5. Postal & Residential Address:
6. Phone Contact: 7. Sex: Male/Female.....
8. District Office:

Section B. Declaration

9. I do solemnly affirm that I am not a recipient of the following Pension Schemes or Social Welfare Payments:-
 - a. FNPF Pension or Lump Sum payment
 - b. After Care or Ex-Servicemen Grants
 - c. Government Pension
 - d. Social Welfare Assistance (Poverty Benefit Scheme)
 - e. Allowance for Persons with Disability
10. I declare that the information furnished in this application is true and correct to the best of my knowledge.
11. Signature/Thumbprint: 12. Date:

Note: Information above will be verified with Organizations such as FNPF, Ministry of Finance etc. to ensure that it is correct. Any falsification of information will be seen as an attempt to defraud the System and therefore will not be tolerated and will be liable for prosecution.

Section C. Community Assessment- To be endorsed by a recognized Community Figure/Civil Servant

13. I hereby declare that I have known the above person for the last years and that the information provided in this application is correct.

14. Name: 15. Signature:

16. Date: 17. Address: 18. Phone Contact:

Section D. Official Use – to be completed by officials of the Department of Social Welfare

15. Recommendation:

16. Welfare Officer: 17. Signature:

18. Date:

19. Decision: 20. Approving Authority:

21. Name: 22. Signature:

23. Date: 24. Stamp:

Section E. Payment Details

25. Benefit Amount: 26. TIN No.:

27. Bank: 28. Account No.:

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Report on Audit of Government Subvention - Council of Rotuma

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1.0 INTRODUCTION

The Office of the Auditor General carried out a special audit on the Council of Rotuma (“Council”) on the request of the Office of the Prime Minister (OPM). The scope of the audit covered government subvention funds disbursed to the Council through OPM for the period 1 January 2015 to 31 July 2018. Expenditures paid from the Rotuma Subvention funds during this period totaled \$295,110. Our audit also covered an assessment of the effectiveness of the Council’s governance structures, cash management and asset management. The audit was conducted based on the information and records provided by the Council.

All the issues identified and reported have been rated high risk and considered as controls or compliance weaknesses of such fundamental significance that they require immediate attention by the Council of Rotuma and the OPM for priority action for resolution. The significant findings identified from the audit include:

- Inadequate or lack of supporting documentations for expenditures incurred.
- Unauthorized use of the Rotuma Development Funds for operational expenses.
- Unsubstantiated bank withdrawals.
- Poor records management.
- Weak controls over management of cash.
- Weak controls over management of assets.
- Absence of policies & procedures and strategic & operational plans.
- Lack of financial accountability.

The Council’s governance structure is weak and internal controls non-existent in a lot of areas. In addition, the Council lacks financial accountability in terms of financial reporting through the submission of timely and quality financial statements for audit and making available to Parliament and the public audited financial statements.

Common factors running through the issues that have been identified and crucial to improving the Council’s operations and financial accountability are the establishment of proper governance structures and internal controls.

Establishing formal policies, procedures and plans support effective governance and internal controls as they provide direction for the day-to-day operation of the Council, promote consistency and clarify accountability to the staff and those managing the Council.

While the provision of appropriately skilled and competent resources to manage the operations of the Council is required, the oversight role of OPM also needs to be improved. These should be given sufficient attention and priority.

2.0 AUDIT OBJECTIVES

The objective of the audit was to obtain sufficient and appropriate audit evidence to enable the Auditor General to determine whether:

1. Acquittals prepared and submitted by the Rotuma Council to the OPM were accurate and complete.

2. Expenditures were properly authorized in accordance with laws and regulations and the Council's policies and procedures.
3. Accounting and other related records of the Council have been properly maintained and in order.
4. Cash management is appropriate and effective.
5. All property, plant & equipment purchased by the Council are properly recorded and maintained.
6. Good governance and internal controls exist and are effective.

3.0 METHODOLOGY AND SCOPE

Our audit was conducted based on the availability of records and information as provided by the Council of Rotuma. The payment vouchers from January 2015 to July 2018 were verified for accuracy and completeness. In addition, the governance and internal control structures, cash management and asset management of the Council were also reviewed and assessed.

Although the Rotuma Development Fund was not initially part of the scope of the audit, we reviewed the withdrawals made from the relevant bank account to the supporting documentations as the funds were also utilized to meet the Council's operational expenditures.

We were not able to carry out detailed testing of payments made due to the absence of clear audit trails.

4.0 AUDIT FINDINGS

INACCURATE AND INCOMPLETE ACQUITTALS

The Government through OPM provides annual funding assistance to the Council of Rotuma under the Rotuma Subvention Fund (RSF). The funds are allocated to meet the Council's operational costs as well as the funding of development projects. From 1 January 2015 to 31 July 2018, a total of \$295,110 was disbursed to the Council as follows:

| Financial Period | Budget (\$) | Actual (\$) | Variance (\$) |
|------------------|----------------|----------------|----------------|
| 31 December 2015 | 139,000 | 139,000 | - |
| 31 July 2016 | 88,896 | 63,858 | 25,038 |
| 31 July 2017 | 132,000 | 55,630 | 76,370 |
| 31 July 2018 | 132,000 | 36,622 | 95,378 |
| Total | 491,896 | 295,110 | 196,786 |

The scope of the audit covered expenditures incurred under the Rotuma Subvention Funds from January 2015 to July 2018.

4.1 Inadequate documentation to support expenditures

Section 6 of the Grant Agreement between the Council and OPM requires that the Council must maintain proper files and accounting records adequate to show the utilization of the government grant.

From the audit of expenditure records, we noted the following anomalies:

- Lack of supporting documentations to substantiate expenditures.
- Lack of documentations to substantiate approval of the Council for certain expenditures that did not directly relate to its operations.
- Some expenses incurred that did not relate to the Council's operation.

Refer to **Appendix 1** for details.

The Council explained that any payments done, including expenses that did not relate to the Council's operation, were endorsed through special Council meetings. However, the Council did not provide any evidence to substantiate such approvals.

4.2 Unsubstantiated withdrawal from the subvention bank account

From the review of the bank statements for the subvention funds account, it was determined that a total of \$99,096 was withdrawn through bank cheques from January 2015 to July 2018. The cheques were cashed at the Rotuma Post Office and utilized by the Council as petty cash for daily operational expenses. We noted that there was no ledger maintained, or reconciliation performed to properly record and substantiate how the funds were utilized by the Council. The Council stated that it normally withdraws large sums of money to cater for its operation as the Post Office outlet in Rotuma usually runs out of cash.

In addition a total of \$36,164 was withdrawn with the narration “Adjustment TMO & Fees”, which were not able to substantiate during our audit. Details of these transactions and proper explanations were not provided by the Council during audit.

Refer to the Table below for details:

| Date | Description on bank statement | Amount (\$) |
|--------------|----------------------------------|-------------------|
| 04/02/15 | Bank cheque-Post Fiji TMO & Fees | 10,098.20 |
| 24/02/15 | Bank cheque-Post Fiji TMO & Fees | 959.50 |
| 20/03/15 | Bank cheque-Post Fiji TMO & Fees | 5,039.40 |
| 02/04/15 | Bank cheque-Post Fiji TMO & Fees | 5,577.20 |
| 07/05/15 | Bank cheque-Post Fiji TMO & Fees | 13,914.35 |
| 12/10/15 | Bank cheque-Post Fiji TMO & Fees | 7,056.80 |
| 19/05/15 | Bank cheque-Post Fiji TMO & Fees | 3,743.90 |
| 31/05/15 | Bank cheque-Post Fiji TMO & Fees | 9,081.85 |
| 16/06/16 | Bank cheque-Post Fiji TMO & Fees | 9,081.85 |
| 28/06/16 | Bank cheque-Post Fiji TMO & Fees | 5,039.40 |
| 30/09/16 | Bank cheque-Post Fiji TMO & Fees | 2,525.20 |
| 07/10/16 | Bank cheque-Post Fiji TMO & Fees | 506.30 |
| 12/04/17 | Bank cheque-Post Fiji TMO & Fees | 909.50 |
| 19/04/17 | Bank cheque-Post Fiji TMO & Fees | 6,047.30 |
| 13/07/17 | Bank cheque-Post Fiji TMO & Fees | 8,581.85 |
| 11/04/18 | Bank cheque-Post Fiji TMO & Fees | 305.80 |
| 31/05/18 | Bank cheque-Post Fiji TMO & Fees | 10,627.66 |
| | Total | 99,096.06 |
| 26/03/15 | Adjustment TMO & Fees | 3,055.20 |
| 10/11/15 | Adjustment TMO & Fees | 8,098.20 |
| 17/11/15 | Adjustment TMO & Fees | 2,045.70 |
| 25/11/15 | Adjustment TMO & Fees | 739.50 |
| 11/12/15 | Adjustment TMO & Fees | 8,098.20 |
| 05/03/18 | Debit adjustment TMO & Fees | 14,127.66 |
| | Total | 36,164.46 |
| TOTAL | | 135,260.52 |

We were unable to determine the accuracy and completeness of the acquittals due to the lack of supporting documentations to substantiate expenditures and the authority to incur certain expenses. The absence of supporting documentations and books of account indicated that accounting records were not maintained.

The above finding is attributed to the absence of an effective internal control systems such as documented policies and procedures, poor records management, which contributed to the lack of accountability by the Council. There is also prolonged absence of internal and external audit/inspection on the accounts and operations of the Council over the years. As such, there is a high risk of fraud and unauthorized expenditures being incurred.

Recommendations

- The Council should establish an effective internal control system to provide guidance, help the Council operate reliably and enable effective financial reporting.
- Records management should be improved.
- As cash management policies and procedures are virtually non-existent, the Council should avoid or cease withdrawing large sums of money from the Rotuma Post Office as petty cash.

- Due to the lack of audit trail, it is recommended that the appropriate authority investigate the use of cheques cashed at the Rotuma Post Office.

CASH MANAGEMENT WAS INEFFECTIVE

4.3 Weak controls over cash management

Cash management involves the collection, handling and usage of cash.

Information obtained during the audit indicated that the Council maintains two bank accounts for the Operational Subvention Grant and Rotuma Development Fund. Grants from Government are normally received through the Operation Subvention Grant account while inflows into the Rotuma Development Fund bank account are mainly from returns on investments.

Our audit revealed the following governance and internal control weaknesses:

- Policies and procedures to support effective cash management did not exist.
- The Council did not perform bank reconciliations from January 2015 to July 2018.
- Accurate and timely cash flow analysis were not performed as such there were numerous instances where the Council issued dishonoured cheques and were charged bank fees for the dishonored cheques and for overdrawing.
- To avoid bank fees for dishonored cheques, the Council reverted to withdrawing large amounts of cash and making cash payments for operational expenses. However, cash payments were not regularly reconciled to the supporting documentations. We were unable to trace cash withdrawals' to supporting documentations for cash payments.
- Signing of blank cheques, for examples, Cheque Nos. 1968 to 1970.
- There were no reconciliations performed on petty cash held by the Council.

The Council stated that cash counts are conducted weekly by the Accounts and Administration Officers to ensure that cash on hand reconciles with the books of account. However, there was no evidence provided during the audit to substantiate the weekly cash counts conducted.

Section 25 of the Rotuma Act 1927 requires that no expenditure out of money held in the Rotuma Development Fund shall take place except in accordance with the approved estimates approved by the Minister for Economy.

The following anomalies were noted in the operation of the Rotuma Development Fund:

- There was no approved budget/estimates for the Rotuma Development Fund.
- Expenses totaling \$102,034.65 were incurred from January 2015 to July 2018. There were inadequate supporting documentations to substantiate the payments made by the Council. Payment vouchers were not provided for audit verifications.

Refer to the Table below for details of payment from the Rotuma Development Fund.

| Date | Description in Bank Statement | Audit Observation | Amount (\$) |
|--------------|---|--|-------------------|
| 04/03/15 | Bank Cheque Post Fiji Ltd TMO | Cash withdrawal | 5,547.30 |
| 20/03/15 | Withdrawal transfer as requested to Subvention Fund | Transfer approved by Council members | 10,000.00 |
| 13/05/15 | Cheque No. 166 | Funds was withdrawn for Rotuma Day celebration. The Payment Voucher (PV) was not supported by acquittals and receipts to substantiate the expenses incurred. | 4,210.53 |
| 11/06/15 | Cheque No. 169 | The payment was for repair and maintenance work at Oinafa. The Payment Voucher was only supported by petty cash vouchers. | 547.37 |
| 31/07/15 | Cheque No. 170 | The payment was for repair and maintenance work at Oinafa. The Payment Voucher was only supported by petty cash vouchers. | 273.68 |
| 13/08/15 | Cheque No. 171 | The payment voucher was only supported by petty cash vouchers | 189.47 |
| 02/09/15 | Cheque No. 172 | Payment voucher and supporting documents not provided for audit verification | 526.32 |
| 14/09/15 | Cheque No. 173 | Payment voucher and supporting documents not provided for audit verification | 2,911.00 |
| 29/12/15 | Cheque No. 175 | Payment voucher and supporting documents not provided for audit verification | 2,784.21 |
| 10/02/16 | Cheque No. 176 | Payment voucher and supporting documents not provided for audit verification | 5,520.89 |
| 12/02/16 | Bank Cheque Post Fiji TMO & Fees | Cash withdrawal | 4,319.40 |
| 12/08/16 | Cheque No. 177 | Payment voucher and supporting documents not provided for audit verification | 2,105.26 |
| 12/09/16 | Cheque No. 178 | Payment voucher and supporting documents not provided for audit verification | 2,105.26 |
| 30/09/16 | Cheque No. 179 | Payment voucher and supporting documents not provided for audit verification | 8,421.05 |
| 04/11/16 | Cheque No. 180 | Payment voucher not provided for audit verification | 2,210.55 |
| 19/12/16 | 3 rd party withdrawal Post Fiji | Cash withdrawal | 20,165.96 |
| 28/12/16 | 3 rd party withdrawal Post Fiji | Cash withdrawal | 10,098.20 |
| 14/12/17 | Withdrawal transfer to 3201499 (Operational Subvention Grant Account) | Cash withdrawal | 10,000.00 |
| 16/03/17 | Bank Cheque Post Fiji TMO & Fees | Cash withdrawal | 10,098.20 |
| Total | | | 102,034.65 |

The Council stated that utilization of the Rotuma Development Fund, through the approval of the Council has been a past practice due to delays in reimbursements of subvention funding from the Office of the Prime Minister. This is to ensure that the Council's operation is not disrupted. The Rotuma Development Fund is normally reimbursed when the Council receives subvention funds.

