



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

2018 Audit Report on General Administration Sector





OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

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File: 102

15 November 2019

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

Dear Sir

2018 AUDIT REPORT ON GENERAL ADMINISTRATION SECTOR

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the General Administration Sector for 2018 excluding Head 4 – Ministry of Economy, Head 14 – Ministry of Disaster Management and Meteorological Services and Head 9 – Fijian Elections Office.

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

Yours sincerely

A handwritten signature in black ink, appearing to read 'Ajay Nand', with a long horizontal line extending to the right.

Ajay Nand
AUDITOR-GENERAL



Encl.

The Office of the Auditor-General – Republic of Fiji

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

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

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

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

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1.0 Sector Summary

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

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

The General Administration Sector includes:

Head 01	Office of the President
Head 02	Office of the Prime Minister and Immigration
Head 03	Office of the Attorney-General
Head 05	Ministry of iTaukei Affairs
Head 06	Ministry of Defence & National Security
Head 07	Ministry of Employment, Productivity and Industrial Relations
Head 08	Ministry of Foreign Affairs
Head 09	Independent Bodies:
	Office of the Auditor General
	Judiciary Department
	Parliament Office
	Office of the Director of Public Prosecutions
Head 13	Independent Commissions
Head 15	Ministry of Justice
Head 15A	Fiji Corrections Service
Head 16	Ministry of Communication
Head 16A	Department of Information Technology and Computing Services
Head 17	Ministry of Civil Service
Head 18	Ministry of Rural and Maritime Development
Head 19	Republic of Fiji Military Forces
Head 20	Fiji Police Force
Head 49	Peacekeeping Missions

The Social Services Sector includes:

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

The Economic Services Sector includes:

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

The Infrastructure Sector includes:

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

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

Results of Our Audits

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

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

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

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

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

Quality and Timelines of Financial Statements

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

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

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

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

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

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

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

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

2.0 Types of audit opinions issued

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

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

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

3.0 Current approach on reporting to Parliament

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

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

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

Introduction

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

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

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

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

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

Conclusion

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

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

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



Ajay Nand

AUDITOR-GENERAL

DATE: 15/11/19

4.0 Audit Opinion results

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

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

Unmodified opinions	Modified opinions
22	7

Modified opinions

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

1.0 Department of Immigration

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

2.0 Ministry of Employment, Productivity and Industrial Relations

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

3.0 Judicial Department

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

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

4.0 Ministry of Rural and Maritime Development

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

5.0 Fiji Police Force

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

6.0 Ministry of Women, Children and Poverty Alleviation

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

7.0 Ministry of Infrastructure and Transport

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

Unmodified opinions

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

Quality of draft agency financial statements

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

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

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

Timeliness of financial reporting

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

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

Timeline Met	Timeline not Met
<ol style="list-style-type: none"> Office of the Attorney General Ministry of Foreign Affairs Office of the Auditor General Office of the Director of Public Prosecutions Fiji Independent Commission Against Corruption Fiji Military Force 	<ol style="list-style-type: none"> Judiciary Department Ministry of Justice Parliament Office Ministry of Civil Service and Public Service Commission Fiji Corrections Services Ministry of Rural and Maritime Development and National Disaster Management Fiji Police Force Ministry of Communication Office of the President Office of the Prime Minister and Immigration Ministry of iTaukei Affairs Ministry of Defence, National Security Ministry of Employment, Productivity and Industrial Relations Department of Information Technology and Computing Services Ministry of Youth and Sports Ministry of Sugar Ministry of Industry, Trade and Tourism Ministry of Waterways Ministry of Agriculture Ministry of Women, Children and Poverty Alleviation Ministry of Infrastructure and Transport Peacekeeping Missions

Year-end closing process

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

The key focus areas in the circular were:

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

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

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

Appendix A: Assessment of financial governance

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

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

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

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

Internal control framework

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

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

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

Internal controls

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

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

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

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

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

Preparation of draft 2017-2018 agency financial statements

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

The key focus areas in the circular were:

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

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

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

Quality of draft financial statements by entities

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

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

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

Timeliness of draft financial statements for entities

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

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

Timeliness of Provision of Management Comments and Signing of Financial Statements

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

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

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

Result summary

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

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

CE=Control Environment

RA=Risk Assessment

Q=Quality of draft financial statements

IC=Information and Communication Control

CA=Control Activities

YE= Year-end close processes

T=Timeliness of draft financial statements

MA=Monitoring Activities

MC=Management Comments provided

SFS=Signed Audited financial statements returned

Appendix B: Audit Opinion Results

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

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

¹ 2017 – 2018 financial year was first year audited.

Head 1**Office of the President****Roles and Responsibilities**

The Office of the President provides administrative and logistical support to the Head of State in the performance of their official duties. These duties include: the signing of Bills passed by Parliament into law, opening each session of Parliament, attending ceremonial functions, responsibility as Commander-in-Chief of the Republic of Fiji Military Forces (RFMF), state visits and active community engagement.

The President represents Fiji on state visits to other nations that strengthen Fiji's diplomatic relations and enhance Fiji's standing in the world. Furthermore, His Excellency presides over commemorations for war heroes and high achievers that have made outstanding contributions to Fiji, and also attends and hosts events for visiting leaders.

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PART A: FINANCIAL STATEMENTS

1.1 Audit Opinion

The audit of the 2018 accounts for the Office of the President resulted in the issue of an unqualified audit opinion.

However, management's attention was drawn to Note 4 to the financial statements, which describes the replenishment of funds from Head 50. A sum of \$558,323 was released from Head 50 to cater for additional commitments for the Office of the President. For the year ended 31 July 2018, a total sum of \$2,686,886 was utilized including funds sourced from Head 50 to fund the operations of the Office of the President.

Furthermore, internal controls over procurements and payments were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the future.

1.2 Statement of Receipts and Expenditure

The Office of the President recorded revenue totalling \$1,086 and incurred a total expenditure of \$2,128,563 for the year ended 31 July 2018. Details are provided in Table 1.1

Table 1.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State revenue	1,086	1,040
Total Revenue	1,086	1,040
Established staff	706,157	634,847
Government wage earners	214,635	189,884
Travel and communications	486,845	465,514
Maintenance and operations	466,224	380,314
Purchase of goods and services	202,864	184,652
Total Operating Expenditure	2,076,725	1,855,211
Value Added Tax	51,838	103,355
Total Expenditure	2,128,563	1,958,566

1.3 Appropriation Statement

The Office incurred expenditure totalling \$2.1 million in 2018 against a revised budget of \$2.1 million.

Details of expenditure against the revised budget are provided in Table 1.2.

Table 1.2: Appropriation Statement for financial year 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	744,567	(38,410)	706,157	706,157	---
2	Government Wage Earners	219,979	(5,344)	214,635	214,635	---
3	Travel & Communication	411,900	74,945	486,845	486,845	---
4	Maintenance & Operations	483,400	(10,608)	472,792	466,224	6,568
5	Purchase of Goods & Services	187,400	21,326	208,726	202,864	5,862
	Total Operating Expenditure	2,047,246	41,909	2,089,155	2,076,725	12,430
8	Capital Construction	---	---	---	---	---
	Total Capital Expenditure	---	---	---	---	---
13	Value Added Tax	97,400	(41,909)	55,491	51,838	3,653
	TOTAL	2,144,646	---	2,144,646	2,128,563	16,083

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

1.4 Internal Controls

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

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

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

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

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

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

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

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

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

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





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

Examples of issues which would fall under this category are reported to management of agencies on matters relating to internal controls


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

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

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

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

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

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

1.5 Submission of FY 2017-2018 Draft Agency Financial Statements


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

The key focus areas in the circular were:

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

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


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

Rating	Year-end close process assessment
 Effective	All 9 key processes completed by due date

1.6 Quality of draft financial statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


1.7 Timeliness of draft financial statements


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

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

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

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

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

Rating	Timeliness of Signed Financial Statements Received
 Generally effective	Within 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

1.9 Procurement of goods and services from the accountable advance allocation

We noted that the Office charged the procurements of goods and services totaling \$103,238.10 to the accountable advance allocation (1-01101-01101-570301: Revolving Fund Account).

Root cause/Implication

This was caused by the poor budgetary planning as funds were not available when required to procure goods and services. As a result, a sum of \$558,323 was released from Head 50 to cater for additional commitments for the Office of the President.

Such practice of charging operating expenditure to accountable advance allocation is serious and reflects poor accountability.

Recommendation

The Manager Finance should ensure proper financial planning is done to avoid use of accountable advance allocation to procure goods and services.

Agreed Management Action

Based on Audit recommendations, the Office will refrain from using Accountable Advance allocations to procure goods and services in future. The Office was guided by the advice from the Ministry of Economy that it was to source from within. Manager Finance shall be more vigilant in ensuring that operations expenditure is charged to the correct allocation. The Office assures the Office of the Auditor General that this recommendation has been taken in good spirit and the same will be done to further strengthen the internal control procedures.

Officer Responsible

Manager Finance

1.10 Anomalies in Procurement

Our review of procurements noted the following weaknesses in certain instances:

- requisitions were approved after the invoice was issued and goods/services received.
- local purchase orders were not raised due to last minute payment requests.
- the LPOs / invoices were not signed by responsible officers for the receipt of goods/services and neither the delivery dockets were attached.
- payment vouchers were not signed by the Accountant before payment was done.
- payment vouchers and the supporting documents were not stamped “Paid”.

Root cause/Implication

The findings indicate that proper supervisory checks were not carried out before payments were made. Apparently, responsible officers were not diligently carrying out their duties.

Not following proper procurement procedures is a serious control failure and increases risk of errors and procurement fraud.

Recommendations

The Office should:

- **ensure that supervisory check is strengthened in all aspects of procurements and payments.**
- **ensure that the procurement regulations are adhered to at all times.**
- **implement refresher training on procurement rules and regulations for relevant officers.**

Agreed Management Action

Based on Audit recommendations and moving forward, the Office shall ensure that supervisory checks are strengthened in all aspects of procurement and payments processes. Those conducting the supervisory checks are the Official Secretary, Head of Operations, Head of Corporate Services and Manager Finance. The Office will take relevant measures to ensure that the procurement regulations are adhered to at all times with no exception. Additionally, the Office will invest in implementing refresher training on procurement rules and regulations for the relevant officers and have in place Standard Operating Procedures that will assist in adhering to the required processes.

Officer Responsible

Official Secretary/Head of Operations/Head of Corporate Services/Manager Finance

1.11 Non-compliance to Procurement Regulation

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

In 2009, China Railway Number Five Engineering Company Ltd constructed the fence at the Presidential compound. In the financial period 2016 – 2017, the Chinese Embassy provided a sum of \$500,000 to repair the fence.

In the financial period 2017 – 2018, the Office commenced the repair work on the fence. We noted that the Office again engaged China Railway Number Five Engineering Company Ltd to carry out the repair work without calling for tender. According to the Office, this was done to avoid excess costs. However, the Office did not seek waiver of tender to regularize this decision.

Root cause/Implication

The audit finding indicates that the responsible officers did not follow the Procurement Regulations.

Recommendations

The Office should:

- **ensure that the Procurement Regulation is strictly followed.**
- **conduct refresher training in procurements with assistance from the Fiji Procurement Office.**

Agreed Management Action

Based on Audit recommendation and moving forward, the Office shall at all times familiarize ourselves with and observe procurement regulations without compromise. Furthermore, with assistance from the Fiji Procurement Office, we will request assistance to conduct refresher training on procurement requirements and practices. Ensure that proper cash flow forecasts are done so that funds are available as and when required. The Office assures the Office of the Auditor General that this recommendation has been taken in good spirit and the same will be done to further strengthen the internal control procedures.

Officer Responsible

Head of Operations

¹ Office of the President Finance Manual 2015 – Section 2.3.1
Office of the President

Head 2**Office of the Prime Minister and Department of Immigration****Roles and Responsibilities**

The Office of the Prime Minister ('OPM') assists the Prime Minister in his role as Head of Government and the Chairperson of Cabinet by providing administrative and logistical support. The Cabinet Office of the OPM provides Cabinet and the Prime Minister with secretarial support to ensure timely decisions for the effective running of Government.

The OPM also administers the implementation of a number of programmes, including the development of the mahogany industry, administration of small grants and the coordination of donor funding for community development projects (particularly in rural and maritime areas) and the administration of the Rotuma, Rabi, Melanesian Vasu-i-Taukei and Kioa Island Councils.

The OPM also has authority over the Department of Immigration, which is responsible for managing the flow of people across Fiji's borders. This includes passport issuance for Fijian citizens, entry and departure permits and the processing of applications for citizenship. The Department is in the process of introducing new technologies to improve internal operations and deliver more effective services to the public, namely through the installation of a Biometric Verification System.