- A total of \$50,229.06 was withdrawn from January 2015 to December 2017 through bank cheques. These bank cheques were cashed at the Rotuma Post Office and were used as petty cash for daily operational expenses. However, there was no ledger maintained, or reconciliation done to substantiate how the funds were utilized.

The numerous control weaknesses identified during our audit indicate that cash management by the Council was ineffective as such there is a high risk of fraud and misappropriation of funds. The control weaknesses is also attributed to the absence of proper policies and procedures on cash management to provide direction and clarify accountability in managing cash.

Recommendations

- **The Council of Rotuma and OPM should establish proper internal controls over cash management.**
- **The requirements of the law on the use of the Rotuma Development Fund should be complied with.**

PROPERTY, PLANT AND EQUIPMENT NOT PROPERLY RECORDED AND MAINTAINED

4.4 Weak controls over management of assets

From the review of controls for management of property, plant and equipment, we noted the following:

- Policies and procedures to support effective asset management did not exist. The Council agreed and stated that going forward it will ensure policies and procedures are in place and practiced to support effective management of assets.
- The completeness and accuracy of the Fixed Assets Register (FAR) could not be determined as the FAR submitted for audit was not updated with description of assets, cost, date of acquisition, model, identification number and location. The Council agreed and stated that the FAR will be amended to record the additional information required for ease of reference and internal control purposes.
- Board of Survey was not carried out from 2015 to 2018.
- Tally cards were not maintained to keep track of acquisition and utilization of expendable items under the control of the Council such as fuel, engine oil, and stationery.
- From the physical verification performed during the audit, the existence of some tools and office equipment could not be substantiated as these could not be located. In addition, some items that should have been written off, were still included in the FAR. Refer below for details.

| Asset listed in the FAR | Audit Observations |
|--------------------------------|--|
| Garage | |
| Tools : Welding Plant | Audit sighted a rusted welding plant which was not working |
| Compressor | Item could not be located |
| Electric Grease Gun | Item could not be located |
| Steel Cutter | Item could not be located |
| Generator | Item could not be located |
| Office Equipment | |
| Computer | One computer sighted, however not in working condition |
| Photocopier | Item could not be located |

| Asset listed in the FAR | Audit Observations |
|---------------------------------|---|
| Computer Tsunami | Item could not be located |
| Laptop Toshiba | Item could not be located |
| Photocopier 4 in 1 | Item could not be located |
| Laptop HP | Item could not be located |
| External Hard Drive | Verified, used by the Accountant |
| Furniture & Fittings | |
| Steel Chairs (22) | Only 5 steel chairs verified and all have been damaged. |
| Safe | Safe has rusted and is not in working condition |
| Roofing iron | Item could not be located |

4.5 Disposal of Motor Vehicles

A review of the FAR indicated that the Council owned a number of vehicles, which included the following:

| Vehicle Type | Registration No. | Remarks |
|--------------|------------------|---|
| 1. Bus | DS 333 | Sold off by the Council |
| 2. Bus | DW 218 | Sold off by the Council |
| 3. Bus | EH 082 | Sold off by the Council |
| 4. Van | EG 925 | Sold off by the Council |
| 5. Van | IA 472 | Taken to Suva for repair due to an accident in December 2018. |

The Accountant explained during the audit that the three buses and a van with registration number EG 925 have been sold off by the Council. The remaining van was taken to Suva for repair as a result of an accident involving the vehicle in December 2018. We noted the following:

- There were no documentations maintained or made available during the audit to substantiate the selling of the vehicles. Therefore, we were unable to determine whether there was proper approval by the Council for disposing off the vehicles, when were they sold, to whom and whether there were any gains realized from the sales.
- There was no accident report prepared involving the van with registration number IA 472. The Council explained that the accident occurred whilst the vehicle was used by the District Officer Rotuma and that there was no accident report provided to the Council.

In its management comments, the Council stated that the sale of vehicle EG 925 was approved by the Council due to the high cost of repair. Although the Council stated that the endorsement of the sale was recorded in the Minutes of the Council meeting, there was no evidence provided during and after the audit to support the explanation provided.

Poor internal control systems has resulted in the above issues. There is a high risk of fraud and misappropriation of assets.

Recommendations

- Policies and procedures to enable effective management of property, plant and equipment should be developed and implemented.
- Fixed Assets Register should be accurately maintained to ensure that the Council manage its assets effectively and report on finances appropriately.
- Disposals of property, plant and equipment should be appropriately managed with adequate documentations maintained.
- The acquisition and usage of expendable items should be properly monitored and recorded.

GOOD GOVERNANCE AND INTERNAL CONTROLS DID NOT EXIST AND/OR INEFFECTIVE

4.6 Absence of Policies and Procedures

A good governance system will assist the Council to operate effectively and comply with relevant laws and standards. Internal control will help the Council operate reliably and enable effective financial reporting by producing timely and quality financial statements.

We assessed whether policies and procedures for critical operational processes existed and were updated.

We found out that policies and procedures to provide direction for the day-to-day operation of the Council, provide consistency and support compliance with laws and regulations did not exist. For example, the Council did not have policies and procedures that relate to the following areas:

- 1) Financial management
- 2) Human resource management
- 3) Asset management
- 4) Procurement
- 5) Risk Management
- 6) Contract management
- 7) Information technology

We also noted that Council did not have strategic and operational plans for 2015 to 2018.

The Council agreed with the audit findings and stated that going forward, policies and procedures will be formulated and made available to the employees of the Council.

4.7 Non-submission of financial statements for audit

The latest audited financial statements for the Council was for the year ended 31 December 2005.

Draft financial statements for the years ended 31 December 2006 to 2018 are yet to be submitted to the Auditor General for audit. Although some form of draft accounts for the years 2009 to 2014 was received by the Office of the Auditor General on 24/03/16, these were returned to the Council as the financial statements submitted were not prepared and presented according to an acceptable financial reporting framework. Moreover, the draft financial statements for the years ended 2006 to 2008 were not submitted for audit. Refer to **Appendix 2**.

We also assessed the ability of the Council to prepare and submit appropriate draft financial statements for audit. The following were noted that may hinder this process:

- The Council was not able to locate all the required accounting records and related documents to draw up draft financial statements.
- At the time of the audit, the Council did not have any working computer. The computer used for maintaining financial data had crashed resulting in the loss of accounting and other related data.
- Human resource constraints as there was only one staff responsible for a number of accounting and administrative functions.

Financial accountability by the Council is seriously lacking in terms of producing timely and quality financial statements and making them available to interested stakeholders.

The Council stated that manual records maintained with the Office of the Prime Minister will be used to draw up the financial statements for the years 2006 to 2008 as it does not currently have financial records for the years mentioned.

4.8 Minutes of Council meeting not endorsed

Section 13 of the Rotuma Act 1927 states that *“Meetings of the Council shall be held not less frequently than once in each quarter....”* Section 14 requires the minutes of every Council meeting to be kept by the Chairperson.

The Council meeting minutes provided for audit were not endorsed by the Chairman. In addition, we could not determine the frequency of the meetings.

However, the Council explained that quarterly meetings are normally held annually with special meetings in between and the minutes of the meetings are maintained by the Chairman and the Secretary.

4.9 Administrator role of the Office of the Prime Minister (OPM) to be improved

The Government, through the OPM, provides annual funding assistance to the Council under the Rotuma Subvention Fund. The funds assist in the operational costs of the Council as well as funding of development projects. For the periods 1 January 2015 to 31 July 2018, OPM disbursed a sum of \$295,110 to the Council under the Rotuma Subvention Fund.

As the administrator of the Rotuma Subvention Fund, OPM has an oversight role to ensure that funds are utilized as intended, expenses are appropriately supported with relevant documentations and that appropriate structures are in place to ensure proper governance of the Council and accountability of public funds disbursed to the Council.

The following were noted from our audit:

- The acquittals submitted to OPM were not adequately supported for payments totaling \$24,837. In addition, there were instances where expenditures were incurred which did not relate to the operations of the Council. Refer to **Appendix 1**.

- There was no evidence of reconciliations being performed against the total acquittals received from the Council for the grants given. Refer to the Table below for details:

| Year | Grant (\$) | Acquitted (\$) | Variance (\$) |
|--------------|----------------|----------------|---------------|
| 2015 | 139,000 | 118,836 | 20,164 |
| 31/7/2016 | 63,858 | 74,943 | (11,085) |
| 31/7/2017 | 55,630 | 53,150 | 2,480 |
| 31/7/2018 | 36,622 | 36,447 | 175 |
| Total | 295,110 | 283,376 | 2,655 |

- There was no grant agreement in place for the year 2015. Comments obtained from the Office of the Prime Minister indicated that Grant Agreement with the Council of Rotuma only started in 2016 and prior to that there were no grant agreements since the establishment of the Rotuma Subvention Fund.
- Expenses funded from the Rotuma Development Fund were included in the acquittals for the Rotuma Subvention Fund for operational expenses.
- There was no evidence to indicate that the OPM regularly conducts assessment/reviews to determine whether the grants/subvention funds were utilized by the Council for the intended purposes.

In its management comments, the OPM stated that it always ensures that subvention funds provided to the Council of Rotuma is acquitted and that funds are released on a monthly basis on submission of acquittal form the previous month. The OPM further stated that monthly acquittal is checked by the District Officer Rotuma and the Development section and the accounts section at the OPM, however, it also admit an oversight on its part for expenses not supported as detailed in Appendix 1.

The OPM agreed that monitoring was not undertaken regularly due to shortage of staff and funding constraint. However, going forward the Office will work with the Council to improve its governance structures, provide the necessary assistance with regular monitoring by the District Officer Rotuma.

The absence of a robust and effective governance structure has resulted in the non-existent of internal control and financial reporting systems.

Recommendations

- **The Council of Rotuma and OPM work on creating a robust and effective governance structure not only to ensure effective operation of the Council but importantly for the Council to fulfil its obligation of financial accountability through timely and quality financial reporting. This can be done through the following:**
 - Establishing effective internal controls by having policies & procedures to govern all aspects of the Council's operations.
 - Consider formulating strategic and operational plans to provide direction for the Council.
 - Equipping the Council with the competent and adequate level of resources to enable quality and timely financial reporting.
 - Improve practices to comply with governing laws and regulations.
- **The oversight role of OPM should be strengthened to improve the current state of financial accountability by the Council.**

5.0 CONCLUSION

Overall, the outcome of our audit indicated that the accuracy and completeness of the acquittals provided by the Council of Rotuma to OPM is doubtful due to the non-existent or weak governance structures and internal control system. In addition, we were unable to substantiate expenses incurred between 1 January 2015 to 31 July 2018 as accounting and other relevant records were not maintained, lost or were unavailable.

The issues identified from our assessment of the management of cash and property, plant and equipment indicated that there is potential risks of fraud and misappropriation of assets.

The audit findings are consistent with those entities which have significantly delayed the submission of draft accounts for audit. There is an urgent need for the Council of Rotuma and OPM to work together and establish proper governance structures and internal control system and provide appropriately skilled and competent resources to manage the operations of the Council.

However, we are encouraged by the request for audit by OPM without which the findings and opportunities for improvement highlighted in this report may not have eventuated.

Appendix 1: Details of Inadequate Supporting Documents for Payments Made

| Date | Amount (\$) | Description of Expenditure | Audit Observations |
|-------------|-------------|---|--|
| 2018 | | | |
| 20/03/18 | 700.00 | Refund for chief's trip to Suva for the reconciliation with government in November 2017. | No supporting documents attached to payment voucher. |
| 20/08/18 | 300.00 | Refund for chief's trip to Suva for the reconciliation with government in November 2017. | No supporting documents attached to payment voucher. |
| 29/09/18 | 506.30 | Chief's fare to Suva and expenses for the reconciliation by the chiefs to the government of the day (President). | No supporting documents attached to payment voucher. |
| 2017 | | | |
| 29/8/16 | 100.00 | Refreshment for Council meeting with 3 Ministers | No supporting attached to payment voucher. |
| 23/9/16 | 1,209.90 | Airfare for Administration Officer from Rotuma to Nausori and Nausori to Rotuma | No evidence to substantiate whether this was an official trip |
| 23/9/16 | 1,209.90 | Airfare for Administration Officer from Rotuma to Nausori and Nausori to Rotuma for chief | No evidence to substantiate whether this was an official trip |
| 30/09/16 | 350.00 | Payment of meals and accommodation for two government officials from the PM's Office for 1 week | No supporting documents attached to the payment voucher. |
| 27/10/16 | 30.00 | Payment for caretaker facility when MV Lomaiviti Princess berthed at the wharf | No supporting documents attached to payment voucher. |
| 30/11/16 | 604.95 | Payment for airfare from Rotuma to Nadi to resolve issues pertaining to subvention funds and also other matters relating to the island. | No supporting documents attached to the payment voucher |
| 30/11/16 | 210.00 | Payment for subsistence allowance for Chairman for 7 days from 09/11/16 to 16/11/16 | No supporting documents attached to payment voucher. |
| 30/11/16 | 100.00 | Payment for travelling allowance for Chairman for 7 days from 09/11/16 to 16/11/16 | No supporting documents attached to payment voucher. |
| 2016 | | | |
| 03/02/16 | 1,951.40 | Payment of financial assistance to Rotuma High School for wages of ancillary staff | No supporting documents attached to the payment voucher to substantiate approval by the Council. |
| 15/04/16 | 200.00 | Payment for car parts for EG 925/IA 472 | No supporting documents attached to the payment voucher. |
| 20/04/16 | 175.00 | Payment of boat fare from Suva to Rotuma for chief | No supporting documents attached to the payment voucher. |
| 20/04/16 | 175.00 | Payment of boat fare from Suva to Rotuma | No supporting documents attached to the payment voucher. |
| 20/04/16 | 30.00 | Payment for transport & freight | No supporting documents attached to the payment voucher. |

| Date | Amount (\$) | Description of Expenditure | Audit Observations |
|-------------|-------------|---|--|
| 20/04/16 | 420.00 | Payment of subsistence allowance | Audit could not determine whether this was related to the Council's operations. No supporting documents attached to the payment voucher to substantiate approval by the Council. |
| 20/04/16 | 150.00 | Purchase of car parts for EG 925/IA 472 | No supporting documents attached to the payment voucher. |
| 25/05/16 | 60.00 | Security services at Wharf on 18/4/16 | No supporting documents attached to the payment voucher. |
| 15/06/16 | 60.00 | Repair works on toilet facility at the wharf | No supporting documents attached to the payment voucher. |
| 15/06/16 | 50.00 | Refreshment for meeting on 09/06/16 | No supporting documents attached to the payment voucher. |
| 22/06/16 | 1,309.00 | Payment for photocopier, toner and 3 boxes rims papers | Only quotation was attached to support payments. |
| 20/07/16 | 400.00 | Refreshment for meeting | No supporting documents attached to the payment voucher. |
| 29/07/16 | 170.00 | Payment for grog plant and cassava for Mamasa for the crew members on MV Cagivou - | No supporting documents attached to the payment voucher. |
| 29/07/16 | 300.00 | Catering services for Council meeting – 2nd Quarterly meeting | No supporting documents attached to the payment voucher. |
| 2015 | | | |
| 19/1/15 | 112.00 | RBCL-40 litre fuel for EG 925 | No supporting documents attached to the payment voucher. |
| 19/1/15 | 638.25 | Chief's airfare from Nadi to Rotuma | No evidence to substantiate whether this was an official trip. |
| 21/1/15 | 501.40 | 1 drum super for cleaning of compound | No supporting documents attached to the payment voucher. |
| 21/1/15 | 443.30 | 1 drum diesel for Council | No supporting documents attached to the payment voucher. |
| 26/1/15 | 300.00 | Allowance for 10 days for attachment in customs clearance company | The expenditure was not related to the operations of the Council. |
| 07/02/15 | 189.90 | Top up, diary for accounts and recharge card for chairman | No supporting documents attached to the payment voucher. |
| 03/02/15 | 638.25 | Administrators airfare from Nadi to Rotuma | No evidence to substantiate whether this was an official trip. |
| 17/02/15 | 443.30 | Supreme Fuel for EG 925 | No supporting documents attached to the payment voucher. |
| 17/2/15 | 347.25 | Accommodation and meals for Department of Mineral Resources staff visit to the Council of Rotuma to take samples of water | No supporting documents attached to the payment voucher. |
| 31/3/15 | 200.00 | Catering expenses for 1 ST Quarter meeting | No supporting documents attached to the payment voucher. |
| 02/04/15 | 280.00 | 100 litre bio fuel | No supporting documents attached to the payment voucher. |
| 26/05/15 | 56.00 | Bio fuel for EG 925 | No supporting documents attached to the payment voucher. |
| 03/06/15 | 854.72 | Supreme fuel for diesel and super | No supporting documents attached to the payment voucher. |
| 19/06/15 | 150.00 | Catering expenses | No supporting documents attached to the payment voucher. |
| 19/06/15 | 3,158.86 | Catering for Mamasa on 24/06/15 for Minister for Labour, Agriculture, Assistant Minister for Youth and Sports and UNDP | No supporting documents attached to the payment voucher. |

| Date | Amount (\$) | Description of Expenditure | Audit Observations |
|--------------|------------------|---|---|
| 07/07/15 | 56.00 | RBCL Fuel 20 litre for EG 925 | No supporting documents attached to the payment voucher. |
| 13/07/15 | 224.00 | RBCL - 80 litre bio diesel for EG 925 | No supporting documents attached to the payment voucher. |
| 13/07/15 | 1,020.00 | Repayment of deposit to the Rotuma Development Fund Account | No evidence of any bank deposit slip. Was not able to trace the \$1,020 deposit to the RDF bank statement |
| 20/08/15 | 1,516.28 | Boat fare for Council staff and airfare for Chairman | No evidence to substantiate whether this was an official trip |
| 21/08/15 | 600.00 | Travelling allowance for Council staff | No evidence to substantiate whether this was an official trip |
| 25/08/15 | 180.00 | Transport of bamboo for repair of Bure at Oinafa | No supporting documents attached to the payment voucher. |
| 25/08/15 | 100.00 | Navy trip around Rotuma-18/08/15 | No supporting documents attached to the payment voucher. |
| 25/08/15 | 500.00 | Council members meeting with Navy Officers | No supporting documents attached to the payment voucher. |
| 25/08/15 | 200.00 | Pig for Mamasa - Navy Officers | No supporting documents attached to the payment voucher. |
| 03/11/15 | 30.00 | Repair works at the Toilet facility in Oinafa | No supporting documents attached to the payment voucher. |
| 03/11/15 | 35.00 | Seat covers for Council Van IA 472 | No supporting documents attached to the payment voucher. |
| 03/11/15 | 90.00 | Security for facility at the wharf | No supporting documents attached to the payment voucher. |
| 30/11/15 | 450.00 | Repair for EG 925 | No supporting documents attached to the payment voucher. |
| 03/12/15 | 106.90 | Refreshment for Council meeting – 03/12/15 | No supporting documents attached to the payment voucher. |
| 03/12/15 | 644.05 | Chief's a-Airfare from Rotuma to Nadi | No evidence to substantiate whether this was an official trip |
| Total | 24,836.91 | | |

Appendix 2: Letter - Return of Draft Account

OFFICE OF THE AUDITOR GENERAL

Excellence in Public Sector Auditing



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File: 921

27 May 2016

Chairperson of the Council of Rotuma
Council of Rotuma
P. O. Box 18
Ahau
ROTUMA

Attention: Tony Faktaufon (Accountant)

Council of Rotuma
Audits of Accounts for Subvention and Rotuma Development Fund

We refer to your letter dated 18 March 2016, on the above subject.

From our preliminary review of the draft accounts for 2009 to 2014, we have noted that the financial statements, to a large extent, are incomplete and have not been prepared and presented in accordance with applicable financial reporting framework. In addition, the Council has not submitted for audit draft financial statements for the years ended 31 December 2006 to 2008.

The Council of Rotuma is reminded that the preparation and proper presentation of the financial statements is the responsibility of the management of the Council. We therefore return the draft accounts and request that the financial statements are prepared and presented in accordance with the requirements of the International Financial Reporting Standards for Small and Medium-sized Entities ("IFRS for SMEs").

We will commence the audit once the anomalies noted above are rectified.

Should you require further clarification, please do not hesitate to contact the undersigned on telephone 3309032 Ext. 107.

Yours sincerely,

Finau Nagera (Ms)
for **AUDITOR GENERAL**

cc Permanent Secretary, Office of the Prime Minister (with enclosure)
Deputy Commissioner, Fiji Independent Commission Against Corruption (with enclosure)

Encl.

**Audit of the Fiji Procurement Office
and the Construction Implementation
Unit**

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1. EXECUTIVE SUMMARY

The Office of the Auditor General carried out a performance audit on the Fiji Procurement Office (FPO) and Construction Implementation Unit (CIU) of the Ministry of Economy (MoE).

The overall objective of this audit is to assess the effectiveness of FPO and CIU in complying with the Fiji Procurement Regulations 2010, Procurement (Amendment) Regulation 2012, standard operating procedures and relevant guidelines.

Our audit covered the two main phases that procurement of construction works goes through namely:

- (i) Tender process phase; and
- (ii) Construction phase. In terms of the tender process phase.

Our audit focused on the general function of FPO over the procurement at whole of government level as provided under section 5 of the Procurement Regulation 2010 and the performance of the tender process against the required timelines as provided in the Guide to Tender Evaluation and Process.

This report does not cover the technical aspects of the tenders' assessed. In terms of the construction phase, our audit focused on the general function of CIU over the procurement and management of construction works and its performance in managing the projects against the required timelines as provided in the Government Tender Board (GTB) approval.

Four common audit observations cutting across the audit of FPO and CIU are as follows:

- 1) Inadequate human resources for effective and efficient functioning of the two Units;
- 2) Delay in tender process phase;
- 3) Delay in preparation and finalisation of contract agreement; and
- 4) Delay in the construction phase.

2. AUDITING STANDARDS

We have conducted this audit in accordance with the International Standards of Supreme Audit Institutions (ISSAI 4000) on Compliance Auditing.

3. REFERENCE TO COMMENTS

Comments provided by CIU & FPO have been incorporated in this report.

4. WHAT WE AUDITED & AUDIT SCOPE

The subject matter for this audit is the procurement process with special emphasis on the procurement of construction works conceded by the FPO and CIU.

Through this audit, we examined whether the FPO and CIU complied in all material respects with the Fiji Procurement Regulations 2010, Procurement (Amendment) Regulation 2012, standards operating procedures and related policy guidelines. In this context, our audit addressed the following questions:

- 1. To ascertain whether the FPO and CIU has the necessary resources to operate efficiently.

2. To ascertain whether the FPO and CIU complied with relevant regulations and related policy guidelines while carrying out its functions.
3. To ascertain whether capital construction projects are effectively managed and delivered by CIU. For each of these questions, we examined if the FPO and CIU complied in all material respects with the agreed criteria specified on **Section 4**, with respect to procurement of construction works.

5. AUDIT CRITERIA

The FPO and the CIU, as Government agencies, must operate within an environment of government legislation and policies. The criteria for the audit is based on regulations, policy framework, and manuals designed to ensure compliance with laws governing all government procurements. These include:

- a) Procurement Regulation 2010;
- b) Procurement (Amendment) Regulation 2012;
- c) Guide to the Procurement Policy Framework 2010;
- d) Guide to Tender Evaluation and Process 2010; and
- e) Construction Implementation Unit Standard Operating Procedure.

The criteria as specified above were discussed on 20 May 2019 with the FPO Team and the CIU Team. These were accepted as relevant to the FPO and CIU as they are taken from established laws, regulations and policies that govern procurements for all Government Ministries and Departments.

We believe that the criteria tested in each area of the audit are sufficient to conclude on the overall compliance of procurement of construction works.

6. METHODOLOGY

This audit was conducted based on the information provided by those charged with procurement of construction works and the procurement records maintained by the FPO and CIU. The procurement activities on construction works undertaken by the FPO and CIU from 2017 to 2018 were selected for review/analysis/assessment. Selected projects valued around \$30 million were used for detailed testing against the criteria discussed in **Section 4**.

In executing this audit, the following approaches were used:

- (i) Documents review;
- (ii) Interview of responsible officials from the FPO and CIU; and
- (iii) Physical verification of construction works in order to confirm FPO and CIU complied with the criteria detailed in **Section 4** in processing the tender and contract management for procurement of construction works.

7. AUDIT FINDINGS

Question 1: To ascertain whether Fiji Procurement Office and Construction Implementation Unit has the necessary employee capacity to operate efficiently.

By ‘capacity’, we mean the skills, knowledge, structures and ways of working that make an organisation effective. Building capacity means developing further each of these, building on existing strengths, and addressing gaps and weaknesses.

There are three factors an operation must consider when looking at production of goods, services or works:

- (1) Capacity – how much can it make?
- (2) Demand – how much does the market require?; and
- (3) Forecasting – how is it going to match what is required with what it can make without wasting resources? These factors all impact upon each other; in order to fulfil the requirements of a market, an operation must be able to evaluate what capacity it can provide and the options it has to increase or decrease this.