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PART A: FINANCIAL STATEMENTS

2.1 Audit Opinion

The audit of the 2018 accounts of the Office of the Prime Minister and Department of Immigration resulted in a qualified audit opinion. The qualification was due to the following:

- A variance of \$515,175 exists between the Integrated Border Control Management System (IBMS) which records the Department of Immigration's operating revenue and the FMIS general ledger. As a result, I was unable to substantiate the correctness of the operating revenue balance of \$12,703,433 recorded in the consolidated financial statements for the financial year ended 31 July 2018.
- Detailed listings of work permit holders for whom security bond totaling \$28,724,628 was held in trust as at 31 July 2018 were not substantiated by the Department of Immigration. As a result, I was unable to establish the completeness of the amount of security bond reflected in the Immigration Bond Trust Fund Account.
- An unreconciled variance of \$125,618 exists between the Immigration Bond Trust Fund Account cash at bank balance and the General Ledger (FMIS) balance. As a result, I was not able to ascertain that all receipts and payments had been accurately accounted and disclosed in the Immigration Bond Trust Fund cash account.
- The Department of Immigration was unable to provide appropriate supporting documents including payment vouchers to substantiate payments totaling \$272,985 for Operating Account. As such, I was unable to satisfy if these payments were properly processed and recorded in the consolidated Statement of Receipts and Expenditure.

The other matter reported was that the internal controls over revenue, payroll expenses, procurements and payments and Bond Trust Fund Account for the Department of Immigration were generally found to be weak. This was due to lack of supervisory checks, reconciliations not properly carried out, improper record keeping and lack of proper planning and budget management. These internal controls weaknesses if not addressed promptly may result in material misstatements and possible financial losses in the future.

2.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$12,985,781 and incurred a total expenditure of \$20,854,074 for the year ended 31 July 2018. Details are provided in Table 2.1.

Table 2.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	12,985,781	13,636,715
Total Revenue	12,985,781	13,636,715
Established Staff	5,348,307	5,368,527
Government Wage Earners	561,169	595,026
Travel & Communications	2,295,295	1,571,160
Maintenance & Operations	1,360,834	1,175,167
Purchase of Goods & Services	623,013	974,801
Operating Grants & Transfers	620,030	665,573
Special Expenditures	613,958	226,756
Total Operating Expenditure	11,422,606	10,577,010
Capital Construction	---	17,872
Capital Purchase	193,071	91,291
Capital Grants and Transfers	9,000,000	3,163,482
Total Capital Expenditure	9,193,071	3,272,645
Value Added Tax	238,397	238,254
Total Expenditure	20,854,074	14,087,909

The following factors contributed to the increase in balances for some account areas:

- Travel and communication costs increased by \$724,135 due to the increase overseas travel expenses for the Honourable Prime Minister and delegates. For the Department of Immigration this was due to the increase in local travels to attend to work duties in divisional offices.
- Special expenditures increased by \$387,202 due to the reimbursement of claims to the former Prime Ministers that was initially on hold and later approved by Cabinet to be paid.
- Capital purchases increased by \$101,780 due to increase in expenses incurred for the construction and fittings for Nadi Office for the Department of Immigration.
- Capital grants and transfers costs increased by \$5,836,518 due to increase in budget associated with project works

2.3 Appropriation Statement

The Office incurred expenditure totalling \$20.8 million in 2018 against a revised budget of \$23.9 million, resulting in a saving of \$3.1 million or 13%. The savings was mainly attributed to operating expenditure.

Details of expenditure against the revised budget are provided in Table 2.2.

Table 2.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Carry-Over (\$)	Lapsed Appropriation
1	Established Staff	6,694,126	(461,743)	6,232,383	5,348,307		884,076
2	Government Wage Earners	915,318	(25,000)	890,318	561,169	---	329,149
3	Travel & Communication	2,455,720	92,500	2,548,220	2,295,295	---	252,925
4	Maintenance & Operations	1,403,737	124,500	1,528,237	1,360,834	---	167,403
5	Purchase of Goods & Services	1,252,133	(100,257)	1,151,876	623,013	---	528,863
6	Operating Grants & Transfers	821,000	60,000	881,000	620,030	---	260,970
7	Special Expenditure	347,161	310,000	657,161	613,958	---	43,203
Total Operating Expenditure		13,889,195	---	13,889,195	11,422,606	---	2,466,589
9	Capital Construction	550,000	---	550,000	193,071	---	356,929
10	Capital Grants and Transfers	9,000,000	---	9,000,000	9,000,000	---	---
Total Capital Expenditure		9,550,000	---	9,550,000	9,193,071	---	356,929
13	Value Added Tax	540,772	---	540,772	238,397	---	302,375
TOTAL		23,979,967	---	23,979,967	20,854,074	---	3,125,893

2.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Office of the Prime Minister operates and maintains four main trust fund bank accounts. The Department of Immigration operates and maintains one main trust fund bank accounts. These accounts includes the following;

2.4.1 Chinese Grant Trust Fund Account

The trust fund account is used to record and maintain grants that are provided by the Chinese Government to the Fiji Government through bilateral agreements in the form of letters of exchange.

The funds are generally used to cater for those projects that are committed by the Honourable Prime Minister through requests from communities and are evaluated based on its need and priority in areas of education, integrated village/settlement developments, youth developments, women's and minority group settlement developments and are not provided for in the national budget estimates.

The approving authority for the funding of assistance under this trust fund account is the Honourable Prime Minister.

Table 2.3: Chinese Grant Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Interest	573	496
Assistance & Refunds	---	211,434
Reverse statement fee	6	---
Total Receipts	579	211,930
Payments		
Retention for Valelevu Multi-purpose court	22,595	---
Withholding Tax	57	50
Statement Fee	---	3
Withdrawal Transfer – Bank Fees	6	---
Total Payments	22,658	53
Net (Deficit)/ Surplus	(22,079)	211,877
Opening balance as at 1 August	572,806	360,929
Closing Balance as at 31 July	550,727	572,806

2.4.2 Taiwan Grant Trust Fund Account – Statement of Receipts and Payments

The trust fund account is used to record and maintain grants that are provided by the Taiwanese Government to the Fiji Government through bilateral agreements.

The funds are generally used to cater for those projects that are committed by the Honourable Prime Minister through request from communities and are evaluated based on its need and priority in areas of education, integrated village/settlement developments, youth developments, women's and minority group settlement developments and are not provided for in the national budget estimates.

The approving authority for the funding of assistance under this trust fund account is the Honourable Prime Minister.

Table 2.4: Taiwan Grant Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Interest received	165	50
Taiwan cash grant	424,032	---
Total Receipts	424,197	50
Payments		
Assistance to community projects	22,759	---
Assistance to schools	16,500	---
Withholding tax	17	5
Bank charges	3	---
Total Payments	39,279	5
Net Surplus	384,918	45
Opening balance as at 1 August	50,125	50,080
Closing Balance as at 31 July	435,043	50,125

2.4.3 Retention Fund Account – Statement of Receipts and Payments

The trust fund account is used to maintain retention monies for various projects as per the conditions of contract with the contractors. Funds kept in this account will be paid to the contractors when certificate of completion is submitted and all conditions of the contract are met.

Table 2.5: Retention Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Interest	1,045	968
Retention for Vatulele District School	---	17,061
Retention for Matanuca Primary School	---	12,189
Retention for Vunisaiki Primary School	53,038	60,962
Retention for Queen Victoria School	11,881	---
Retention for Nabua Resource Centre	23,642	---
Retention for Ballantine Memorial School	22,297	---
Retention for Naseyani Primary School	12,276	---
Retention for Tavua District School	11,667	---
Retention for Nubu Primary School	12,835	---
Retention for Dogotuki Primary School	11,444	---
Retention for Vuya District School	18,333	---
Retention for Kubulau District School	9,746	---
Retention for Immaculate Conception Primary School	9,684	---
Retention for Nausori Primary School	80,043	---
Retention for Vaturova Koroalau High School	11,510	---
Retention for Dama District School	3,476	---
Retention for Bukuya Health Centre	14,738	---
Retention for Raiwai Youth Hall	82,612	---
Retention for Suvavou Kindergarten	11,870	---
Retention for Rukurukulevu Village	12,577	---
Retention for Nausori District School	31,116	---
Retention for Biausevu Village Women's Group	26,735	---
Retention for Saint John Bosco Primary School	7,580	---
Total Receipts	480,145	91,180
Payments		
Bank Fee	6	---
Resident Withholding Tax	105	97
Retention payment – Rabulu Sanatan School	---	4,807
Withdrawal transfer	40	---
FRCS payments	4,633	---
Retention payment – Nausori Primary School	40,022	---
Retention payment – Mamanuca Primary School	11,630	---
Retention payment – Vunisaiki Primary School	54,385	---
Retention payment – Nabua Resource Centre	14,073	---
Retention payment – Vatulele District School	16,278	---
Total Payments	141,172	4,904
Net Surplus	338,973	86,276
Opening balance as at 1 August	1,040,086	953,810
Closing Balance as at 31 July	1,379,059	1,040,086

2.4.4 Mahogany Industry Council Fund Account – Statement of Receipts and Payments

The Mahogany Industry Council Trust Fund ('Fund') was established in July 2015 for the sole purpose of administering all license fees paid by Mahogany Industry license holders. The license fees concept was introduced in June 2011 following the Mahogany Industry (Licensing and Branding) Act 2011. The administration of the proceeds was handled by the Ministry of Economy and was transferred to the Office of the Prime Minister, as Secretariat of the Mahogany Industry Council ('Council'), in August 2015.

Table 2.6: Mahogany Industry Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Interest	21,116	17,095
License Fees	407,301	178,317
Total Receipts	428,417	195,412
Payments		
Audit fees	50	---
Bank Charges	61	43
Withholding Tax	2,112	1,710
Refund of License Fee	---	532,795
Total Payments	2,223	534,548
Net Surplus/ (Deficit)	426,194	(339,136)
Opening balance as at 1 August	1,729,774	2,068,910
Closing Balance as at 31 July	2,155,968	1,729,774

2.4.5 Immigration Bond Trust Fund Account

The Immigration security bond trust fund account was established for the sole purpose of retention of money paid by non – Fiji citizens as security prior to the granting of work permit. Bonds are kept with the Department until such time, they leave the country then it will be refunded.

Table 2.7: Immigration Bond Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Immigration Bond Received	7,071,866	9,222,553
Total Receipts	7,071,866	9,222,553
Payments		
Immigration Bond Payment	3,562,587	4,187,530
Total Payments	3,562,587	4,187,530
Net Surplus	3,509,279	5,035,023
Opening balance as at 1 August	25,215,349	20,180,326
Closing Balance as at 31 July	28,724,628	25,215,349

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

2.5 Internal Controls

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

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

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

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

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

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

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

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

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

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

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




Examples of issues which would fall under this category are reported to management of agencies on matters relating to internal controls.

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


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

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



Office of the Prime Minister

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


In view of the above, we have assessed the internal controls of the Office of the Prime Minister as:

Rating	Internal control assessment
 Effective	No deficiencies identified in internal controls

Department of Immigration

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

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

Rating	Internal control assessment
 Ineffective	Significant deficiencies identified in internal controls

2.6 Submission of FY 2017-2018 Draft Agency Financial Statements


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

The key focus areas in the circular were:

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

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


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

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

2.7 Quality of Draft Financial Statements by Entities


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

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

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required

2.8 Timeliness of Draft Financial Statements

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

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

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

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

Rating	Timeliness of Management Comments Received
✖ Ineffective	After 21 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
✖ Ineffective	After 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

DEPARTMENT OF IMMIGRATION

2.10 Journal vouchers not checked

Only the Senior Accounts Officer shall approve journal adjustments.¹

We noted that 165 journal vouchers amounting to \$1,783,553.21 were not checked and approved by the Senior Accounts Officer. All these journal vouchers were posted by the Accounts Officer.

Root cause/Implication

This indicate that the Senior Accounts Officer did not comply with the Department's Finance Manual and not being vigilant in performing the roles and responsibilities of the position.

Due to the absence of proper authorization, the risk of fraudulent general ledger adjustments is high.

Recommendations

The Department should:

- **ensure that supervisory checks and approval process of journal vouchers are strengthened.**
- **take necessary actions against officers who do not comply with the Department's Finance Manual.**

Agreed Management Action

Management has noted the recommendation and will ensure that the internal control and checks are strengthened and monitored.

Officer Responsible

Principal Accounts Officer

¹ Immigration Department Finance Manual 2013 – Section 16.1.2

2.11 Anomalies in clearance of Bank Lodgement Clearance (BLC)

Ministries and Departments are to reconcile their Bank Lodgment Clearance Account (BLC) daily. In essence, this account should have a zero balance. A monthly reconciliation is to be prepared and forwarded to the Ministry of Economy. At the end of the financial year, the BLC account should be zeroed to allow for new postings in the next financial year.²

The original receipt should be detached from the receipt book and issued to the payer. The Revenue Collector shall retain the book copy and attach the duplicate receipt to the cash analysis sheet.³

We noted that the Department's BLC account was cleared through bulk posting to the miscellaneous revenue allocation of \$210,745.96 and passport revenue allocation of \$963,221.47. This posting was done by the Ministry of Economy to clear the BLC account at financial year-end.