7.1.1 Capacity Management Challenges

Effective support of the procurement capacity development process begins with identifying what key capacities already exist and what additional capacities may be needed to reach objectives. A capacity assessment is an analysis of desired capacities against existing capacities, which generates an understanding of capacity assets, gaps and needs that can serve as input for formulating a capacity development response or strategy. The capacity response should address those capacities that are a priority to strengthen and optimises existing capacities that are already strong and well founded. It sets the baseline for continuous monitoring and evaluation of progress against relevant indicators and helps create a solid foundation for long-term planning, implementation and sustainable results in public procurement.¹¹

Audit enquiries revealed the following:

- Both FPO and CIU are yet to undertake a proper capacity assessment to ascertain its existing capacities against desired capacities.
- According to the FPO, it has the capacity to process around 350 tenders per annum. This level of capacity was based on past records and experience.

The FPO indicated that it faces challenges with capacity at different point in times during the year rather than in its capacity as a whole. This is due to the fact that its performance is heavily influenced by the efficiency of other parties and timing during the procurement process which is usually beyond the control of the Office.

¹¹ Public Procurement Capacity Development Guide (UNDP) – Section 1.4

Past years' experience has shown that not many tenders are called at the beginning of the year thus forcing the FPO to operate at its minimum level of capacity. Most tenders are called in the third quarter of the financial year which stretches the resources of FPO resulting in capacity issues.

- Audit analysis of the FPO staff establishment indicated that there were five or 14% vacant positions out of the thirty seven (37) total establishment as at the date of audit¹².

Considering the total number of tender (472) processed by the Office for the period ending 31/07/18, it could be deduced that one officer would have handled fifteen (15) tender files in a year or one is to fifteen (15) ratio. Refer to table below for details of vacant positions.

Table 1: Details of Vacant Positions at Fiji Procurement Office

| Post Title | Status | Amount |
|----------------------------|--------|--------|
| Manager Tender | Vacant | 1 |
| Senior Procurement Analyst | Vacant | 2 |
| Procurement Analyst | Vacant | 1 |
| Driver | Vacant | 1 |

- The CIU indicated it is impracticable to ascertain the capacity level in which it needs to operate at as it is reliant on factors that is beyond its control. These are factors such as:
 - a. function performed by the procuring agencies;
 - b. magnitude of the projects; and
 - c. budget approval.

Irrespective of the resources available at the Unit, it is required to carry out all planned projects approved in the budget particularly those that are budgeted under capital construction and capital grants and transfers expenditure allocation. At the date of audit¹³, the CIU was handling five hundred and nine (509) construction projects with new projects expected once approval is granted.

- Audit analysis of the CIU staff establishment indicated that there were twenty three (23) or 43% vacant positions out of the fifty five (55) total establishment as at the date of audit¹⁴.

The Unit currently has twelve (12) technical officers that are responsible for overlooking five hundred and nine (509) projects handled by the Unit. Therefore it could be deduced that one technical officer will have to handle forty two (42) projects in a year or one is to forty two ratio. Refer to table below for details of vacant positions.

Table 2: Details of Vacant Positions at Construction Implementation Unit

| Post Title | Status | Amount |
|----------------------------------|--------|--------|
| Manager Projects | Vacant | 2 |
| Manager Finance & Compliance | Vacant | 1 |
| Associate Coordinator - Projects | Vacant | 1 |
| Senior Technical Officer | Vacant | 2 |
| Technical Officer | Vacant | 5 |

¹² 05/09/19

¹³ 05/09/19

¹⁴ 05/09/19

| Post Title | Status | Amount |
|---------------------|--------|--------|
| Executive Assistant | Vacant | 1 |
| Technical Assistant | Vacant | 7 |
| Office Assistant | Vacant | 4 |

The number of vacant positions in FPO and CIU have a significant impact on operation efficiency and effectiveness of both the Units. Detailed analysis of service delivery of FPO and CIU is discussed in **Section 7** of this report.

The Ministry noted the reasoning for proper capacity assessment against the required function of the Units. However, the Ministry further explained that it was difficult to ascertain the exact capacity for CIU as there are ad-hoc projects and priority projects that are added to the list approved in the budget. The ad-hoc projects are related to unforeseen circumstances such as natural disasters. This requires the CIU to prioritise the list of projects administered. For example, rehabilitation of schools, public buildings and implementation of the Help for Homes post TC Winston. In addition, some of the projects that were audited were initially managed by line Agencies but transferred to CIU to manage and resolve the issues to ensure successful implementation of the projects.

As an improvement, an electronic database (PMWeb) has been implemented to assist CIU with project management and prudent capital budget planning and project implementation. The database will support proper project planning and including planning for resources and capacity CIU.

There are vacancies in the Unit due in part due to the high turnover of staff. Technical specialists in the construction industry are high demand due to a lack of skilled workers and a shortage of experienced technical staff in the country. CIU has recruited technical staff and has implemented mechanisms to retain skilled workers through job evaluation reviews and remuneration packages that is comparable to market.

The Ministry further emphasised that annual budget drives procurement. The number of tenders depends on the annual budget strategy. As a strategy the Ministry through FPO has been focusing on making processes efficient and removing red tape to counter fluctuations in demand for Ministry's human resources.

Recommendations

- The FPO and CIU should ensure that a proper assessment of its capacities are undertaken. They should ensure that existing key capacities are identified and additional capacities required to operate efficiently.
- The FPO and CIU should consider formulating a capacity development response or strategy from the capacity assessment exercise. The capacity development strategy should address those capacities that are a priority to strengthen and optimises existing capacities that are already well founded.
- The FPO should consider putting in place mechanism to allow them to actively participate in the procurement planning process of ministries and departments to ensure a consistent flow of tenders processed throughout the year.

- **The FPO should consider putting in place mechanism that allow the Office to monitor and impose the implementation of the Annual Procurement Plan of ministries and departments.**

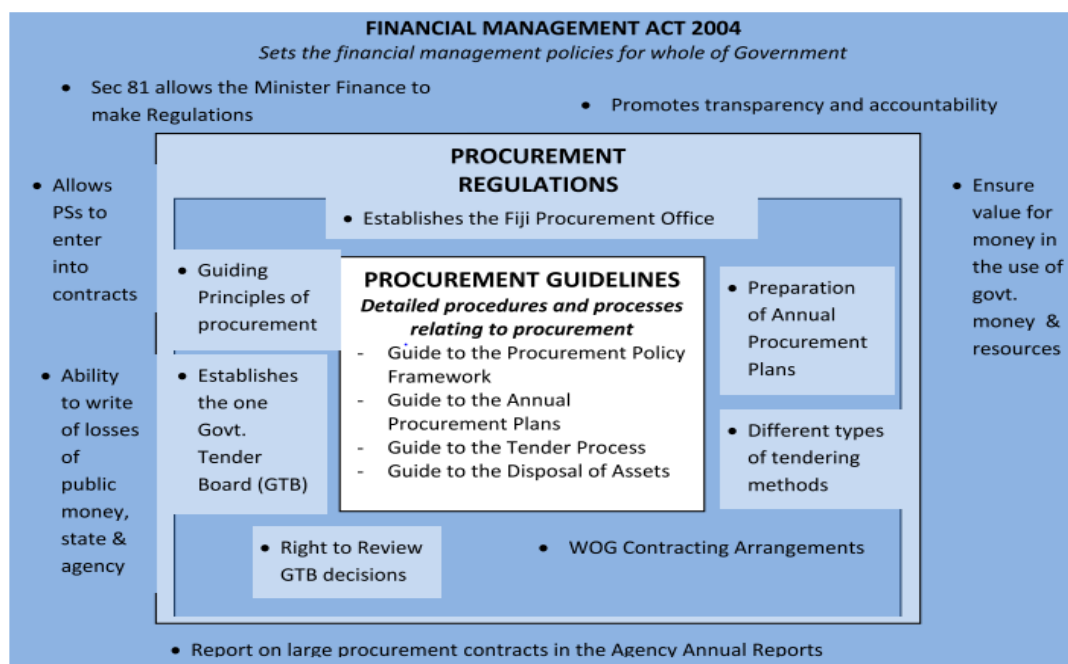
Question 2: To ascertain whether Fiji Procurement Office and Construction Implementation Unit complied with relevant regulations and related policy guidelines while carrying out its functions.

The Guide to the Procurement Policy Framework is issued by the Ministry of Economy under Section 25 of the Procurement Regulations 2010.

It establishes the core procurement policy framework and communicates the Government's expectations for all agencies and their officials when performing duties in relation to procurement under the Financial Management Act 2004 (FM Act) and the Procurement Regulations 2010.¹⁵

Government agencies and officials operate within an environment of legislation and relevant government policies. Figure below sets out the broad legislative policy framework governing Government procurement.¹⁶

Figure 1: Legislative Environment and Policies Governing Procurement



At the broad level, the Financial Management Act 2004 sets the financial management framework for all of Government.¹⁷

Section 81 of the Financial Management Act 2004 allows the Minister for Economy to make Regulations to give effect to provisions of the Act. As such, the Procurement Regulations sets the procurement policy framework for Government. It establishes and specifies the functions of the Fiji Procurement Office and the one Government Tender Board and also outlines procurement policies and practices that have been adopted from international best practices.¹⁸

¹⁵ Guide to the Procurement Policy Framework 2010 – Section 1.1

¹⁶ Guide to the Procurement Policy Framework 2010 – Section 2.1

¹⁷ Guide to the Procurement Policy Framework 2010 – Section 2.1.1

¹⁸ Guide to the Procurement Policy Framework 2010 – Section 2.1.2

7.2.1 Absence of the Compliance Assessment Function of the Fiji Procurement Office

The functions of the Fiji Procurement Office are to regulate and administer the procurement of goods, services and works for the Government of Fiji.¹⁹

These include conducting compliance assessment of procurement functions and activities across the whole of Government.²⁰

The Director shall periodically inspect and carry out compliance checks on the procurement procedures in Ministries or Departments and report thereon to the Permanent Secretary of the Ministry or Department concerned and the Permanent Secretary for Economy.²¹

From 01 August 2018, the FPO undertook a restructure that sees the Compliance Unit being absorbed into the Internal Audit & Good Governance (IAGG) Division. Upon audit enquiry, it was noted that only the officers/posts was transferred but no instructions received by the IAGG Division on the function carried out by the Unit. It was also noted that the role and functions of Compliance Unit has been changed, as it no longer carries out the function it was established to perform but taking up the functions of IAGG Division.

The result is that the FPO has been unable to perform its functions under section 5.2 (iv) and 8.1 (e) of the Procurement Regulation 2010 ever since the restructure took place. In addition, activities such as procurement audits, special investigations, development and implementation of sound procurement controls, advice and guidance on all standing offer contracts, monitoring of tender process, advice to Government Tender Board, and compliance checks of the Government Tender Board papers before it is presented to the Board members are no longer carried out by the Office.

The above results indicate that the FPO is unable to comply with the Procurement Regulation 2010. Being the monitoring arm of the FPO, the de-establishment of the Compliance Unit increases the risk of non – compliance to procurement regulation, policies and procedures at whole of government which may result in significant loss of public funds. In addition, it increases the risk of high litigation as there are no checks conducted on the procurement of standing offer contracts, non-compliance to Standing Offer contracts that may result in substantial loss to government when purchasing on higher prices, overcharging by contracted vendors and supplying of inferior products may increase, and no advice and control mechanisms in place on Standing Offer contracts.

The Ministry informed us that the Financial Management Act 2004 and the Procurement Regulations 2010 are being reviewed to include the strategic changes to align with the Constitution and to modernise public sector financial management practices. Through the responses provided by the Ministry, it was further noted the establishment of a Procurement Center of Excellence ('PCoE') to meet the compliance role but remove duplicate audit responsibilities which IAGG holds.

The PCoE has four main functions:

- Improve procurement competence across whole of Government;
- Manage and monitor whole of Government Standing Offers;

¹⁹ Procurement Regulations 2010 – Section 5.1

²⁰ Procurement Regulations 2010 – Section 5.2 (iv)

²¹ Procurement Regulations 2010 – Section 8.1 (e)

- Data analysis, e-tender management and monitoring; and
- Policy and guidelines reviews.

7.2.2 Fluctuations in Number of Annual Procurement Plan submitted in the past Five (5) Years

Planning is an integral part of achieving efficient procurement of goods, works and services.

The Procurement Plan is an annual document which defines the products and services that a public body will obtain from external suppliers. A sound procurement plan helps a procuring entity to define their procurement requirements and to decide where and when to procure.²²

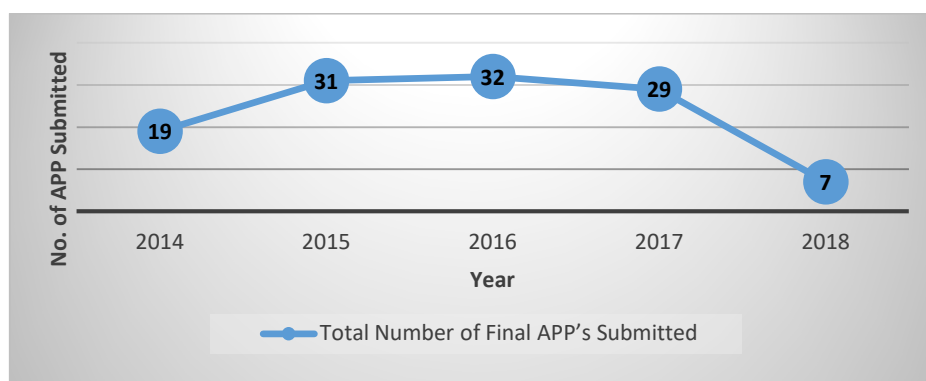
The purpose of Annual Procurement Plan (APP) is to provide information about the purchase of goods services and works, type of procurement method, source of fund, estimated cost of the procurement, expected time for tender float, tender evaluation, tentative time schedule for completion of contract and some other graphical presentation of procurement process beforehand the actual procurement.²³

The objectives of the Annual Procurement Plan are to determine the types of item(s) to be procured during the respective financial year and related time bound proceedings in order to ensure a consistent approach across the entity, to describe the proposed procurement item(s) in details and to facilitate in preparing annual budget of the entity.