The revenues were not identified and cleared to the correct allocations due to lack of information and delay in provision of proper records by the Department to Ministry of Economy.

In addition to the above, the cash analysis sheets for revenue amounting to \$347,947 were not attached and reconciled with the receipts and lodgment.

Root cause/Implication

This is a result of untimely preparation of revenue reconciliation as it is evident that the Department's BLC account was not cleared on a monthly basis.

The absence of cash analysis sheet could result in unbanked receipts, fraud and misappropriation not being detected on a timely manner.

As a result, there is a high possibility that miscellaneous revenue and passport revenue allocation of the Department is overstated.

Recommendations

- **The Principal Accountant must ensure that the BLC clearance is done correctly and records are properly maintained and produced on a timely manner.**
- **Supervisory checks must be strengthened to avoid such issues recurring in future.**
- **Necessary action to be taken against officers who do not comply with the Department's Financial Regulations.**

Agreed Management Action

Recommendations are noted and we have aligned our current systems and processes to avoid reoccurring of the same issue.

Officer Responsible

Principal Accounts Officer

² Finance Circular No. 21/13 – paragraph 3.5

³ Immigration Department Finance Manual 2013 – Section 5.3.4

2.12 Variance between the International Border Management System (IBMS) and general ledger (FMIS) passport revenue

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at ministry/department level and/but most importantly at whole of government level. The Senior Accounts Officer must reconcile all accounts to be submitted to Ministry of Economy within two weeks after the closing of each monthly account.⁴

We noted that an unreconciled variance of \$515,175.12 exists between the total operating revenue as per the International Border Management System (IBMS) and the general ledger (FMIS). Refer below for details.

Table 2.8: Variance between the IBMS and FMIS operating revenue

Description	Amount (\$)
General ledger passport revenue	12,640,060
Less: Ministry of Foreign Affairs overseas mission posting	500,227
Less: BLC posting	963,221
Total GL passport revenue	11,176,612
IBMS revenue	10,661,437
Variance	515,175

Root cause/Implication

This is the result of manual receipts not being integrated in the IBMS. Also, poor record keeping of manual receipts by the respective centres and absence of manual receipts register or listing has contributed significantly towards the inability of the Accounting Head to reconcile the manual receipts and IBMS revenue to the General Ledger.

Recommendations

The Department should:

- ensure that manual receipts are reconciled and posted into the IBMS.
- carry out monthly reconciliations of revenue to detect errors and rectify it on a timely manner.

Agreed Management Action

Management has noted the recommendation and we will ensure that its internal systems and processes are strengthened. A meeting with all relevant stakeholders (MOFA/OAG/MITT) to discuss a way forward, since revenue collected by missions do not have a privilege of IBMS.

Officer Responsible

Principal Accounts Officer

⁴ Immigration Department Finance Manual 2013 – Section 17.2.4
Office of the Prime Minister and Department of Immigration

2.13 Missing payment vouchers and supporting documents

The Senior Accounts Officer is responsible for the safekeeping and proper maintenance of all accounting records or documents.⁵

Our review of expenditures noted that payment vouchers with supporting documents totaling \$201,323 were missing. In addition, payment vouchers for payments worth \$71,662 were not prepared before payments were released.

Root cause/Implication

This audit finding shows that internal control procedures were not adhered to and there is lack of proper supervisory checks. Hence, it could not be confirmed whether payments were properly authorized and paid to bona fide recipients.

Recommendations

- **The Department should review and improve its record management.**
- **The oversight function should be strengthened to ensure that accounting records are prepared and well maintained.**

Agreed Management Action

The Management has noted the recommendations and will ensure that the internal control measures are strengthened and monitored.

Officer Responsible

Principal Accounts Officer

2.14 Anomalies in Bond trust account

The Clerical Officer (CO) – Bond shall properly file correspondences, reports, trust agreements and other relevant trust documents. Within 5 days after the end of each month, the CO – Reconciliation shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.⁶

Our review of the Department's Bond Trust account revealed the following anomalies:

- The bond trust listing did not agree to the amount reported in the financial statements. There was a variance of \$392,702 for receipts and \$540,761 for payments. Refer to Table 2.9 for details.

⁵ Immigration Department Finance Manual 2013 – Section 19.2.1

⁶ Immigration Department Finance Manual 2013 – Section 15.3.1, 15.4.1

Table 2.9: Variance between the financial statements and bond trust listing

Description	Amount (\$)
Receipts	
Agency Financial Statements	7,071,866
Listing	6,531,105
Variance	540,761
Payments	
Agency Financial Statements	3,562,587
Listing	3,169,885
Variance	392,702

- Reconciliation for the general ledger cash (SAG 52) and general ledger liability (SLG 89) were not prepared on a timely basis.
- For SLG 89, a variance of \$245,178 was noted between the general ledger and the reconciliation. Refer to Table 2.10 for details.

Table 2.10: Variance between Department reconciliation and general ledger for SLG 89

Description	Amount (\$)
FMIS/GL	28,724,628
Department amount as per reconciliation	28,479,450
Variance	245,178

Root cause/Implication

This indicate that there was lack of supervisory checks by the Principal Accounts Officer over the management of the bond records.

This has resulted in the unreconciled trust balance and it is highly likely that errors and incorrect posting may not be detected promptly.

Recommendations

The Department should ensure that:

- **monthly reconciliations are prepared between the trust account and the general ledger and any variances arising are properly investigated and resolved.**
- **supervisory and review functions are strengthened.**

Agreed Management Action

The Management has noted the recommendations and the Department is currently working to complete the mentioned task by updating the Bond register information into the spreadsheet. Once the information is updated it will enable the Department to easily carry out the reconciliation.

Officer Responsible

Principal Accounts Officer

2.15 Absence of Risk Management Framework

Risk management framework enables Management, Internal Audit and respective Divisional Heads to jointly plan, implement, monitor and take action on evolving risks affecting the Department. The framework would provide a platform to identify various risks affecting the Department, management of the risks, develop appropriate internal control to mitigate the risks and continuous monitoring of risks. The mechanism to mitigate risks could include policies, procedures, training and awareness.

The following was noted from the review of the Department's governance issues:

- given the nature of operation where risk is a critical component of daily tasks, the Department did not have a risk management framework where it identifies risks and outline ways to manage them.
- there is no disaster recovery plan in place to outline procedures to be followed in cases of disasters.

Root cause/Implication

Without the Risk Management Framework, the Department will not be able to carry out risk assessment and formulate strategies to address them. Consequently, when the risks are not identified and addressed early, this may cause disruption in operations.

In the absence of a Disaster Recovery Plan, the Department may be exposed to risk of loss of critical information in the event of a natural disaster or fire.

Recommendation

Management should ensure that the Risk Management Framework and Disaster Recovery Plan are prepared and finalized without further delay.

Agreed Management Action

Under the governance issues - from a policy perspective the Policies need to be drafted. Risk management:

- *the Risk policy is done needs to be adopted*
- *Risk Matrix has been identified*
- *Risk register is ongoing will be adopted once policy is adopted.*
- *Risk Committee will be formed after adoption.*
- *HR Recruitment has been adhered and monitored closely to complete all recruitment.*
- *Disaster Recovery Plan - Is under the Manager IT - currently working on the policy initiating and the way forward for the DOI in all ICT related risks and its mitigation.*

Officer Responsible

Senior Management

2.16 Long outstanding VAT on revenue

When receipting revenue, the VAT portion should be credited to the new liability account (863201) and the balance to the revenue code. At the end of the month, when making VAT return payment

to FRCS, the VAT portion should be debited to the same liability account whilst VAT on expenditure will continue to be met from agencies budgetary funds (SEG 13).⁷

We noted that VAT on revenue amounting to \$1,348,949 which accounts for 97% of the operating trust fund balance has been long outstanding.

Upon audit verification of the reconciliation and considering monthly movements it was confirmed that the amounts have accumulated from previous years thus increasing the operating trust closing balance.

Root cause/Implication

The significant balance in VAT on revenue indicates that payments were not made to Fiji Revenue and Customs Services (FRCS) on time.

Not making correct VAT payment to FRCS could result in VAT penalties imposed to the Department.

Recommendations

- The Department should ensure that all the monies kept in the trust are cleared and paid to the respective agencies on a timely basis.
- The Principal Accountant should investigate this outstanding VAT on revenue amount and take appropriate action to clear it.

Agreed Management Action

The Management has noted the recommendations and is currently paying the long outstanding VAT on Revenue which was collected by Foreign Affairs and was not paid directly to FRCS.

Officer Responsible

Principal Accounts Officer

2.17 Unutilized capital purchase fund (e-Passport issuance)

Proper planning is necessary for utilization of funds as approved by Parliament.

A budget of \$300,000 was allocated to conduct feasibility studies for the development of an e-passport system to replace the existing Passport Issuance System.

We noted that the Department did not utilize the sum of \$300,000 approved for biometrics verification system and e-Passport Issuance in the financial year 2017/2018.

Root cause/Implication

This shows that the Department did not properly plan and manage its budget. The non-utilization of funds can impact on the service delivery of the Department and as such it may not be able to achieve its desired output.

⁷ Finance Circular No. 10/2009 – paragraph 5.0

Recommendation

The Department must ensure that the budgeted funds are utilized for its intended purpose.

Agreed Management Action

The amount allocated was to have the ground work carried out including the engagement of a Consultant to determine the feasibility, viability and proper implementation of the project. The fund was not utilized due to the changes and decisions made in the project plans during the process.

Officer Responsible

Senior Management

PRIOR YEAR UNRESOLVED ISSUES

2.18 Unsubstantiated security bond amount

The CO – Bond shall properly file correspondences, reports, trust agreements and other relevant trust documents. Within 5 days after the end of each month, the CO – Reconciliation shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.⁸

The Department of Immigration maintains the Security Bond Trust fund bank account in order to facilitate the receipt and payment of these bonds from non-citizens.

The security bond trust cash and trust liability general ledger had a balance of \$25,215,348.86 and \$28,724,628.28 in 2017 and 2018 respectively. However, the detailed listing of work permit holders equating to the security bond held in trust are not maintained by the Department.

Root cause/Implication

Lack of supervisory checks by the Senior Accounts Officer over the management of the security bond records.

Also prolonged delay in refunding the bond to permit holders may pose difficulties in tracing the permit holders and result in unnecessary accumulation of the bond amount and administrative work.

As a result, the Departments is unable to establish the number of work permit holders currently in the country and those that have left the country without claiming a refund.

Recommendations

The Senior Accounts Officer:

- to provide the breakdown details of the permit holders status and balance composition/ageing as at 31/07/17.
- should ensure that the Security Bond Trust Register are up to date, file reference are recorded appropriately and checked on a monthly basis.
- should ensure the security bonds are refunded to the permit holders or organisation in accordance with Section 27 (1) of the Policies & Management guidelines on Processing & Issuance of Non-Citizen Permits, Visas & Exemptions.

Agreed Management Action

The Management has noted the recommendations and the Department is currently working to complete the mentioned task by updating the Bond register information into the spreadsheet. Once the information is updated it will enable the Department to easily carry out the reconciliation.

Officer Responsible

Principal Accounts Officer

⁸ Immigration Department Finance Manual 2013 – Section 15.3.1, 15.4.1

2.19 Improper management of revenue

Each Accounting Head must ensure that revenue is recorded against the correct account as per the Chart of Accounts.⁹

When applying for new revenue items, the Senior Accounts Officer must first seek Ministry of Economy approval.¹⁰

The Department collects four different types of revenue namely for Passports, Permits, Visas and Citizenships. However, the Department recorded all the four different types of revenue collections under its Passport revenue allocation number 1-06201-70999-230306 in the FMIS general ledger.

The Department of Immigration did not seek assistance from the Ministry of Economy to create separate allocations for the four different types of revenues it collected. As a result revenue collected by the Department was not correctly stated under each of the four different types of revenue.

Root cause/Implication

The revenue allocations not separated by FMIS.

Recommendations

The Department should:

- ensure that adequate training in accounting knowledge is provided to its accounting staff,
- request the Ministry of Economy to provide separate allocations for the four different types of revenue collected; and
- ensure that all the revenues collected are captured in the IBMS system and reconciled regularly with FMIS figures.

Agreed Management Action

The Department has noted the recommendation and will liaise with Ministry of Economy to provide separate allocation for the four (4) different types of revenue collected. The DOI will also ensure that proper training is provided to its accounting staffs.

Officer Responsible

Principal Accounts Officer

⁹ Finance Instructions 2010 – Section 21 (1a)

¹⁰ Immigration Department Finance Manual 2013 – Section 5.9.1

Head 3**Office of the Attorney-General****Roles and Responsibilities**

The Attorney-General is the Chief Legal Adviser to Government, whose Permanent Secretary is the Solicitor-General.

The Attorney-General's Chambers seeks to continually review and improve Fijian laws to bring about a more just and secure society. It provides legal services to Government and represents the State in legal proceedings. It also prepares draft laws on request of Cabinet and maintains a publicly accessible register of all written laws.

The Chambers is therefore responsible for:

- Providing legal advice to Government and to the holders of a public office on request;
- Drafting laws on the request of Cabinet;
- Maintaining a publicly accessible register of all written laws;
- Representing the State in Tribunals and Courts in legal proceedings to which the State is a party, except criminal proceedings; and
- Performing other functions assigned by the Constitution, any written law, Cabinet or the Attorney-General.

The Department of Civil Aviation comes under the Office of the Attorney-General and is responsible for the regulation of air transport in Fiji. The Department develops air safety protocols, in line with international standards, and looks after the development of Fijian airports.

The Fiji Intellectual Property Office and the Media Industry Development Authority also come under the Office of the Attorney-General.

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PART A: FINANCIAL STATEMENTS

3.1 Audit Opinion

The audit of the 2018 accounts of the Office of the Attorney General resulted in an unqualified audit opinion.

3.2 Statement of Receipts and Expenditure – Head 03 Office of the Attorney-General

The Office collected revenue totalling \$330,296 and incurred a total expenditure of \$17.8 million for the year ended 31 July 2018. Details are provided in Table 3.1.

Table 3.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State revenue	303,936	296,663
Agency revenue	26,360	9,511
Total Revenue	330,296	306,174
Established staff	3,847,572	3,488,716
Government wage earners	330,920	304,459
Travel and communications	333,951	524,601
Maintenance & operations	580,154	468,710
Purchase of goods and services	549,209	955,164
Operating grants and transfers	2,464,456	7,307,304
Special expenditures	8,748,187	188,983
Total Operating Expenditure	16,854,449	13,237,937
Capital construction	---	---
Capital purchase	---	---
Capital grants and transfers	---	---
Total Capital Expenditure	---	---
Value added tax	917,441	244,928
Total Expenditure	17,771,890	13,482,865

The Office collected revenue totalling \$330,296 in 2018, an increase of 8% from the previous year. Revenue mainly comprised of hotels and guest house license fees which are normally received in the last quarter of the calendar year resulting in significant increase in state revenue.

Established staff expenditure increased by \$358,856 in 2018 compared to 2017 due to 13 vacant positions filled through new appointments and promotion, pay rise for tranche 3 Officers mostly comprising of legal officers and leave compensation payment to Officers approved by the Solicitor General.

Operating grants and transfers expenditure decreased by \$4,842,848 in 2018 compared to 2017 due to transfer of Legal Aid Commission budget to Independent Commission Head.

Special expenditure increased by \$8,559,204 in 2018 compared to 2017 due to the new budget allocation for Digital Government Transformation, hosting the Director General's Civil Aviation Conference and an increase in aircraft accident Investigation expenses.

3.3 Appropriation Statement – Head 03 Office of the Attorney General

The Office incurred expenditure totalling \$17.8 million in 2018 against a revised budget of \$22.3 million, resulting in a saving of \$4.5 million or 20%.

The large savings was mainly attributed to all vacant positions not being filled by the Office in 2018, the actual charge provided by the Singapore Corporation Enterprise under the Digital Government Transformation project was less than the budgeted amount, no major drafting of laws project was undertaken following the completion of Laws of Fiji revision project and in Fiji Intellectual Property Office (FIPO) allocation as most of the FIPO operational cost was met by the Office of the Attorney General through its shared facilities and resources.

Details of expenditure against the revised budget are provided in Table 3.2.

Table 3.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	5,104,780	(70,500)	5,034,280	3,847,572	1,186,708
2	Government wage earners	307,802	70,500	378,302	330,920	47,382
3	Travel & communication	356,750	110,000	466,750	333,951	132,799
4	Maintenance & operations	453,900	216,000	669,900	580,154	89,746
5	Purchase of goods & services	1,509,784	(106,000)	1,403,784	549,209	854,575
6	Operating grants & transfers	4,938,685	(2,155,000)	2,783,685	2,464,456	319,229
7	Special expenditure	7,855,000	2,735,000	10,590,000	8,748,187	1,841,813
	Total Operating Expenditure	20,526,701	800,000	21,326,701	16,854,449	4,472,252
8	Capital construction	800,000	(800,000)	---	---	---
9	Capital purchase	---	---	---	---	---
10	Capital grants and transfers	---	---	---	---	---
	Total Capital Expenditure	800,000	(800,000)	---	---	---
13	Value added tax	987,800	---	987,800	917,441	70,359
	TOTAL	22,314,501	---	22,314,501	17,771,890	4,542,611

3.4 Statement of Receipts and Expenditure – Head 13 (i) Fiji Human Rights Commission (FHRC)

The annual budget for FHRC increased by \$860,730 in 2018 when compared to 2017. The increase in the FHRC operational grant was attributed to increase in the number of planned programs and decentralisation plan of the FHRC Office to the Northern and Western Division. Details are provided in Table 3.3 and Table 3.4

Table 3.3: Statement of Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Operating Expenditure		
Operating Grants and Transfer	2,353,386	1,492,656
Total Expenditure	2,353,386	1,492,656

3.5 Appropriation Statement – Head 13 (i) Fiji Human Rights Commission

Table 3.4: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	2,353,386	---	2,353,386	2,353,386	---
	Total Operating Expenditure	2,353,386	---	2,353,386	2,353,386	---
	TOTAL	2,353,386	---	2,353,386	2,353,386	---

3.6 Statement of Receipts and Expenditure – Head 13 (ii) Constitutional Service Commission

The Constitutional Service Commission was established under Section 132 of the Constitution of the Republic of Fiji is responsible for providing advice to the President for the appointment the following Constitutional Offices:

- (a) the Chairperson and the members of the Human Rights and Anti-Discrimination;
- (b) the Chairperson and the members of the Electoral Commission;
- (c) Supervisor of Elections;
- (d) Secretary-General to Parliament;
- (e) the Chairperson and the members of the Public Service Commission;
- (f) Commissioner of Police;
- (g) Commissioner of the Fiji Corrections Service;
- (h) Commander of the Republic of Fiji Military Forces;
- (i) Auditor-General; and
- (j) Governor of the Reserve Bank of Fiji.

Details are provided in Table 3.5 and Table 3.6

Table 3.5: Statement of Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Operating Expenditure		
Operating Grants and Transfer	10,943	---
Total Expenditure	10,943	---

3.7 Appropriation Statement – Head 13 (ii) Constitutional Service Commission

Table 3.6: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	50,000	---	50,000	10,943	39,057
	Total Operating Expenditure	50,000	---	50,000	10,943	39,057
	TOTAL	50,000	---	50,000	10,943	39,057

3.8 Statement of Receipts and Expenditure – Head 13 (iii) Fiji Accident Compensation Commission

The Accident Compensation Act 2017 came into force on 1 January 2018. The Act creates the Accident Compensation Commission Fiji. The Commission is a statutory body and the operating grant was for the initial establishment and operational use of the Commission. Details are provided in Table 3.7 and Table 3.8.

Table 3.7: Statement of Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Operating Expenditure		
Operating Grants and Transfer	1,000,000	---
Total Expenditure	1,000,000	---

3.9 Appropriation Statement – Head 13 (iii) Fiji Accident Compensation Commission

Table 3.8: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	1,000,000	---	1,000,000	1,000,000	---
	Total Operating Expenditure	1,000,000	---	1,000,000	1,000,000	---
	TOTAL	1,000,000	---	1,000,000	1,000,000	---

3.10 Appropriation Statement – Head 13 (iv) Accountability and Transparency Commission

Accountability and Transparency Commission “bill” is before the parliament. And funds can be utilised after the establishment of the Accountability and Transparency Commission. Details are provided in Table 3.9.

Table 3.9: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	500,000	---	500,000	---	500,000
	Total Operating Expenditure	500,000	---	500,000	---	500,000
	TOTAL	500,000	---	500,000	---	500,000

3.11 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Office of the Attorney General operates and maintains 3 main trust fund bank accounts which includes the following;

3.11.1 Attorney General’s Conference Trust Fund Account

The Trust Fund Account was established to retain surplus fund generated after the Annual Attorney General’s Conference to assist the next conference as the Office is only allocated a sum of \$100,000 from the annual budget allocation.

Receipts in the account consist of a sum of \$100,000 from Continuing Legal Education allocation and registration fees from private practitioners attending the Conference. Payments comprise of expenditure associated with the conference which is usually held in December.

As at 31 July 2018, the Trust Fund Account had a balance of \$177,473. This balance is made up of \$100,000 received from the budget allocation and the surplus funds carried forward from prior years.

Table 3.10: Attorney General's Conference Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Participants registration fees for AG's conference	443,510	385,276
Budget allocation from Consolidated Fund	100,000	100,000
Interest	2,329	2,187
Total Receipts	545,839	487,463
Payments		
Conference accommodation	442,663	460,839
Conference incidental	21,234	21,767
Conference stationery	19,036	16,681
Conference speakers travel	16,669	16,664
Conference advertising	15,897	6,624
Refund of registration	3,800	8,874
Dishonored cheques	2,200	---
Conference transportation	1,500	1,600
Meal claims	1,020	774
Bank charges	233	143
Withholding Tax	118	219
Total Payments	524,370	534,185
Net Surplus/(Deficit)	21,469	(46,722)
Opening balance as at 1 August	156,004	202,726
Closing Balance as at 31 July	177,473	156,004

3.11.2 Laws of Fiji Trust Fund Account

The Laws of Fiji Fund was established to fund the cost of publication and printing of the Laws of Fiji and to provide funding for future law revisions. The website development and mobile digital software application was work in progress and is anticipated to be completed in 2019.

Receipts consist of orders from buyers of the new set of Laws of Fiji.

As at 31 July 2018, the Laws of Fiji Trust Fund Account had a balance of \$974,613. This balance is made up of the surplus from sale and publishing and printing of the law books.

Table 3.11: Laws of Fiji Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Laws of Fiji Book	495,950	1,358,685
Interest	8,172	3,036
Total Receipts	504,122	1,361,721
Payments		
Laws of Fiji Book payments	243,486	430,239
Website for Laws of Fiji – Phase 1	113,570	---
Mobile Digital Software Application	102,683	---
Withholding Tax	817	304
Bank charges	96	35
Total Payments	460,652	430,578
Net Surplus	43,470	931,143
Opening balance as at 1 August	931,143	---
Closing Balance as at 31 July	974,613	931,143

3.11.3 Solicitor-General's Trust Account

The Solicitor-General's Trust Fund Account was established on 27 July 2018 and prior to that the funds received and paid out were recorded in the Standard Liability Group (SLG) 84 allocation in FMIS general ledger. The funds are received from government ministries, department and agencies to facilitate the payments of court judgements or awards, including payments approved for court costs, out-of-court settlements and ancillary legal expenses in litigation involving Government.

As at 31 July 2018, the Solicitor-General's Trust Fund Account had a balance of \$479,043. This balance is mostly made up of the payments received from ministries, department and agencies for which cases are in progress.

Table 3.12: Solicitor General Trust Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Transfer from SLG 84	478,990	---
Interest	64	---
Total Receipts	479,054	---
Payments		
Withholding Tax	6	---
Bank charges	5	---
Total Payments	11	---
Net Surplus	479,043	---

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

3.12 Internal Controls

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

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

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

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

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

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

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

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

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

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

authorization, performance reviews, information processing, physical controls, and segregation of duties.

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

Examples of issues which would fall under this category are reported to management of agencies on matters relating to internal controls.

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

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

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

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

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

Rating	Internal control assessment
✱ Effective	No deficiencies identified in internal controls

3.13 Submission of FY 2017-2018 Draft Agency Financial Statements

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 – 2018 accounts and times were detailed. The final day for closing the 2017 -2018 accounts was 24 August 2018.

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018

- Retirement of imprests by 20 July 2018
- Cancellation of unprocessed purchase orders by 27 July 2018
- Processing of payments and virements by 20 July 2018
- Completion of reconciliations by 29 August 2018
- Submission of arrears of revenue returns by 31 August 2018

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

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

Rating	Year-end close process assessment
• Effective	All 9 key processes completed by due date

3.14 Quality of Draft Financial Statements by entities

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

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

Rating	Quality of draft financial statements assessment
• Effective	No adjustments were required

3.15 Timeliness of Draft Financial Statements


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


Rating	Timeliness of draft financial statements assessment
• Effective	Acceptable draft financial statements received on or before 31 October 2018

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
 Ineffective	After 15 days from issue of Financial Statements for signing

Head 5**Ministry of i-Taukei Affairs****Roles and Responsibilities**

Through the Ministry of i-Taukei Affairs, Government develops, implements and monitors policies and programs for the good governance and wellbeing of the i-Taukei people. The Ministry's specific roles and responsibilities are outlined in the i-Taukei Affairs Act and other legislation.