The Annual Procurement Plan for each year must be prepared by the Permanent Secretary of each Ministry or Department and submitted to the Fiji Procurement Office after the announcement of the Budget and in accordance with Finance Circulars issued by the Permanent Secretary for Economy.²⁴

Our review of the submission of APP by Ministries and Departments from financial year 2014 to 2018 revealed fluctuations in number of agencies submitting their APP during the period. Refer to figure below for details.

Figure 2: Details of Annual Procurement Plan Submission



It evident from the above that government agencies procurement planning has been steadily decreasing in the past three years with the most significant decrease in 2018. In 2018, only seven

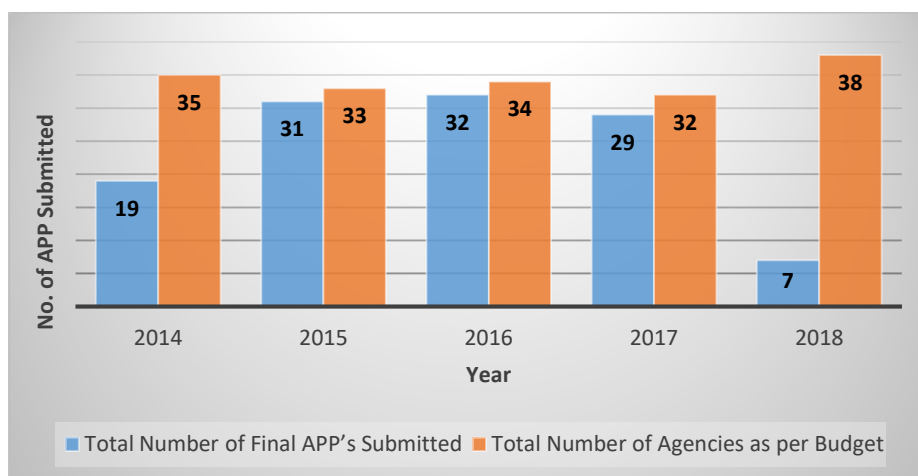
²² Best practice – Definition of procurement plan available online at <http://www.pou.gov.sc/what-is-procurement-plan/>

²³ Best practice – Definition of procurement plan available online at <http://www.pou.gov.sc/what-is-procurement-plan/>

²⁴ Procurement Regulation 2010 – Section 26 (1)

agencies or 18% out of the 38 agencies submitted their Annual Procurement Plans which was the lowest recorded during the past five year period. Refer to figure below for details.

Figure 3: Actual Against Expected Annual Procurement Plan Submission



The above finding indicates the low priority placed by agencies on procurement planning. This is also indicative of the absence of proper monitoring mechanism in place to ensure that procurement are properly planned and implemented during the financial year. Therefore agencies which did not submit their APP did not comply with the relevant provisions of the Procurement Regulation 2010.

The lack of procurement planning at agency level heavily affects the operations of the FPO. This has resulted in inconsistent flow of procurement projects flowing through the procurement process during the period under audit. It also puts pressure on the capacity of the FPO at different times and creates bottlenecks along the procurement process at certain times which has resulted in prolonged time taken to process procurements at times.

The Ministry agreed that the submission of Annual Procurement Plan has not been consistent by Permanent Secretaries. It was further noted and agreed that FPO was not directly responsible for this, however, the lack of priority on planning by agencies impacts service delivery of FPO.

As a way forward FPO was working towards providing a structure to Government procurement planning.

7.2.3 Assessment of the Different Stages of Tender Process Phase

The functions of the Fiji Procurement Office are to regulate and administer the procurement of goods, services and works for the Government of Fiji.²⁵

The function of the Fiji Procurement Office in the procurement process can be divided into four (4) main components.

1. *Tender Calling Stage:* Initiated when request for proposal or tender are received from government agencies. The requests are advertised in the daily newspaper at least twice and

²⁵ Procurement Regulation 2010 – Section 5.1

bidders are allowed time to prepare submissions. When tenders are closed, tender box are opened and bids received are recorded and sent for evaluation.

The required timeframe is maximum of thirty six (36) days.²⁶

2. *Tender Evaluation Stage:* Commence when bids received are shortlisted and evaluated according to the evaluation criteria set out in the tender specification. Evaluation report are prepared by the Tender Evaluation Committee and submitted to Fiji Procurement Office.

The required timeframe is maximum of three (3) weeks.²⁷

3. *Preparation for Government Tender Board Approval Stage:* Commence when evaluation report are received from the evaluation committee. The Fiji Procurement Office verifies and prepares submission report for Government Tender Board approval.

The required timeframe is maximum of five (5) days.²⁸

4. *Government Tender Board Approval Stage:* Commence when the Government Tender Board receives submission report for decision making. The Government Tender Board convene a meeting to deliberate and decide on the matters submitted.

The required timeframe is maximum of ten (10) days.²⁹

The required timeframe above is provided in the Guide to the Tender and Evaluation Process 2010 (Refer to **Appendix A**)

Delay in the tender process basically means a delay in one or more of the stages along the tender process. Proper management at each stage is fundamental to the efficient operation of the whole tender process.

To determine the efficiency of each component particularly in the timely processing of tenders, the timeliness of the tender process were considered by measuring actual time taken against required timeframe. Documents contained in the selected tender files were examined to confirm whether:

1. tenders were called within the required timeframe;
2. tenders were evaluated within the required timeframe;
3. whether submission report for Government Tender Board approval were prepared within the required timeframe;
4. Government Tender Board approval were made within the required timeframe; and
5. appropriate justifications were provided for tenders exceeding its required timeframe.

7.2.3.1 Tender Calling Stage

²⁶ Guide to the Tender and Evaluation Process 2010 – Appendix 1

²⁷ Guide to the Tender and Evaluation Process 2010 – Appendix 1

²⁸ Guide to the Tender and Evaluation Process 2010 – Appendix 1

²⁹ Guide to the Tender and Evaluation Process 2010 – Appendix 1

These include procurement of goods, services and works including processing and advertising requests for tenders and requests for proposals.³⁰

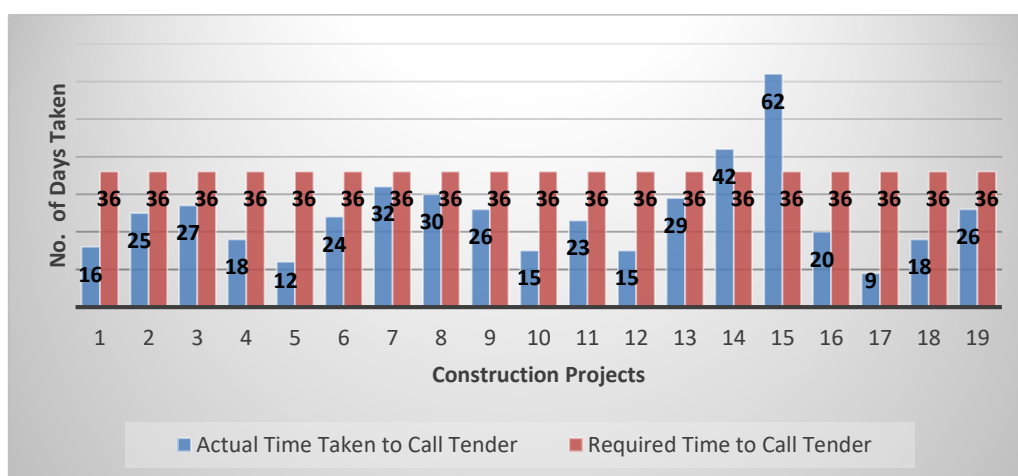
All requests to tender must allow reasonable time for potential suppliers and contractors to respond and should not be more than 30 working days and not less than 10 working days from the day of advertisement.³¹

All requests to tender shall be published for a minimum of two occasions in at least one newspaper circulating in Fiji and where appropriate in relevant trade journals circulating in other countries.³²

Our review of the tender calling stage for the selected tender files revealed the following:

1. There were two (2) instances or 11% where actual time taken to call tender exceeded the required timeframe of 36 days. Refer to figure below for details.

Figure 4: Actual Against Required Timeframe during Tender Calling Stage



Required timeframe was exceeded due to re – advertisement of tenders as no bids were received during the first call.

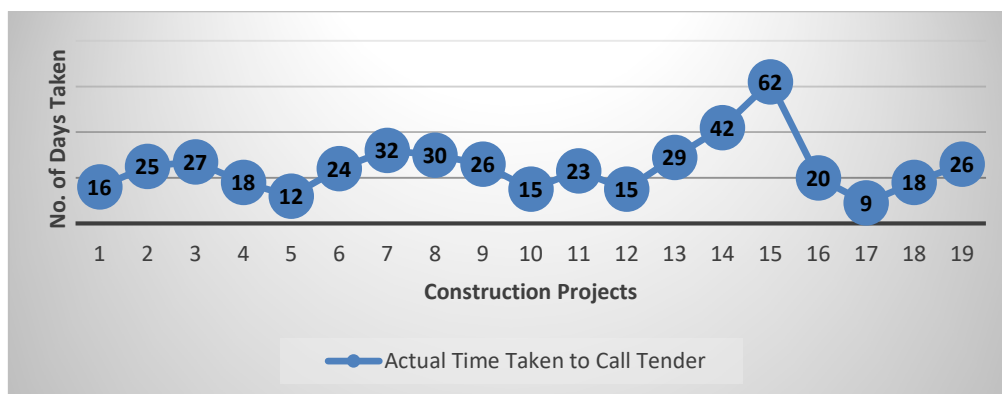
2. The duration of time taken by each tender to complete the tender calling stage varies significantly across the tender tested. Refer to figure below for details.

Figure 5: Actual Time Taken during Tender Calling Stage

³⁰ Procurement Regulation 2010 – Section 5.2 (ii) (b)

³¹ Procurement Regulation 2010 – Section 37.3

³² Procurement Regulation 2010 – Section 37.5



The above indicate inconsistency in time taken during the tender calling stage.

7.2.3.2 Tender Evaluation Stage

These include procurement of goods, services and works including evaluating and awarding tenders through the Board.³³

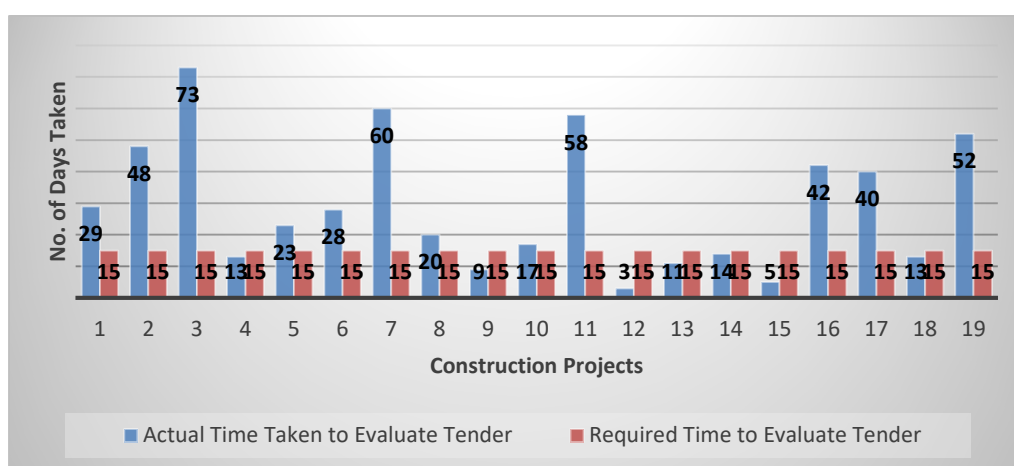
Regulation 42 clearly specifies that all bids must be evaluated in accordance with the evaluation criteria that were set for that particular tender as determined during the tender specification process.

The overall evaluation criteria shall be “value for money” which shall not necessarily be the lowest cost.³⁴

Our review of the tender evaluation stage for the selected tender files revealed the following:

1. There were twelve (12) instances or 63% where actual time taken to evaluate tenders exceeded the required timeframe of fifteen (15) days. Refer to figure below for details.