The Ministry's core function is to provide the link between Government and the various institutions that govern the affairs of the i-Taukei. The Ministry is responsible for ensuring that these institutions are well run, accountable and transparent so as to best serve the interests of all i-Taukei. The i-Taukei administration – established across 14 Provinces in Fiji – is under the direction of the i-Taukei Affairs Board, an eight member group appointed by the Minister for i-Taukei Affairs. The Ministry is the custodian of various registers that detail i-Taukei land ownership, customary fishing grounds, village boundaries and traditional titles, including the *Vola ni Kawa Bula*, known as the VKB.

As such, the Ministry has the important responsibility of resolving disputed claims in relation to these matters. In support of its role as official record keeper, the Ministry conducts surveys of i-Taukei land, as well as demarcations of village and fishing boundaries, in areas where no records exist. The Ministry is also entrusted with preserving and promoting i-Taukei culture for the present and future generations. It develops programs aimed at deepening the understanding of i-Taukei customs, language and traditional knowledge, as well as documents important ceremonial occasions and conducts research on a broad range of topics.

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PART A: FINANCIAL STATEMENTS

5.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of i-Taukei Affairs resulted in an unqualified audit opinion.

5.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$6,151 and incurred a total expenditure of \$12.9 million for the year ended 31 July 2018. Details are provided in Table 5.1.

Table 5.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	3,795	2,596
Agency Revenue	2,356	13,183
Total Revenue	6,151	15,779
Established Staff	3,131,525	2,491,844
Government Wage Earners	279,730	164,287
Travel & Communications	250,794	162,715
Maintenance & Operations	311,782	375,974
Purchase of Goods and Services	240,206	214,262
Operating Grants and Services	6,954,879	6,545,900
Special Expenditure	1,077,313	739,619
Total Operating Expenditure	12,246,229	10,694,601
Capital Grants and Transfers	578,971	636,546
Total Capital Expenditure	578,971	636,546
Value Added Tax	119,819	113,159
Total Expenditure	12,945,019	11,444,306

The following factors contributed to the increase in the expenditures in 2018:

- Established Staff expenditure increased by \$639,681 due to payment of acting allowances, increment and bonuses.
- Government Wage Earners expenditure increased by \$115,443 due to increase in overtime payments.
- Travel and Communication expenditure increased by \$88,079 due to increase in meal allowance from \$9 to \$20.
- Operating Grants and Transfers costs increased by \$408,979 due to increases in Turaga-ni-Koro and Mata-ni-Tikina allowances by 15 percent.
- Special expenditure increased by \$337,694 due to creation of Cultural Mapping Project position and the rollout of the digitalisation project for the indigenous Fijian register (Vola-ni-Kawa Bula).

5.3 Appropriation Statement

The Ministry incurred expenditure totalling \$12.9 million in 2018 against a revised budget of \$13.2 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$269,405 or 2%.

Details of expenditure against the revised budget are provided in Table 5.2.

Table 5.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	3,577,674	(359,335)	3,218,339	3,131,525	86,814
2	Government wage earners	218,994	89,335	308,329	279,730	28,599
3	Travel & communication	200,212	95,800	296,012	250,794	45,218
4	Maintenance & operations	275,500	45,000	320,500	311,782	8,718
5	Purchase of goods & services	204,618	40,200	244,818	240,206	4,612
6	Operating grants & transfers	6,954,879	---	6,954,879	6,954,879	---
7	Special expenditure	1,063,194	29,000	1,092,194	1,077,313	14,881
	Total Operating Expenditure	12,495,071	(60,000)	12,435,071	12,246,229	188,842
10	Capital grants and transfers	563,153	60,000	623,153	578,971	44,182
	Total Capital Expenditure	563,153	60,000	623,153	578,971	44,182
13	Value added tax	156,200	---	156,200	119,819	36,381
	TOTAL	13,214,424	---	13,214,424	12,945,019	269,405

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

5.4 Internal Controls

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

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

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

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

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

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

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

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

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

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






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

Examples of issues which would fall under this category are reported to management of agencies on matters relating to internal controls


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

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

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

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

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

Rating	Internal control assessment
 Generally effective	A few deficiencies identified in internal controls

5.5 Submission of FY 2017-2018 Draft Agency Financial Statements


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

The key focus areas in the circular were:

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

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


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

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

5.6 Quality of Draft Financial Statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


5.7 Timeliness of Draft Financial Statements


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

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

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

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

Rating	Timeliness of Management Comments Received
 Ineffective	After 21 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 14 days from issue of Financial Statements for signing

Head 6**Ministry of Defence and National Security****Roles and Responsibilities**

The Ministry of Defence and National Security is responsible for Fiji's national security, including the defence of the country's sovereignty and territorial integrity. The Ministry carries out this responsibility through the implementation of Fiji's National Security Strategy and by conducting policy oversight of two of Fiji's Disciplined Forces, the Republic of Fiji Military Forces (RFMF), and Fiji Police Force (FPF).

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PART A: FINANCIAL STATEMENTS

6.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Defence and National Security resulted in an unqualified audit opinion.

6.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$25,992 and incurred a total expenditure of \$4,772,835 for the year ended 31 July 2018. Details are provided in Table 6.1.

Table 6.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Agency Revenue	25,992	16,631
Total Revenue	25,992	16,631
Established Staff	984,612	1,050,528
Government Wage Earners	340,319	245,155
Travel & Communications	418,477	251,858
Maintenance & Operations	273,679	105,370
Purchase of Goods & Services	293,286	256,745
Operating Grants & Transfers	43,366	50,265
Special Expenditure	1,811,434	625,434
Total Operating Expenditure	4,165,173	2,585,355
Capital Construction	352,178	90,647
Total Capital Expenditure	352,178	90,647
Value Added Tax	255,484	125,170
Total Expenditure	4,772,835	2,801,172

6.3 Appropriation Statement

The Ministry incurred expenditure totalling \$4.7 million in 2018 against a revised budget of \$5.2 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$0.4 million or 9%.

The savings of \$404,433 under the Capital Construction allocation was due to the delay in project processing caused by shortage of materials from vendors and adverse weather conditions which affected the progress of capital works.

Details of expenditure against the revised budget are provided in Table 6.2.

Table 6.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	1,423,330	(438,684)	984,646	984,612	34
2	Government Wage Earners	196,627	143,693	340,320	340,319	1
3	Travel & Communication	195,000	229,760	424,760	418,477	6,283
4	Maintenance & Operations	120,200	160,646	280,846	273,679	7,167
5	Purchase of Goods & Services	339,090	(44,491)	294,599	293,286	1,313
6	Operating Grants & Transfers	45,140	---	45,140	43,366	1,774
7	Special expenditure	1,865,790	(50,924)	1,814,866	1,811,434	3,432
	Total Operating Expenditure	4,185,177	---	4,185,177	4,165,173	20,004
8	Capital Construction	756,611	---	756,611	352,178	404,433
	Total Capital Expenditure	756,611	---	756,611	352,178	404,433
13	Value Added Tax	294,900	---	294,900	255,484	39,416
	TOTAL	5,236,688	---	5,236,688	4,772,835	463,853

The Ministry collected revenue totalling \$25,992 in 2018, an increase of 56% from the previous year.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

6.4 Internal Controls

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

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

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

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

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

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

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

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

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

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






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

Examples of issues which would fall under this category are reported to management of the agencies on matters relating to internal controls.


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

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

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

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

In view of the above, we have assessed the internal controls of the Ministry of Defence and National Security as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

6.5 Submission of FY 2017-2018 Draft Agency Financial Statements


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

The key focus areas in the circular were:

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

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


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

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

6.6 Quality of draft Financial Statements by Entities


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

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

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


6.7 Timeliness of Draft Financial Statements


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

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

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

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

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

Rating	Timeliness of Signed Financial Statements Received
 Generally effective	Within 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

6.9 Enforcement of the Security Industry Act

No person may employ or provide other persons to carry on any security activity unless that person is the holder of a master licence and employs or provides no more than the number of persons authorised by the master licence. No person may carry on any security activity apart from a security activity to which subsection (1) applies unless that person is the holder of an individual or a provisional licence and the licence authorises the person to carry on that security activity. Any person who contravenes subsection (1) commits an offence and shall be liable on conviction if a body corporate to a fine not exceeding \$10,000 and for an individual to a fine not exceeding \$5,000 or imprisonment for up to 2 years or both. Any person who contravenes subsection (2) commits an offence and shall be liable on conviction to a fine not exceeding \$5,000 or imprisonment of up to 2 years or both.¹

Section 13 (3) of the Act provides that any person who fails to lodge their application to renew the license, shall be liable for a fine not exceeding \$5, 000 or imprisonment for up to 2 years or both. For a body corporate a fine not exceeding \$5, 000 and for an individual to a fine not exceeding \$5,000 or imprisonment for up to 2 years or both would apply.

Our review of the security license and related records revealed that several companies have not renewed their security license over the years but continued to provide security services.

Moreover, the Ministry has not taken proactive actions to promptly follow up with these companies to ensure that the license are renewed and fees are paid on a timely basis. The Ministry also did not enforce Section 13(3) of the Act for those companies that have failed to lodge their application to renew their license.

Root cause/Implication

This is due to the absence of a standard operating procedures to guide, coordinate and properly organize the work of the Securities Division.

As a result, revenue due to government has not been collected over the years.

¹ Security Industry Act 2010 – Section 13

Recommendations

The Ministry should ensure that:

- **Standard operating procedures/ policies of the Securities Division are developed to guide officers in the enforcement of the Act.**
- **advise is sought from the relevant authorities on the possibility of collecting prior years license fees from those companies that have been in operation.**
- **proper mechanisms are put in place to ensure the effective enforcement of the Act.**

Agreed Management Action

The Ministry notes the concerns raised and have also acted on the issues as follows;

- *Appointment of Acting Manager Security, Executive and Clerical Officer; and*
- *The Ministry will be working with the Office of the Director Prosecutions, Police and Solicitor General's Office.*

Officer Responsible

Acting Manager Security

6.10 Publishing of valid master license holders

Not later than 30 June each year the Registrar shall publish in a notice in the Gazette a list containing the name of every holder of a valid master license.²

Contrary to the requirement of the Security Industry Act of 2010, we noted that the Registrar did not publish the name of every holder of a valid master license in the gazette.

Root cause/Implication

This is the result of limited number of staff in the Securities Division to fulfill certain responsibilities of the division. Also, no proper mechanism is in place to ensure compliance with the requirements of the Act.

As a result, the Division is unable to function as required by the Act.

Recommendations

The Ministry should ensure that:

- **the names of every holder of a valid master license is published in the gazette as required under the Security Industry Act of 2010.**
- **proper mechanisms are put in place including the allocation of appropriate staffs and other resources to the Division.**

² Security Industry Act 2010 – Section 11 (4)

Agreed Management Action

The Ministry notes and agrees to the recommendations and are currently preparing to publish names of valid Master License holders as required under the Act. The Ministry have identified various areas that had contributed to the issues raised and have taken measures through recent appointments of vacant positions. The Ministry will also work closely with the Office of the Solicitor General to strengthen the security units' enforcement powers.

Officer Responsible

Acting Manager Security

6.11 Meetings of the Security Industry Registration and Licensing Board

The functions of the Board are to consider and determine applications for the grant of security licences.³

We noted that the Security Industry Registration and Licensing Board had met only twice during the financial year. The meetings were held on 22 November 2017 and 03 May 2018. However, minutes of the board meeting that was held on 03 May 2018 were not provided for review.

Root cause/Implication

This is attributed to the lack of planning and the absence of a detailed Standard Operating Procedures for the Division to ensure that the application for master licenses are processed and approved by the Board on a timely basis.

Due to the limited number of board meetings, as at audit date (22/05/19), a total of 21 application for the Security Master License were yet to be approved.

Recommendation

The Ministry should ensure that proper plans are put in place so that the Board meets regularly to avoid the delays in the approval process for the license.

Agreed Management Action

The Ministry agrees with the recommendation and have firstly addressed the appointment of new board members. The schedule will also be part of the agenda for the first board meeting and this will ensure timely decisions are made with regards to this issue.

Officer Responsible

Acting Manager Security

³ Security Industry Act 2010 - Section 8

6.12 Control weaknesses over the receipting process

The lodgement forms shall be checked and signed by the Accounts Officer (who must not also be responsible for collecting revenue). Cash to be deposited shall be counted before the Accounts Officer signs the lodgement forms.⁴

The Accounts officer shall maintain a revenue collectors' chart to monitor the regularity of revenue lodged by the Assistant Account Officer (Payment).⁵

The Assistant Account Officer Payments (revenue collectors) shall bank money received on a daily basis at least. The lodgement form shall be prepared in triplicate detailing the deposits to be made.⁶

Review of the revenue receipt books and related records of the Ministry noted the following weaknesses:

- The bank lodgement form is not properly checked and signed by the accounts supervisors/officer in charge before/after the lodgement.
- The revenue collectors' chart has not been updated and therefore the completeness of the revenue collected cannot be confirmed.
- Delay in banking of the receipted money was also noted.

Root cause/Implication

The above internal control weaknesses are attributed to the lack of oversight by supervising officers which may result in loss of government revenue.

Recommendations

The Ministry should ensure that:

- **supervisory checks are strengthened to ensure that all the bank lodgment forms are checked and signed by the accounts supervisors both before and after the lodgment.**
- **the revenue collectors' chart is updated on a regular basis.**
- **banking of money is done on a daily basis.**

Agreed Management Action

The Ministry acknowledges the finding for the anomalies noted in revenue receipting process from the Audit Team. Corrective action will be taken to ensure that the responsible officer will see that such actions does not reoccur in the future.

Officer Responsible

Senior Accounts Officer

⁴ Ministry of Defence & National Security Draft Finance Manual 2018 - Section 5.4.3

⁵ Ministry of Defence & National Security Draft Finance Manual 2018 - Section 5.6.1

⁶ Ministry of Defence & National Security Draft Finance Manual 2018 - Section 5.4.2

Head 7**Ministry of Employment, Productivity and Industrial Relations****Roles and Responsibilities**

The Ministry of Employment, Productivity and Industrial Relations is responsible for upholding the constitutional right of every Fijian to economic participation, a just minimum wage, humane treatment in the workplace and proper working conditions. The Ministry promotes and advances the rights of workers and employers, and administers and enforces the Employment Relations Promulgation 2007, Health and Safety at Work Act 1997, National Employment Centre Decree 2009 and the Workers Compensation Act (Cap. 94).

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PART A: FINANCIAL STATEMENTS

7.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Employment, Productivity and Industrial Relations resulted in a qualified audit report. The qualifications were as follows:

- The Ministry received a sum of \$60,000 from the Ministry of Civil Service under the Shared Services Agreement. The Ministry receipted the service fees into the OHS Consultancy Trust Fund Account instead of the Consolidated Fund Account. Consequently, including the amount received and accumulated over the years, the OHS Consultancy Trust Fund Account is overstated by \$130,000 and Ministry's operating revenue is understated by the same amount.
- The reconciliation of the main trust bank balances is not effective for the National Employment Centre, Employment Relations Tribunal, Occupational Health and Safety, Workmen Compensation, Wages Dispute and OHS Consultancy Trust Fund Accounts. Proper cash books were not maintained for each trust account, satisfactory explanations were not provided for variances totaling \$119,783, stale cheques were not cleared and receipts and payments were not posted in the general ledger on a timely basis. As a result, I was not able to ascertain the completeness of the respective trust fund receipts and payments and whether it has been accurately accounted and disclosed in the trust fund cash balance of \$9,201,780 as at 31 July 2018.

Also, other matter was reported where internal controls over payroll were generally found to be weak. This was due to payroll reconciliations not being prepared on a timely basis, overpayment of salary and lack of due diligence in recruitment. These internal controls weakness if not addressed promptly may result in material misstatements and possible financial losses in the future.

7.2 Statement of Receipts and Expenditure

The Ministry of Employment, Productivity and Industrial Relations collected revenue totalling \$15,849 and incurred a total expenditure of \$13,605,112 for the year ended 31 July 2018. Details are provided in Table 7.1.

Table 7.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	520	947
Agency Revenue	15,329	8,625
Total Revenue	15,849	9,572
Established Staff	5,687,975	5,496,334
Government Wage Earners	339,309	288,046
Travel and Communications	657,477	433,878
Maintenance and Operations	722,498	621,507
Purchase of Goods and Services	1,143,519	1,000,582
Operating Grants and Transfers	22,250	22,697
Special Expenditures	4,714,267	4,691,001
Total Operating Expenditure	13,287,295	12,554,045
Value Added Tax	317,817	316,107
Total Expenditure	13,605,112	12,870,152

7.3 Appropriation Statement

The Ministry of Employment, Productivity and Industrial Relations incurred expenditure totalling \$13.6 million in 2018 against a revised budget of \$16.4 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$2.8 million or 17%. The savings was mainly due to the high number of vacant posts due to resignation and expiry of contracts which were not filled during the year. For Special Expenditure, the Ministry anticipated an increase payout in workmen compensation but this did not eventuate as less claims were made.

Details of expenditure against the revised budget are provided in Table 7.2.

Table 7.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	7,714,806	(735,715)	6,979,091	5,687,975	1,291,116
2	Government Wage Earners	283,188	104,515	387,703	339,309	48,394
3	Travel & Communication	422,795	393,089	815,884	657,477	158,407
4	Maintenance & Operations	527,200	471,504	998,704	722,498	276,206
5	Purchase of Goods & Services	1,435,772	(171,645)	1,264,127	1,143,519	120,608
6	Operating Grants & Transfers	55,000	(32,748)	22,252	22,250	2
7	Special Expenditure	5,351,851	(29,000)	5,322,851	4,714,267	608,584
	Total Operating Expenditure	15,790,612	---	15,790,612	13,287,295	2,503,317
13	Value Added Tax	696,387	---	696,387	317,817	378,570
	TOTAL	16,486,999	---	16,486,999	13,605,112	2,881,887

The Ministry collected revenue totalling \$15,849 in 2018, an increase of 66% from the previous year.

7.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Ministry operates and maintains the following trust fund bank account:

7.4.1 National Occupational Health & Safety Education and Accident Prevention Trust Fund Account

This liability account is responsible for the promotion of OHS and enforcement of the Health and Safety at Work Act 1996 and its subsidiary legislation. The National Occupational Health & Safety Education Unit aims to promote and maintain a working environment, which is healthy and safe for both workers and employers and directly contributes to improved productivity.

Table 7.3: National Occupational Health & Safety Education and Accident Prevention Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
OHS Trust Fund	1,348,749	1,212,196
Total Receipts	1,348,749	1,212,196
Payments		
OHS Trust Fund	578,468	416,854
Total Payments	578,468	416,854
Net Surplus	770,281	795,342
Opening balance as at 1 August	6,129,273	5,333,931
Closing Balance as at 31 July	6,899,554	6,129,273

7.4.2 Employment Relations Agency Trust Fund Account

In instances whereby employment disputes and employment grievances are not resolved by the Mediation Service, the Employment Relations Tribunal assists employers or their representatives and workers or their representative trade union by adjudicating and determining the grievance or dispute between parties. In adjudication proceedings, there is also a requirement on the Tribunal to provide mediation assistance to the disputing parties when the need arises. In this regard the Tribunal assists disputing parties to amicably settle matters and these settlements are documented as binding awards or decisions.

Table 7.4: Employment Relations Agency Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
ERT Trust Fund	132,437	107,251
Total Receipts	132,437	107,251
Payments		
ERT Trust Fund	83,756	451
Total Payments	83,756	451
Net Surplus	48,681	106,800
Opening balance as at 1 August	508,527	401,727
Closing Balance as at 31 July	557,208	508,527

7.4.3 National Employment Centre Trust Fund Account

The National Employment Centre operates under the National Employment Centre Act 2009. The Centre is responsible for providing employment skills training and facilitating employment opportunities for the unemployed. The Centre offers three services – Formal Employment Service, Foreign Employment Service and Fiji Volunteer Service. Unemployed persons who register under the National Employment Centre undertake professional counselling, aptitude assessment, life skills training and are trained in the relevant employment skills demanded by the labour market. Moreover, the Centre provides opportunities for the unemployed to do volunteer services, work attachment, and facilitates opportunities for employment both locally and internationally.

Table 7.5: National Employment Centre Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
NEC Trust Fund	11,962	80,777
Total Receipts	11,962	80,777
Payments		
NEC Trust Fund	6,454	68,203
Total Payments	6,454	68,203
Net Surplus	5,508	12,574
Opening balance as at 1 August	222,798	210,224
Closing Balance as at 31 July	228,306	222,798

7.4.4 OHS Consultancy Services, Workmen's Compensation and Wages Dispute Trust Fund Account

- **Occupational Health and Safety (OHS) Consultancy Trust Account:** Used to facilitate the payment of overtime hours, meal allowances, transport allowances, and accommodation which is paid by companies into OHS Trust account when OHS Inspectors have performed services to the companies. Funds are transferred from OHS Trust Account to OHS Consultancy to pay the OHS inspectors.
- **Work Compensation Trust Account:** Workmen's Compensation Act (Cap. 94) places on employers the legal responsibility to compensate workers who sustain injuries, lose their lives or contract diseases in the course of their employment. Compensation is through monetary payments and medical care provisions for the injured workers. Cases involving the death of a worker, monetary payments are given to the dependents' of the deceased worker.
- **Wages Dispute Trust Account:** Wages Unit is responsible for setting minimum wages and other terms and conditions of employment in Fiji's employment sector. It ensures workers are actually provided with the stipulated Wages Regulations terms and conditions. Any payment received from employer after dispute on wages is resolved by the Wages unit and is paid out to the respective employee.

Table 7.6: OHS Consultancy Services, Workmen's Compensation and Wages Dispute Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Workmens Compensation	3,993,405	4,388,376
Wages Dispute	592,439	463,166
OHS Consultancy	74,995	121,097
Total Receipts	4,660,839	4,972,639
Payments		
Workmen Compensation	4,891,544	3,815,895
Wages Dispute	700,482	413,874
OHS Consultancy	159,652	17,554
Total Payments	5,751,678	4,247,323
Net Surplus	(1,090,839)	725,316
Opening balance as at 1 August	2,607,553	1,882,237
Closing Balance as at 31 July	1,516,714	2,607,553

7.4.5 Child Labour Unit Trust Fund Account

The Child Labour Unit is responsible for monitoring, training and development for the labour inspectorate and stakeholders on all aspects of child labour issues under the ERP 2007 and Health and Safety at Work Act 1996, for promotion and advocacy on issues of child labour in Fiji and also for the maintenance of child labour information system in Fiji with the aim of maintaining proper and effective management of the child labour cases. The unit conducts investigation and prosecution on child labour cases, provides awareness programmes for stakeholders and members of the public on the aspects of child labour laws and ensures that issues related to child protection are properly addressed.

Table 7.7: Child Labour Unit Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Child Labour Unit Trust Fund	---	133
Total Receipts	---	133
Payments		
Child Labour Unit Trust Fund	1,570	2,438
Total Payments	1,570	2,438
Net Deficit	(1,570)	(2,305)
Opening balance as at 1 August	2,342	4,647
Closing Balance as at 31 July	772	2,342

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

7.5 Internal Controls

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

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

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

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

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

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

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

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

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

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


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

Examples of issues which would fall under this category are reported to management of agencies on matters relating to internal controls


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

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

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

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

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

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

7.6 Submission of FY 2017-2018 Draft Agency Financial Statements


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

The key focus areas in the circular were:

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

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


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

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

7.7 Quality of draft financial statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


7.8 Timeliness of draft financial statements


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

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

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

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

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

Rating	Timeliness of Signed Financial Statements Received
 Generally effective	Within 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

7.10 Anomalies in payroll reconciliations

The salary reconciliation must reconcile the difference between the previous fortnight payroll report and the current report, and must be prepared prior to each pay date.¹

The Accounting Head must ensure that payroll reconciliations are carried out fortnightly for salaries and weekly for wages and copies sent to the Ministry of Economy.²

Our review of payroll reconciliations noted the following weaknesses:

- salary reconciliations for Pay 13/18, Pay 14/18 and Pay 15/18 were not prepared.
- the wages reconciliations for Pays 31/17 – 46/17, 48/17 – 51/17, 21/18, 23/18 – 30/18 were not prepared.
- there was significant delay in the preparation of the reconciliations for other pays.

Root cause/Implication

The delay and non-preparation of reconciliation is due to the lack of staff in the Salaries Section as there is only one Assistant Accounts Officer handling all the payroll matters for both Established and Government Wage Earners of the Ministry.

The risk of fraudulent payroll payments being made, errors and omissions not detected on a timely basis is very high.

Recommendations

The Ministry should ensure that:

- **reconciliations are prepared before the next pay date.**
- **staffing in the Salaries Section is reviewed and strengthened.**
- **internal controls over payroll is reviewed and duties are segregated.**

¹ Ministry of Employment Finance Manual 2013 – Section 4.1.4

² Finance Instructions 2010 – Section 17 (7)

Agreed Management Action

Finance policies and SOPs are currently under review. Management is currently reviewing its organizational structure together with staffing; lack of staff is an issue.