Figure 6: Actual Against Required Timeframe during Tender Evaluation Stage



³³ Procurement Regulation 2010 – Section 5.2 (ii) (c)

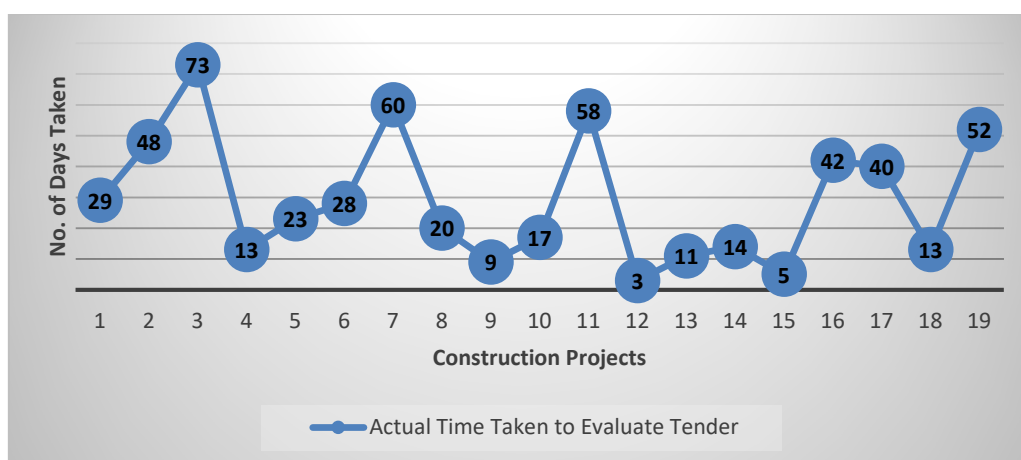
³⁴ Guide to Tender and Evaluation Process 2010 – Section 7.0

The FPO indicated that the timeframe for evaluating a tender depends on the complexity of the project thus different projects will require different timeframes. The focus of the Office is on the quality of evaluations rather than the speed.

FPO further stated that the required time was exceeded on instances where submissions are not clear, thus clarifications were sought from bidders which consume additional time. The clarifications were required in order for an informed decision to be made.

2. The duration of time taken by each tender to complete the tender evaluation stage varies significantly across the tender. Refer to figure below for details.

Figure 7: Actual Time Taken during Tender Evaluation Stage



The above indicate inconsistency in time taken during the tender evaluation stage.

7.2.3.3 Preparation of Government Tender Board Submission Stage

Evaluation committee secretariat forwards evaluation report by the evaluation committee together with the scores, justification and rationale for its decision to the Fiji Procurement Office Tenders Unit. Evaluation Report must be signed by all members of the evaluation committee as well as the minutes of all evaluation meetings held.³⁵

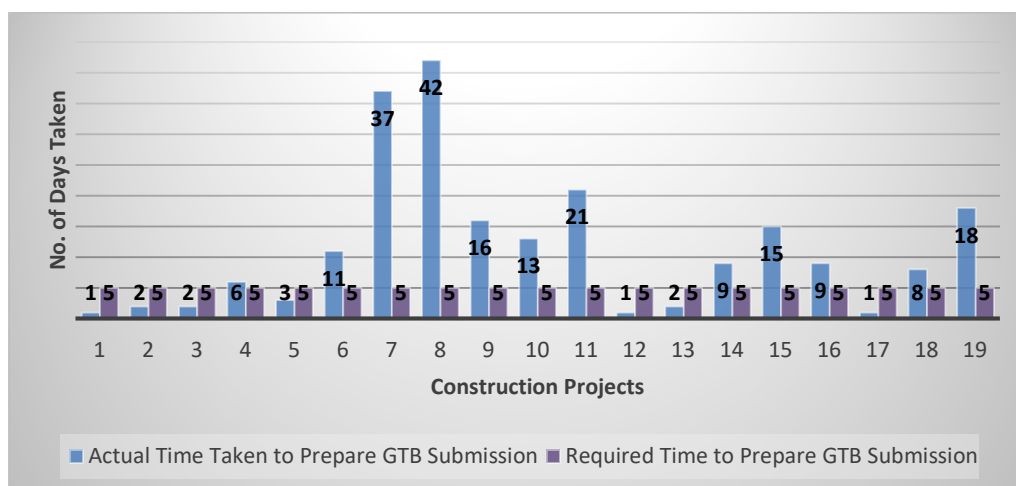
Fiji Procurement Office reviews recommendations, scores, justification and rationale for its decision, ensures documentation follows a consistent format and is complete, accurate and forwards the same to the Government Tender Board members at least 3 - 4 days prior to the next Government Tender Board meeting.³⁶

Our review of the preparation of Government Tender Board (GTB) submission stage on the selected tenders revealed the following:

1. There were twelve (12) instances or 63% where actual time taken to prepare GTB submission exceeded the required timeframe of five days. Refer to figure below for details.

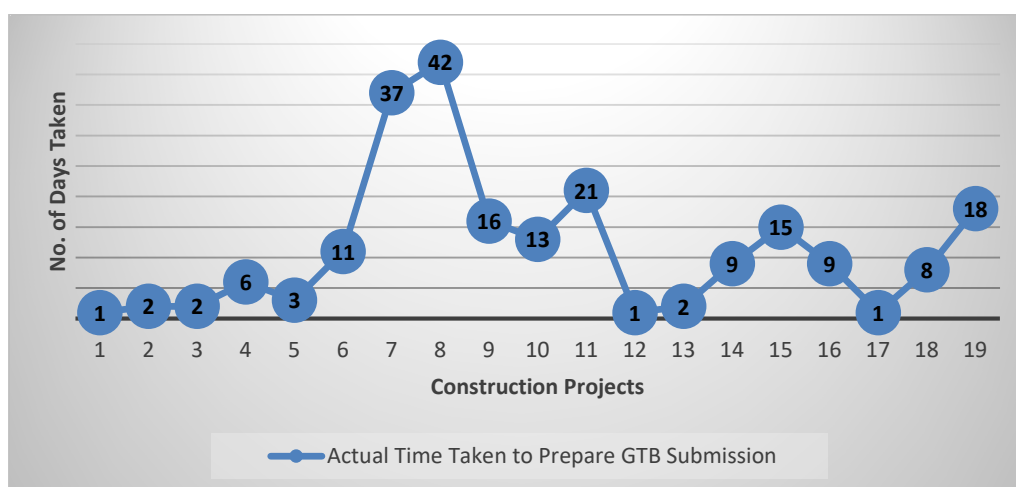
³⁵ Guide to Tender and Evaluation Process 2010 – Section 8.2.1

³⁶ Guide to Tender and Evaluation Process 2010 – Section 8.2.2

Figure 8: Actual Against Required Timeframe during Preparation of GTB Submission Stage

Required time was exceeded due to delays that occur when FPO require corrections to be made on submissions made by the Evaluation Committee.

- The duration of time taken by each tender to complete the preparation of Government Tender Board submission stage varies significantly across the tenders which were reviewed. Refer to figure below for details.

Figure 9: Actual Time Taken during Preparation of GTB Submission Stage

The above findings indicate inconsistency in time taken in the preparation for GTB submission stage.

7.2.3.4 Government Tender Board Approval Stage

Government Tender Board members discuss tender recommendations and approve/endorse recommended tender or hold over the application or decline the application.³⁷

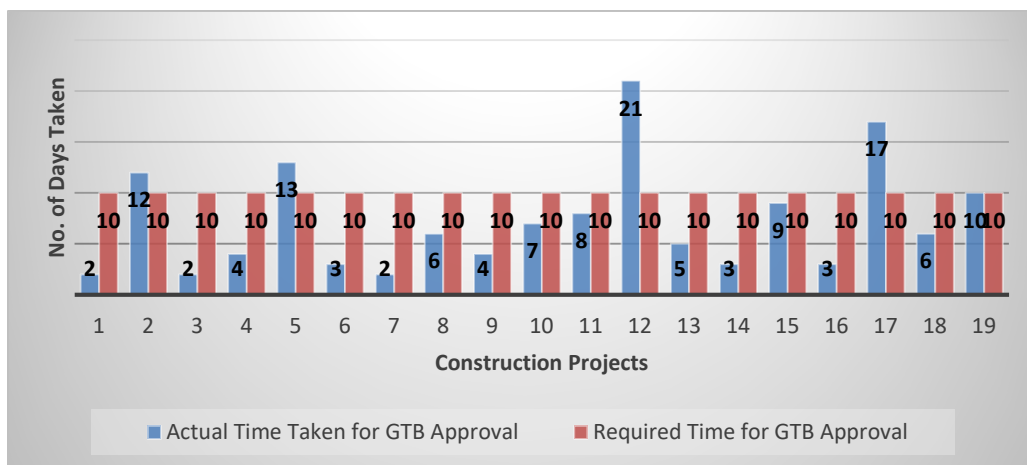
³⁷ Guide to Tender and Evaluation Process 2010 – Section 8.2.3

Board secretary documents final approval as to who tender should be awarded and prepares the minutes of the meeting. Chairperson signs off approvals and minutes.³⁸

Our review of the Government Tender Board (GTB) approval stage of the selected tender files revealed the following:

1. There were four (4) instances or 21% where actual time taken for GTB approval exceeded the required timeframe of ten days. Refer to figure below for details.

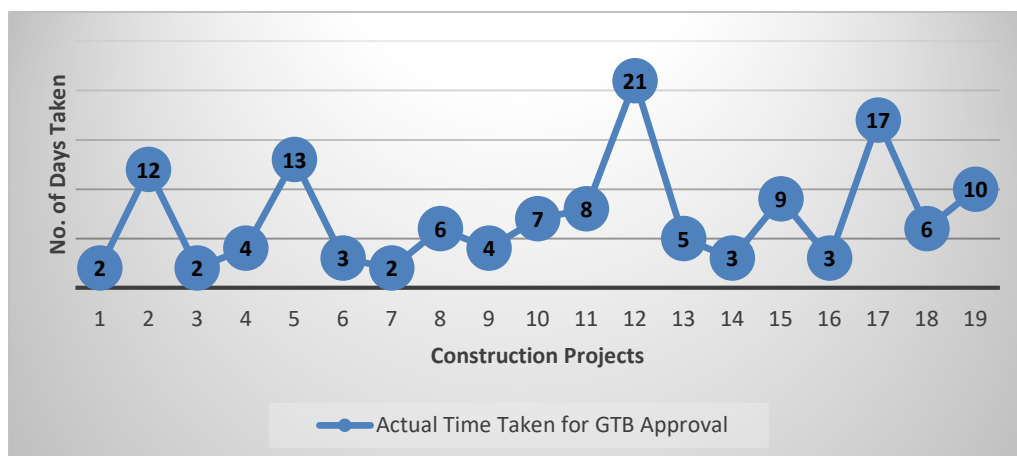
Figure 10: Actual Against Required Timeframe during GTB Approval Stage



Required time was exceeded on instances when a GTB member was on leave and/or was out of the country.

2. The duration of time taken to complete the Government Tender Board approval stage varies significantly across the tender tested. Refer to figure below for details.

Figure 11: Actual Time Taken during GTB Approval Stage



The above indicate inconsistency in time taken during the GTB approval stage.

The Ministry has clarified that delays in GTB approvals were usually a result of additional information required by the Board to make an informed decision.

³⁸ Guide to Tender and Evaluation Process 2010 – Section 8.2.4

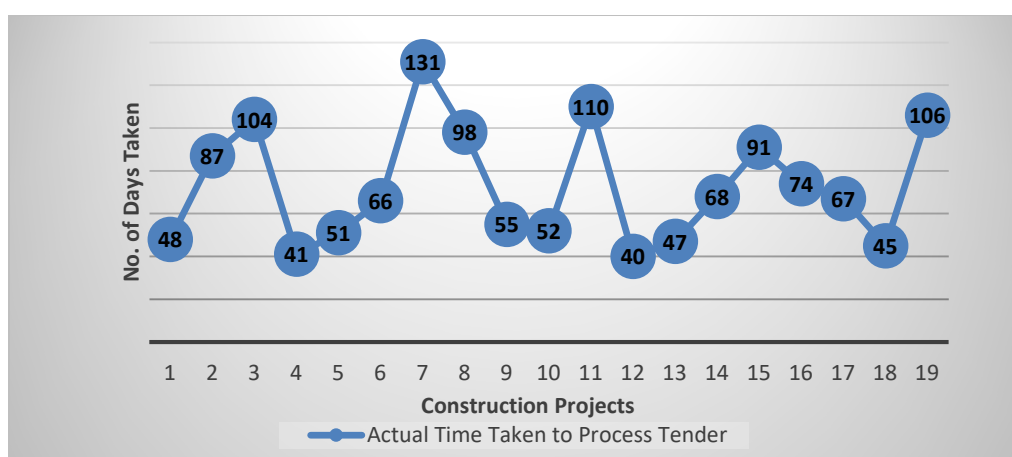
7.2.4 Assessment of the Tender Process as a Whole

A tender must be called for the procurement of goods, services or works valued at \$50,001 and more.³⁹

After examining the individual components of the tender process for the tenders tested, the following can be determined:

1. The actual time taken to process tender varies significantly between tenders. The tender process can be as swift as 40 days or can be extended as long as one 131 days. Refer to figure below for details.