Officer Responsible

Senior Accounts Officer

7.11 Anomalies in retirement of accountable advance

A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents. If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel.³

Where an advance has not been acquitted within seven days of travel, the salaries clerk shall inform the Senior Accounts Officer to effect recovery of unretired amount with an interest of 12% per annum, through a salary deduction from the concerned officer's salary within six (6) fortnights. Interest on all advances will accrue at the rate set by the Minister of Finance from time to time. The current rate is 12 % per annum.⁴

Our review of accountable advances noted the following:

- the Ministry cleared the accountable advances totaling \$15,239.54 at year-end to expenditure allocations without relevant source documents. Furthermore, it was noted that interest of 12% was not charged to the officers as approved by the Permanent Secretary for Ministry of Employment and Productivity.
- the accountable advance register was not maintained up-to-date as it was only updated till 31/05/18 as at the date of audit on 12 March 2019.

Root cause/Implication

This finding is a result of responsible officers not being vigilant in their work and the lack of supervisory checks to ensure that clearance of advance is done properly and on time.

As a result, it cannot be confirmed whether the accountable advances were retired to the rightful expenditure allocations.

Recommendations

The Ministry should:

- **comply with the approval of the Permanent Secretary and effect salary recovery actions against the relevant officers to clear the accountable advances.**
- **ensure that advances are retired within the 7 day period from the date of return.**
- **update the accountable advance register on a regular basis.**

³ Ministry of Employment Finance Manual 2013 – Section 9.1.12 – 9.1.13

⁴ Ministry of Employment Finance Manual 2013 – Section 9.1.15 – 9.1.16

Agreed Management Action

Notice has been issued for those who fail to abide by the 7 days period as required.

Officer Responsible

Senior Accounts Officer

7.12 Stale cheque not cleared

If cheques remain in the unpresented cheque list for more than 3 months, the Senior Accountant must attempt to locate the payees and have their cheques presented before they become stale. The Senior Accountant shall review the unpresented cheque list and determine whether a replacement cheque should be issued for cheques that are stale.⁵

In 2017, the Ministry prepared a cheque – 11610 dated 20/09/17 amounting to \$70,000 to transfer the shared services fee from OHS consultancy trust to operating fund. We noted that the cheque has become stale and has it has not been cleared or adjusted in the trust liability and cash general ledger for the OHS consultancy trust.

Root cause/Implication

This is due to the ineffective reconciliation of OHS Consultancy Trust Fund bank account and lack of proper supervision.

As a result, both the OHS consultancy trust liability and cash general ledger is understated by the same amount.

Recommendations

The Ministry should ensure that:

- **stale cheques are cleared on a timely basis.**
- **proper reconciliation of the trust fund is carried out and supervisory check is strengthened.**

Agreed Management Action

Accounts unit have identified gaps in our internal control and is currently developing a remedial plan, Internal control, including oversight to ensure timely clearance is effected.

Officer Responsible

Senior Accounts Officer

⁵ Ministry of Employment Finance Manual 2013 – Section 6.5.1 – 6.5.2

PRIOR YEAR UNRESOLVED ISSUES

7.13 Shared Services Revenue Recorded in OHS consultancy services Trust Fund

Trust money is money that the agency is holding in trust (it does not include creditor payments such as salary deductions or money that is held in a separate “trust fund” which is not a true trust). As stipulated in the Act and Finance Instructions, trust money is to be kept in a separate bank account and accounted for separately from “public money” and “other money”.⁶

Income is defined as increases in economic benefits during the accounting period in the form of inflows or enhancements of assets or decreases of liabilities that result in increases in equity, other than those relating to contributions from equity participants. The definition of income encompasses both revenue and gains. Revenue arises in the course of the ordinary activities of an entity.

The Ministry has a shared service arrangement with the Ministry of Civil Service where it provides services including Accounts, Human Resources and IT related functions at a fee of \$70,000 per annum.

We noted that for the year ended 31 July 2017 and 2018, the Ministry deposited the shared services revenue of \$70,000 and \$60,000 respectively into the OHS consultancy trust fund account instead of the Consolidated Fund Account.

The OHS Consultancy Trust Fund Account maintains the funds paid by companies to facilitate the payment of overtime hours, meal allowances, transport allowances, and accommodation for OHS Inspectors when they perform OHS related services outside their normal working hours. The recording of shared services revenue contradicts the nature and purpose of the account.

Root cause/Implication

Due to the incorrect recording of revenue, the Ministry’s operating revenue is understated whilst the OHS consultancy trust fund liability is overstated by \$130,000.

Recommendation

The Ministry should reverse the shared services revenue recorded in the OHS consultancy trust fund and deposit it in the Consolidated Fund Account of government.

Update/Status

The Ministry is liaising with Ministry of Economy and Ministry of Civil Service to have this funds moved to their budget. The shared service arrangement will come to an end from 2019 – 2020 financial year as the payroll for doctors, leave administrations and training has been reverted back to Ministry of Health.

⁶ Ministry of Employment Finance Manual 2013 – Part 14 Trust Accounts

7.14 Presentation of Main Trust Accounts

Trust money is money that the agency is holding in trust (it does not include creditor payments such as salary deductions or money that is held in a separate “trust fund” which is not a true trust). As stipulated in the Act and Finance Instructions, trust money is to be kept in a separate bank account and accounted for separately from “public money” and “other money”.⁷

The Accountant shall prepare bank reconciliation within 5 days of the end of the month. Details of un-presented cheques and other reconciling items should be attached to the reconciliation statement. Once the bank reconciliation is prepared, it should be signed and dated by the Accountant and submitted to the Senior Accountant. The Senior Accountant must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month’s bank reconciliation before certifying it.⁸

As at balance date, the Main Trust Account balances for Ministry of Employment, Productivity and Industrial Relations was \$9,470,495. These funds relate to receipts and payments for Workmen’s Compensation, Wages dispute, Occupational Health and Safety Consultancy, Occupational Health and Safety Trust, Employment Relations Tribunal, National Employment Centre and Child Labour.

Our review of the current presentation of the Main Trust Fund revealed the following:

- The Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one line item on the Statement even though the nature of the trust receipt and payment may vary.
- For OHS Consultancy Service, Workmen Compensation and Wages Disputes trust funds, the Ministry maintains one bank account and provides a consolidated statement of trust receipts and payments in its Agency Financial Statements. Separate statements are not presented for each trust type with the receipts and payments to be classified by the nature of receipt and expenditure. Moreover, with the various trust funds being deposited into one bank account, there is a risk of funds for a particular trust being utilised for the other trust funds.
- In 2017, an unreconciled variance of \$381,087 was noted between the cash at bank balance and general ledger (FMIS). In 2018, the variance noted between these two records was \$105,840.
- In 2018, the reconciliation of the main trust bank balances was not effective for the National Employment Centre, Employment Relations Tribunal, Occupational Health and Safety, Workmen compensation, Wages dispute and OHS consultancy trust fund accounts. Proper cash books were not drawn for each trust account, unaccounted variances were not satisfactorily explained, stale cheques were not cleared and the receipts and payments were not posted in the general ledger on a timely basis.

Root cause/Implication

The current presentation of the trust fund accounts are deemed inadequate and does not provide adequate and useful information to the users of the Ministry’s financial statements.

As a result, the accuracy of the OHS Consultancy Service, Workmen Compensation and Wages Disputes trust funds cash at bank balance cannot be ascertained.

⁷ Ministry of Employment Finance Manual 2013 – Part 14 Trust Accounts

⁸ Ministry of Employment Finance Manual 2013 – Section 6.4.7 - 6.4.10

Recommendations

- The Ministry should work towards maintaining separate bank accounts for all each trust accounts and submit separate statements accordingly.
- The trust receipts and payments should be classified by nature.
- The variance in cash at bank balance noted should be investigated and rectified.

Update/Status

The Ministry is still in discussion with Ministry of Economy on having the 3 accounts separated. As recommended we will provide a detailed statement of receipts and payment for the trust fund account in 2018-2019 financial statements.

The Assistant Account Officer is working towards resolving the variance noted.

Officer Responsible

Senior Accounts Officer

Head 8**Ministry of Foreign Affairs****Roles and Responsibilities**

The Ministry of Foreign Affairs promotes Fijian interests in other nations and on the world stage. This includes a broad range of activities from providing consular services to Fijians living overseas to organizing high-level visits to Fiji.

The Ministry develops and carries out Fiji's foreign policy and manages Fiji's relationships with other nations and with multi-national and sub-regional organisations like the United Nations and the Melanesian Spearhead Group. The Ministry is focused on securing the maximum benefits for Fiji from these relationships.

The Ministry maintains diplomatic relations with as many countries as possible and in co-ordination with the line ministries focuses on promoting and advancement of Fijian interests in the areas of tourism, employment opportunities, and investment and trade.

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PART A: FINANCIAL STATEMENTS

8.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Foreign Affairs resulted in an unqualified audit report. However, attention was drawn to the following matters:

1. Internal controls over procurement of goods and services were generally found to be weak. This relates to Local Purchase Orders not attached to payment vouchers, competitive quotations not obtained, payments were not adequately supported and rental agreements for overseas missions were not provided for audit verification. These internal controls weakness, if not addressed promptly, may result in material misstatements and possible financial losses in the future.
2. An unreconciled variance of \$3,725,421 exists between the FMIS general ledger balance of \$7,208,398 and the accumulated bank reconciliation balance of \$3,482,977. The Overseas Mission bank accounts facilitate the payment of expenditures of Missions and record the transfer of funds from the Consolidated Fund Account. The variance identified in the Overseas Mission's bank account have been recurring for many years and not much effort has been undertaken by the Ministry to resolve the matter.

8.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$369,655 and incurred a total expenditure of \$40,396,601 for the year ended 31 July 2018. Details are provided in Table 8.1.

Table 8.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	49,354	10,310
Agency Revenue	320,301	380,969
Total Revenue	369,655	391,279
Established Staff	13,386,287	13,977,868
Government Wage Earners	3,655,727	3,645,770
Travel and Communications	3,939,577	3,308,133
Maintenance and Operations	10,994,967	10,760,180
Purchase of Goods and Services	1,018,904	672,734
Operating Grants and Transfers	5,489,038	5,467,608
Special Expenditures	799,673	1,029,149
Total Operating Expenditure	39,284,173	38,861,442
Capital Construction	140,536	76,018
Capital Purchase	190,162	309,456
Total Capital Expenditure	330,698	385,474
Value Added Tax	781,730	1,159,328
Total Expenditure	40,396,601	40,406,244

In comparison with financial year 2016/2017, no major variation was noted in the revenue generated and expenditure incurred in the 2017/2018 financial year. Administration Fees collected by the Ministry is related to services provided by Fiji Overseas Missions in processing of passports and visas, birth certificates and police clearances. Expenditure was mostly related to the operations of the Ministry.

8.3 Appropriation Statement

The Ministry incurred expenditure totalling \$40.4 million in 2018 against a revised budget of \$43.9 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$3.5 million or 8%.

Savings of \$203,524 or 20% was noted under Special Expenditure, which was attributed to savings derived from funds budgeted for Protocol & Hospitality expenses, Melanesian Spearhead Group meeting, Prime Minister – Papua New Guinea State Visit, Goods and Services Tax for Fiji High Commissions in Canberra and Papua New Guinea.

Savings of \$159,464 or 53% under Capital Construction was attributed to the delay in implementation of the planned refurbishment work for Fiji House and Chancery in Brussels which were estimated to cost around \$150,000 (requested amount €81,288.40). There was an issue with the provision of relevant documentations required by Ministry of Economy to facilitate the approval of the Requisition to Incur Expenditure (RIE) which resulted in delay in the release of funds. The delay was also attributed to the process required for seeking tender board approval from Fiji Procurement Office.

Savings of \$83,853 or 31% under Capital Purchase was attributed to delay in the finalisation and approval of purchases of furniture from a local supplier of high quality furniture. A verbal agreement by the Honourable Prime Minister with some Missions after his visits in 2018 was to purchase the products from this particular supplier with the aim of showcasing Fiji's artefacts to the world. Further discussions were made on this matter before a request for waiver was made in early 2019 for the waiver of tender approval for the purchase. However, this did not eventuate in prior to the closure of the 2017-2018 financial year hence the purchases of office furniture was delayed.

Details of expenditure against the revised budget are provided in Table 8.2.

Table 8.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	16,149,606	(2,036,333)	14,113,273	13,386,287	726,986
2	Government Wage Earners	4,260,072	(237,241)	4,022,831	3,655,727	367,104
3	Travel & Communication	2,643,769	1,736,204	4,379,973	3,939,577	440,396
4	Maintenance & Operations	11,050,451	374,443	11,424,894	10,994,967	429,927
5	Purchase of Goods & Services	946,290	369,087	1,315,377	1,018,904	296,473
6	Operating Grants & Transfers	5,927,678	(325,150)	5,602,528	5,489,038	113,490

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
7	Special Expenditure	1,008,222	(5,025)	1,003,197	799,673	203,524
	Total Operating Expenditure	41,986,088	(124,015)	41,862,073	39,284,173	2,577,900
8	Capital Construction	300,000	-	300,000	140,536	159,464
9	Capital Purchase	150,000	124,015	274,015	190,162	83,853
	Total Capital Expenditure	450,000	124,015	574,015	330,698	243,317
13	Value Added Tax	1,448,900	-	1,448,900	781,730	667,170
	TOTAL	43,884,988	-	43,884,988	40,396,601	3,488,387

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

8.4 Internal Controls

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

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

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

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

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

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

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

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

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

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






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

Examples of issues which would fall under this category are reporting to management of agencies on matters relating to internal controls.