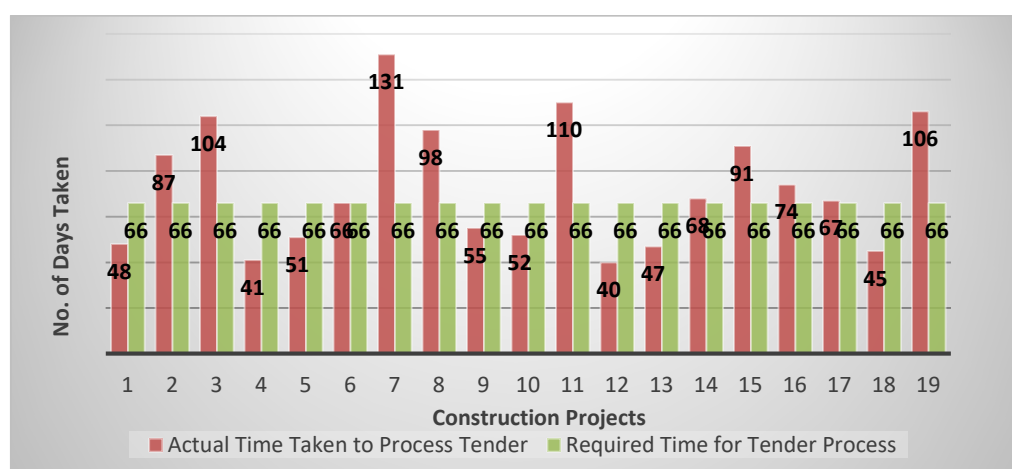
Figure 12: Actual Time Taken during Tender Process Phase



In general, there is lack of consistency in the time taken to process tenders by the FPO.

2. There were ten (10) instances or 53% where the time taken to process tender exceeded the required timeframe of 66 days. Refer to figure below for details.

Figure 13: Actual Against Required Timeframe during Tender Process Phase

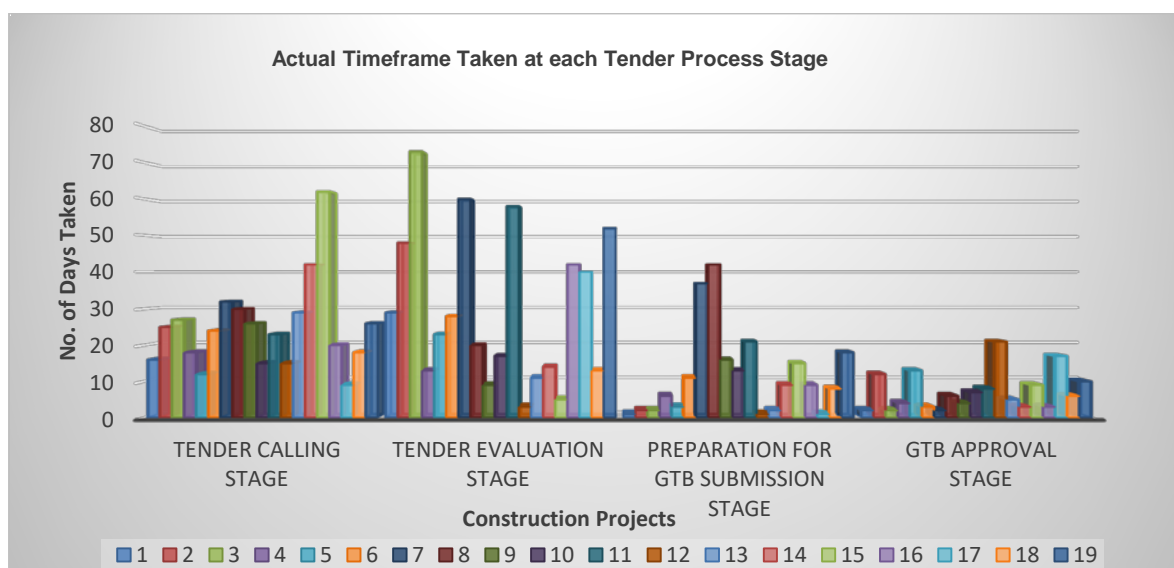


³⁹ Procurement (Amendment) Regulation 2012 – Section 30.1

Required time was exceeded mainly due to delays or excessive time taken at the tender evaluation stage of the process.

- Majority of the tender processing time is consumed during the tender evaluation stage. The tender calling stage recorded the second highest time spent which was followed by preparation of GTB submission and GTB approval stages. Refer to figure below for details.

Figure 14: Overview of Actual Time Taken at each Stage of the Tender Process



As far as the timeliness is concerned, the Ministry defended its position that the actual timelines followed by Government Ministries and Departments in their projects may vary depending on the complexity of the project. It is difficult to establish a “one size fits all” timeline for projects given their differences. The Ministry further stated that in the construction industry, low number of skilled and compliant contractors and consultants also contribute towards timeliness issues.

The Ministry further clarified that, should there be variance in the timelines, the agencies to ensure the process (from tender advertisement to GTB approval) is completed within 90 days.

It was noted that the current guidelines was being reviewed to add in flexibility for Government Ministries and Departments. With flexibility, the best combination of scope/quality, time and cost can be managed to ensure the five guiding principles of procurement are met.

Recommendations

- The FPO should ensure that its compliance assessment function are carried out as required under the Procurement Regulation 2010.
- The FPO should ensure that procurement planning are placed with high importance across government. Procurement planning at agency level to be improved by considering the empowerment of FPO with the ability to monitor and impose the preparation, submission and execution of Annual Procurement Plans.
- Time taken to evaluate tenders to be minimised by considering the development and application of standard tender template which can assist bidders in properly documenting the

project and compilation of all necessary information required. The focus to be on minimising mismatch between what bidders provide with what the FPO require. This will save time taken to seek clarification from bidders.

- The FPO should ensure that it is represented in all Evaluation Committees so that the evaluation is aligned to the requirement of the Office. This will save time taken to correct submissions provided by the evaluation committee.
- The process of GTB approval to be improved by considering the implementation of mechanism to cater for instances when a member of the GTB is not available.
- Expedite the process of finalizing the review of the procurement guideline.

Question 3: To ascertain whether capital construction projects are effectively managed and delivered by Construction Implementation Unit

Project management is the practice of initiating, planning, executing, controlling, and closing the work of a team to achieve specific goals and meet specific success criteria at the specified time. The primary challenge of project management is to achieve all of the project goals within the given constraints. The primary constraints are scope, time, quality and budget. The secondary and more ambitious challenge is to optimise the allocation of necessary inputs and apply them to meet pre-defined objectives.

Effectiveness relates to how well outcomes meet objectives. It concerns the immediate characteristics of an agency's outputs, especially in terms of price, quality and quantity, and the degree to which outputs contribute to specified outcomes.

Effectiveness of the desired results in terms of property and services can only be achieved if the agency has carefully managed the contracts.⁴⁰

The project management function for government construction projects is vested with the CIU. The CIU initiates the procurement of construction work process as soon as the procuring agency makes a decision to either expand its services or require periodic maintenance of its buildings. The Unit undertakes the assessment for project feasibility and viability prior to budget approval. Once the financial year's budget is approved, the Unit works on the work plan for the construction projects funded by Government. There are two folds of projects: (1) projects directly implemented by the Unit budgeted under Head 4 or Head 50 and (2) other projects budgeted under other agencies and the Unit plays the administrator's role.

7.3.1 Lack of Intent for Construction Implementation Unit

The responsible authority for a state entity is responsible for managing the financial affairs of the entity in accordance with the requirements of this Act and with due regard to the principles of responsible financial management.⁴¹

A power, function or duty expressed to be imposed on a state entity by this Act is exercisable or to be performed by the responsible authority for the entity.⁴²

Effective planning is integral to the efficient and effective delivery of services and the achievement of outcomes.⁴³

The Construction Implementation Unit (CIU) was established for effective management of capital construction projects and maintenance of government housing and quarters. The Unit became instrumental in the implementation and rehabilitation of schools and public buildings after TC Winston.⁴⁴

⁴⁰ Guide to the Procurement Policy Framework – Section 3.3.1

⁴¹ Financial Management Act 2004 – Section 7

⁴² Financial Management Act 2004 – Section 8.1

⁴³ Finance Instructions 2005 – Part 2

⁴⁴ Budget Estimates 2017-2018

To properly assess and understand the nature and environment in which the CIU operate, we enquired whether there is a documented mandate or intent of the Unit which could be used as a reference point during audit. In addition, we enquired whether the Unit was required to process all government agencies construction projects. However, we were not able to substantiate any documented mandate or intent of the Unit except in the Ministry of Economy's Strategic Plan that validates the existence of the CIU. Similarly, we were not able to substantiate any documented requirement that obliges the Unit to process all government agencies construction projects.

The above finding can lead to lack of strategic direction of the Unit especially when considering the significant amount of funds involved in projects handled by the Unit. Without a coherent strategy, the Unit does not have identifiable business objectives. It may lack the focus needed to achieve corporate goals and develop plans that will move the Unit forward.

The Ministry advised that as part of restructure of the Ministry due to the Civil Service Reform, the Unit was formed within the Ministry of Economy to administer and manage capital construction projects centrally due to lack of proper monitoring and administration of projects and delay in implementation of the projects by line Ministries or Agencies.

The Ministry further confirmed that CIU is responsible for coordinating and monitoring the effective and efficient implementation of government construction projects. Where projects are not on track, issues are raised by CIU with Management and Head of Respective Ministries/Department to resolve and action them. However, it is important to note that Ministries/ Departments can have their own projects administered by Ministry of Infrastructure and Transport instead of CIU. During the Budget Process, the agency has the full authority to decide who will administer their projects. CIU will document this through the issue of a circular to take the administrative role through agreement with the management. CIU has defined roles and a responsibility within the Ministry's strategic plan and work plans.

7.3.2 Assessment of Different Stages of the Post Tender Process Phase

The post tender process phase are managed by the CIU. The process can be divided into two (2) main components.

1. *Contract Document Preparation Stage:* Commence after GTB approval is made. All GTB approval are subject to a legally binding contract that are vetted by the Solicitor General's Office. The project commencement is reliant on the finalisation of the contract. The project will only commence when contracts are entered by both parties.
2. *Construction Stage:* The actual construction of buildings and/or infrastructure by the engaged contractor. This should be done in accordance with all conditions stipulated in the contract agreement.

To determine the effectiveness of project management performed by the CIU, the timeliness of project completion against the expected timeframe as provided in the GTB approval were measured. Documents relating to selected projects were examined to confirm:

1. whether the projects were completed as per expected timeframe;
2. what were the causes of project extension of timeframe; and
3. whether the causes of extension were appropriate or not.

7.3.2.1 Contract Document Preparation Stage

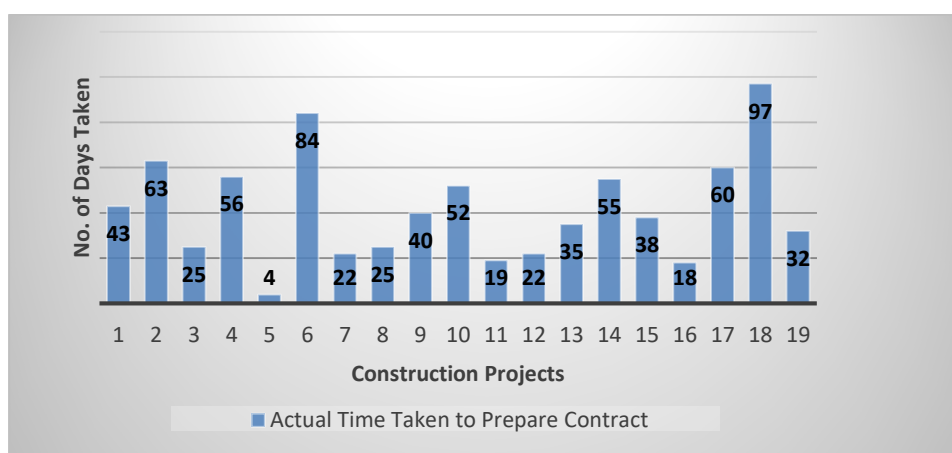
Upon the approval, the selected bidder is notified and the Contract is drafted and sent to Office of the Solicitor General's Office for vetting.⁴⁵

The vetted Contract is forwarded to the selected Bidder for their comments on terms and conditions of the Contract.⁴⁶

Our review of the contract document preparation stage of the selected project files revealed the following:

1. This stage of the procurement process has no standard timeframe required to perform its function. The duration of time taken by each project to complete the contract preparation stage is significant and varies considerably across the tested projects. Refer to figure below for details.

Figure 15: Actual Time Taken during Contract Document Preparation Stage



The above findings indicate inconsistency in time taken during the contract document preparation stage.

7.3.2.2 Construction Stage

Once the selected bidder agrees to the terms and conditions, then the contract is executed.⁴⁷

Our review of the construction stage of the selected sample files revealed the following:

1. There were four projects with a total cost amounting to \$5,896,620.31 where actual and required time taken to construct projects could not be ascertained due to lack of information available in the project files. Refer to table below for details.

Table 3: Details of Unsubstantiated Construction Time

⁴⁵ Construction Implementation Unit Standard Operating Procedure – Section A.I (e)

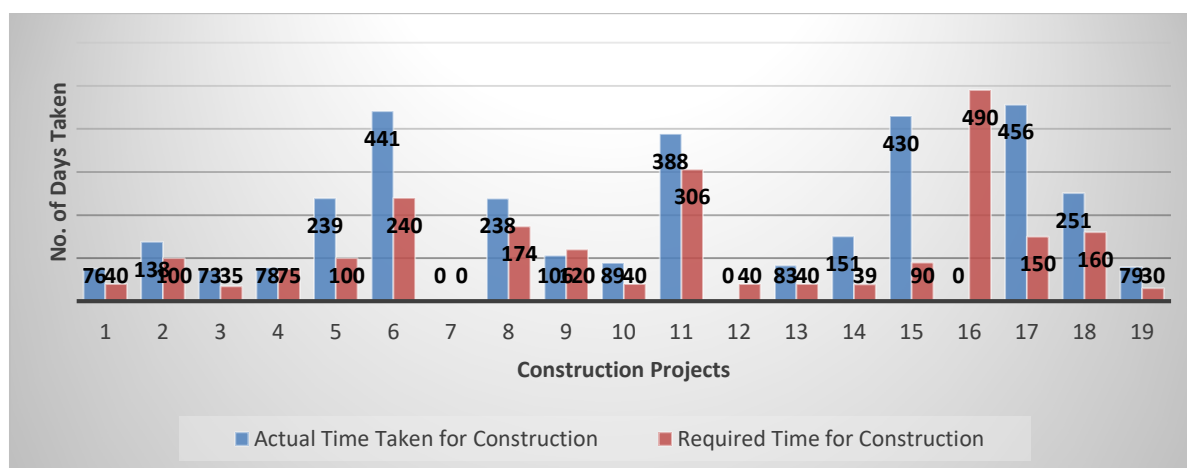
⁴⁶ Construction Implementation Unit Standard Operating Procedure – Section A.I (f)

⁴⁷ Construction Implementation Unit Standard Operating Procedure – Section A.I (g)

| Tender Number | Descriptions | Actual (Days) | Costs (\$) |
|---------------|---|---------------|-----------------------|
| WSC 230/2017 | Interior Refurbishment to Existing Level 1 of Naibati House for Ministry of Women, Children and Poverty Alleviation | Not Known | \$273,488.88 |
| WSC 302/2018 | Design and Build of the new Bau College | Not Known | \$4,601,438.19 |
| CSC 292/2018 | Building Services & Engineering Consultancy - New National Kidney Research & Treatment Centre at Prime Plaza Premises, Nadera | Not Known | \$738,293.24 |
| CSC 81/2016 | Upgrading & Maintenance of the Ex-Parliament Complex at Veiuto | Not Known | \$283,400.00 |
| TOTAL | | | \$5,896,620.31 |

- There were sixteen (16) instances or 84% where actual time taken during construction stage exceeded the required timeframe as provided in the GTB approval. Refer to figure below for details.

Figure 16: Actual Against Required Timeframe during Construction Stage



Required time was exceeded due to factors including delay in payment process, unforeseen variations in projects, delay in GTB approval, delay from supplier, unfavourable weather conditions, availability of materials, working in a fully operational site, special meetings held in the office that require work to stop, noise complaints requiring contractors to work on night or weekends only, change in Permanent Secretaries for Ministries during construction stage requiring some layout changes, and changes in the clients' needs.

7.3.3 Assessment of the Post Tender Process as a Whole

After examining the two stages involved in the post-Government Tender Board phase for the selected projects, the following was noted:

- There were lack of proper maintenance of project documents. We were unable to ascertain certain line of enquiries due to lack of information available in the project files examined. These information includes the GTB approval, contract documents, project progress reports and independent inspection reports.

Inability to properly maintain important information reduces the Unit's ability to monitor a project along the process for post-tender processing phase. This could indicate the lack of mechanism in place to monitor timeliness of projects at different stages of the post tender process phase. This could lead to unnecessary delays in the process.

2. The actual time taken at the preparation of contract document stage is noted to be significant and varies considerably between projects. It can be as swift as four days and can prolonged as much as ninety seven days. We noted that this is the only stage in the whole process from tender calling stage to construction stage that is not governed or guided by a standard turn-around-time to complete the task. This increases the risk of delay at this stage given the fact that there is no mechanism in place to ensure that the process are completed in an acceptable timeframe.

The FPO is responsible for sending the letter to the successful tenderer. Once the acceptance letter is received then the process of contract compilation by the CIU team will begin. The contract will only be dispatched to Solicitor General's Office once the performance bond is paid. The CIU at times encounters challenges in collecting performance bond amount from the awarding company's banker which usually are time consuming. Once performance bond is received, contract is forwarded to Solicitor General's Office for vetting. Once contract is finalised, the contractor is given two weeks to mobilise on site before the actual works start.

3. In all instances, extension of time for project completion was approved based on the justifications provided. However, we noted instances where projects were delayed based on reasons that indicates improper planning. Refer to table below for examples.

Table 4: Examples of Improper Planning

| Tender No | Description | Reason for Delay | Comments |
|--------------|--|--|---|
| WSC 359/2017 | Office Refurbishment to Level 1,5,7,8 and 9, Ro Lalabalavu House, Suva | Dispute with room occupants regarding the room sizes and allocation of office space. | For all Office Refurbishment projects a copy of the final proposed plan is issued to the Permanent Secretary to discuss with all Section Heads and comment on the layout. Any changes are encouraged to be made during this design consultation stage so that there are no variations in the construction stages. The reason indicated that the above mentioned process were not properly followed that resulted in misunderstanding at construction stage. |
| | | Contractor working on a fully operational office spaces which requires a lot of movement of office furniture's to suit each floors schedule. | This is always a challenging process trying to find temporary space for relocation and movement of all furniture's during office refurbishment. |

| Tender No | Description | Reason for Delay | Comments |
|--------------|---|--|---|
| WSC 184/2018 | General Repairs and Maintenance of Washroom Facilities at CWM Hospital Maternity Unit | Unavailability of the washroom, minimal time allocated to stop the supply of water to washroom units and delay in payments. | Prior arrangement should have been made during planning to avoid this instances from occurring during construction phase. |
| | | (a) Repair & maintenance of washroom at post natal (b) Repair & maintenance of male & female change rooms (c) Pantries at rooms (labour ward) (d) Supply & installation of vent system (e) Minor repairs at ward A16. | These were not part of the initial scope made. Changes were made during the construction phase to include the stated works. |
| WSC 221/2017 | Refurbishment, renovation and alteration of new Court complex at Veiuoto | Possession of site not provided on time by the principal and the security did not allow full access for set out of works during mobilization period. | The client should have advised the security in advance that the re-construction of Veiuoto complex will take place. |
| | | Delay in the arrival of the tiledeck roofing material. | The delay was due to client's decision to go with tiledeck roofing instead of the initially proposed shingles roofing due to the cyclone rating. Additional time was required for the manufacturer to take measurement on site, fabricate and machine cut to sizes from the factory. |
| | | The existing status of the old timber framed structure from lack of years of maintenance works done to the buildings. The identified defects must be addressed to avoid further deterioration of the structure and integrity of the buildings. | The CIU indicated that in any project dealing with maintenance of old timber buildings, defects will always appear once the surface timber wall or roofing is removed. Underneath will be full of rotted non-complying timber structure which was not able to be accessed or seen during the initial tender assessment or pricing stage. The question is whether this will always be the case or is there any other alternatives available in which this can be catered for during planning. A proper understanding of the structure and its history could provide information on the age and expected quality of the materials the structure will have. |

4. There were limited documented manuals and guidelines in place at CIU to provide guidance on how the operations were conducted.

The Ministry agreed that there are variations in timeframe for the preparation of contracts. The variation in timeline for the preparation of the contract documents is driven by the following factors:

1. Preparation and finalisation of contract requires review by Solicitor-General's Office and the consequent agreement by contractors;
2. The contractor needs to meet the following obligations before the contract is executed. The obligations are:
 - a) Contractors All Risk; and
 - b) Performance Bond.

The Ministry discussed with Solicitor-General's Office on way forward. CIU uses the Australian Standard Contract (AS4000) that has been adjusted to suit the laws of Fiji for projects with large magnitude while projects with short durations also have the same format. In addition to the standardized adjusted Australian Standard Contract (AS4000) that is being used for constructions projects, the Fiji Procurement Office is working with Solicitor-General's Office in standardizing the contract process further together with a standard template. The plan is to have the standard contracts to be part of the tender documents to allow the suppliers to review the draft contract in advance.

Recommendations

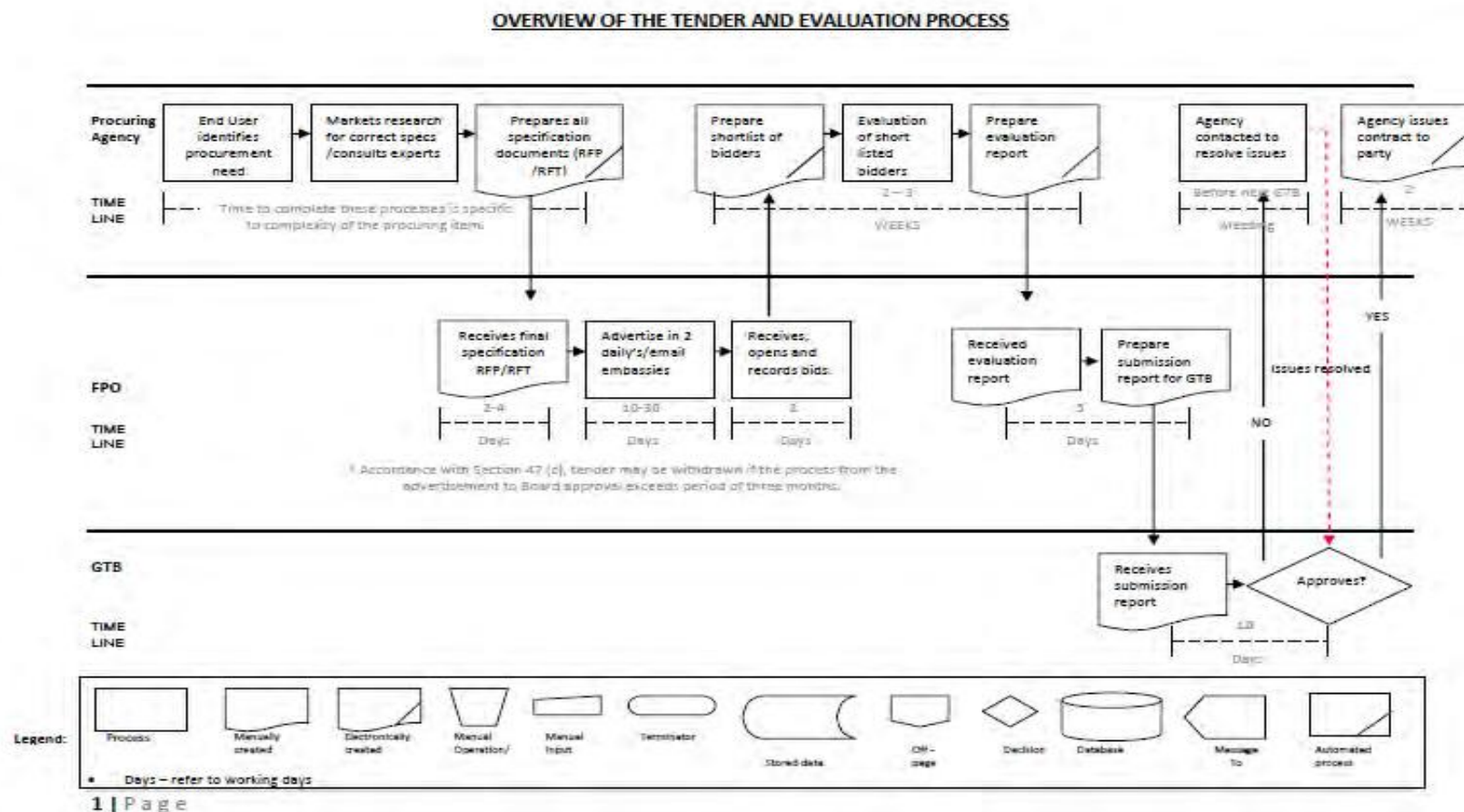
- The CIU is to ensure that its functions or intent are clearly documented and proper governance framework is in place that ensures the proper functioning of the Unit.
- For the projects outside the ambit of Head 4 and 50, CIU should clearly outline and define the "administrator's role" which it plays as far as capital projects are concerned.
- The CIU should ensure that all project information are properly stored and maintained. The Unit could consider to develop standards for the content of project files and verify the standards applied.
- The contract document preparation stage to be improved by considering the development and application of standardised contract documents format to reduce time taken during contract preparation. In addition, by regulating the duration of time taken to prepare contract documents by setting an adequate standard timeframe to complete the task.
- A coordinated approach to be taken by the FPO, CIU, successful tenderer, and the Solicitor General's Office during the contract document preparation stage to ensure that contract documents are prepared in a timely manner.
- The CIU could improve project management by taking a more scientific approach. Root-cause analysis are conducted on projects where actuals significantly varies from planned. Dedicated efforts are put in the work of trying to ensure that causes will not happen again in the future. This should include an ongoing formal assessments of various risks to the successful completion of the project such as potential threats to the projects schedules like inclement weather as well as potential threats to the quality of the projects, and what can be done to manage the risks identified if they arise.

8. CONCLUSION

Overall, the results of our audit indicated that:

- The Fiji Procurement Office and Construction Implementation Unit does not have the full level of employee capacity to operate efficiently; and
- The procurement of construction projects during the period under audit did not fully comply with the Procurement Regulations 2010, related policy/guidelines and accepted best practices.
- There is an urgent need for Fiji Procurement Office and Construction Implementation Unit to improve employee capacity management, compliance, records management and timely execute projects.

APPENDIX A: OVERVIEW OF THE TENDER AND EVALUATION PROCESS



(Source: Fiji Procurement Office)



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