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

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

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

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

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

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

8.5 Submission of FY 2017-2018 Draft Agency Financial Statements

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 – 2018 accounts and times were detailed. The final day for closing the 2017 -2018 accounts was 24 August 2018.


The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018;
- Clearance of Inter-departmental clearance accounts by 3 August 2018;
- Monitoring of unrepresented cheques by 31 July 2018;
- Clearance of stale cheques by 22 August 2018;
- Annual Board of Survey on Drawings Account cheques by 22 August 2018;
- Retirement of imprest by 20 July 2018;
- Cancellation of unprocessed purchase orders by 26 July 2018;
- Processing of payments by 31 July 2018;
- Processing of virements by 20 July 2018;
- Completion of reconciliations by 29 August 2018; and

- Submission of arrears of revenue returns by 31 August 2018.

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


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

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

8.6 Quality of draft financial statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


8.7 Timeliness of draft financial statements


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

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

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

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

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

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

8.9 Unreconciled Variance in Overseas Mission Bank Reconciliation

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer.¹ Unreconciled items must be investigated and resolved promptly.²

The Principal Accounts Officer must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.³

The overseas mission's bank accounts facilitate the payment for mission expenditure and the transfer of monies from the consolidated fund account. At the end of the month, the expenditure is journalised to respective budgetary expenditure allocation.

Our review of the Ministry's overseas missions' bank accounts revealed an unreconciled variance of \$3,482,977 between the FMIS general ledger balance \$7,208,398 and the bank reconciliation of \$3,725,421.

Refer to Table 8.3 for details.

Table 8.3: Variance between Bank Reconciliation and FMIS General Ledger

Account Number	Missions	FMIS Balance as at 31/07/18 (\$)	Bank Reconciliation as at 31/07/18 (\$)	Variance (\$)
1-08103-80102-510106	Fiji Consulate General Sydney	919,009	---	919,009
1-08103-80101-510107	Canberra Cash Account	277,919	258,043	19,876
1-08103-81001-510202	London Cash Account	337,551	20,480	317,071
1-08103-80501-510401	Tokyo Cash Account	566,102	482,563	83,540

¹ Finance Instruction 2010, Section 32 (6)

² Finance Instructions 2010, Section 58 (3)

³ Ministry of Foreign Affairs Finance Manual 2013, Section 5.3.10

Account Number	Missions	FMIS Balance as at 31/07/18 (\$)	Bank Reconciliation as at 31/07/18 (\$)	Variance (\$)
1-08103-80701-510502	Wellington Cash Account	732,764	546,501	186,263
1-08103-80201-510504	Beijing USD Cash Account	395,864	29,163	366,701
1-08103-80301-510601	Brussels Cash Account	205,831	64,394	141,437
1-08103-81101-510801	New York Cash Account	272,010	102,308	169,702
1-08103-81102-510802	Washington Cash Account	191,628	97,445	94,183
1-08103-80407-510808	Geneva Cash Account	422,545	381,537	41,008
1-08103-80301-510901	Addis Ababa Cash Account	453,000	133,685	319,315
1-08103-80405-510901	Abu Dhabi Cash Account	798,989	310,136	488,853
1-08103-80406-510901	Seoul Cash Account	555,235	421,029	134,206
1-08103-80601-510901	Kuala Lumpur Cash Account	336,336	316,061	20,275
1-08103-80801-510902	PNG Cash Account	56,074	187	55,887
1-08103-80402-510905	Jakarta Rupiah Cash Account	352,184	221,169	131,015
1-08103-80403-510906	Brazil USD Cash Account	256,463	246,156	10,307
1-08103-80401-510910	New Delhi Rental Account	78,894	94,564	(15,670)
Total	Overseas Bank Balances	7,208,398	3,725,421	3,482,977

The Fiji Consulate General Sydney was closed and transferred to the Ministry of Industry, Trade & Tourism during the month of April 2016. However, balance of \$919,009 was still appearing under the Ministry's head in the FMIS general ledger.

Root Cause/Implication

The anomalies indicate lack of verification and supervisory checks in postings made in the FMIS general ledger and timely regularisation of the accumulated variance from past years.

Hence, we could not ascertain the accuracy of the balances reflected in the FMIS general ledger.

Recommendations

The Ministry should:

- liaise with Ministry of Economy to rectify the above variance in bank reconciliation records;
- ensure that overseas missions bank balance is reconciled with the FMIS general ledger bank balance on a monthly basis and any foreign exchange gain or loss are adjusted immediately; and
- ensure that the balance of accounts at Fiji Consulate General Sydney are transferred to the Ministry of Industry, Trade & Tourism in consultation with the Ministry of Economy.

Agreed Management Action

The variances identified in the Mission's Bank account reconciliations with General Ledger have been recurring over the years. Unfortunately not much effort has been undertaken to resolve the matter.

It is noted that through this system that Missions with more than one Bank Account are reconciled against one General Ledger account. In such instances, it is obvious that it will be difficult to reconcile these accounts.

The Ministry has now introduced a new format of recording in the General Ledger system with changes also made to reconciliation prepared locally. The new format individually reflects transactions in the system and aligning balances with Bank account.

The Ministry feels that it would be appropriate that even though the new format of posting has been implemented, the unreconciled variances accumulated in the past still needs to be rectified.

In this regard, the Ministry is consulting Ministry of Economy on the way forward of removing these variances and starting afresh.

Although the new format of postings is currently addressing the issue, it is important to note that the accumulated variances from the past will remain.

In our consultations with Ministry of Economy, we are proposing the removal of left over funds of the Consulate General Sydney account from the Ministry's General Ledger account as the account now falls under the Ministry of Industry and Trade accounts.

Officer Responsible

Principal Accounts Officer

8.10 Anomalies noted in Procurement of Goods and Services

All payments must be processed through payment vouchers prepared by the Clerical Officer Payments/Ledgers. Separate vouchers are to be used for separate payees and for the payment of different services.⁴

The Clerical Officer Payments/Ledgers preparing a payment voucher must ensure that all information required under Finance Instruction 14-(1) has been included on the payment voucher or attached to it, before passing it to the SAO for certification.⁵

The Principal Accounts Officer, Senior Accounts Officer & Accounts Officer must not certify a payment as correct unless they are satisfied that:

- i. it is in accordance with an LPO, indent, contract, invoice or other authorisation;
- ii. there is documentation that the goods, services or works have been received;
- iii. sufficient uncommitted funds are available for payment of the account;
- iv. the account is not fraudulent and has not been previously paid; the expenditure account it is charged to is correct.⁶

Our review of the Ministry expenditures during the period indicated instances where:

- Local Purchase Orders (LPOs) were not attached to the payment vouchers;
- Competitive quotes were not obtained; and
- No supporting documents attached to the payment voucher to substantiate the payment made.

Refer to Appendix 8.1 for examples.

⁴ Ministry of Foreign Affairs Finance Manual 2013, Section 2.9.3

⁵ Ministry of Foreign Affairs Finance Manual 2013, Section 2.9.4

⁶ Ministry of Foreign Affairs Finance Manual 2013, Section 2.9.5

Root Cause/Implication

The above findings indicate that responsible officers have not complied with the provisions of the Finance Manual (2013). Such non-compliance could be catalyst to abuse, misappropriation and could result in wastage of taxpayer's funds.

Recommendations

- **The Director Finance should ensure that the Ministry complies with its Finance Manual, procurement procedures and instructions at all times.**
- **The internal control procedure in the Accounts Section, specifically supervisory checks should be strengthened and appropriate disciplinary actions taken if the responsible officers continue to breach financial regulations.**

Agreed Management Action

The Ministry has reviewed its internal system and processes and has put in place a more proactive approach in ensuring that there are no overlapping of task, internal control measures such as rotation of duties and thorough checks are made at all levels - from desk officers right up to the Supervisors on any payment to be made.

With the system in place, the Ministry is confident that it will address the anomalies highlighted.

Officer Responsible

Principal Accounts Officer

8.11 Anomalies in payment of Domestic Allowance

Domestic help allowance is payable only to Heads of Missions to assist Heads of Mission "employ" a domestic help or maid to assist his or her spouse in carrying out daily chores.⁷

We noted that the Ministry pays Head of Missions a sum of FJ\$8,000 domestic allowance annually as part of post allowance. Audit was not able to determine the basis upon which the Ministry has arrived at the current rate for domestic allowances.

The Regulation is vague and does not clearly highlight the responsibilities of the Ministry and Heads of Missions in the engagement of a domestic help or maid. There is lack of guidance and direction on this matter by the Ministry.

Root Cause/Implication

Fiji Public Service (Diplomatic and Consular Services) Regulations 2005 has not been revised and interpretations are not sought from the Solicitor General in case of ambiguity.

With the inadequate guidance and direction on the engagement of domestic help or maid, there is a risk of the Ministry incurring liabilities particularly when the host countries labour law are breached.

⁷ Fiji Public Service (Diplomatic and Consular Services) Regulations 2005, Section 55 (2)

Recommendations

The Ministry should:

- **review and update the Fiji Public Service (Diplomatic and Consular Services) Regulations 2005; and**
- **seek formal interpretation and directive to regularise the payment of domestic allowance.**

Agreed Management Action

The Fiji Overseas Service Regulations states under Section 55 (2) that the Domestic help allowance is payable only to Head of Missions to assist them in employing a domestic help/maid.

The reality on the ground is that:

- *employing a maid on a formal basis will mean Head of Missions paying far more than the FJ\$8,000 annual Domestic allowance and goes through tedious process;*
- *maids are normally engaged by the Head of Missions on his/her own informal/personal arrangement – without employment contracts;*
- *some Head of Missions engage their relatives coming over from Fiji to work as their maid again with no formal employment contracts.*

So the rationale behind paying domestic allowance as part of their fortnightly post allowance is to again assist Head of Missions in engaging a maid/domestic assistant as per the Fiji Overseas Service Regulations. It is also for administrative purpose in terms of paying the annual F\$8,000 entitlement throughout the 26 pays rather than paying it as and when request received from Head of Missions.

There is no provision in the Fiji Overseas Service Regulations that requires Head of Missions to provide evidence of employment of maid in order to access the F\$8,000 domestic allowance that they are entitled to.

Officer Responsible

Director Finance

8.12 Fixed Asset Register not Updated

Each agency must have in place a cost effective system of internal controls which safeguard money and property against loss and avoids or detect accounting errors.⁸

All property, plant or equipment with a value in excess of \$2,000 or more must be recorded in the asset module of the financial management information system; and asset register for those without the financial management information system.⁹ The Asset Recorder must ensure that the fixed assets register is kept updated.¹⁰

Our review of the procurements made during the year revealed instances where items procured were not recorded in the Fixed Assets register. Refer to Table 8.4 for details.

⁸ Finance Instruction 2010, Section 59(1)

⁹ Finance Instruction 2010, Section 46(1)

¹⁰ Ministry of Foreign Affairs Finance Manual 2013, Section 7.2.2

Table 8.4: Details of Procurement not recorded in the Fixed Asset Register

Date	Chq/EFT #	Vendor	Particulars	Amount (\$)
06.06.18	5015	Company D	Purchase of (1) 1 x sofa set (2) dining table & chairs (3) dressing drawer	5,784.37
06.06.18	5018	Company E	Purchase of (1) clothes dryer (2) free standing stove (3) fridge freezer	2,016.27
Total				7,800.64

In addition, we noted that the capital expenditures incurred for the refurbishment works for Missions in Canberra, Brussels, and Wellington amounting to \$114,167.24 were not included in the fixed asset registers.

Table 8.5: Details of Refurbishment Works not included in FAR

Date	Cheque / EFT No.	Mission	Vendor	Description	Amount (\$)
08.12.17	417500	Canberra	Company F	Repair to roof tiles at Chancery caused due to hailstorm on 17.11.17.	5,437.37
08.12.17	417501			Repair to roof tiles at Second Secretary's residence due to hailstorm on 17.11.17	5,437.37
02.02.18	417611			Renovation works at Chancery and Second Secretary's residence.	31,377.92
10.04.18	417768			Renovation works at Chancery and Second Secretary's residence.	30,806.96
25.07.18	418021			Final payment for renovation works at Chancery and Second Secretary's residence.	27,599.65
05.06.18	Online	Wellington	Company C	Final deposit as per condition of payment for capital work done at the Chancery.	13,507.97
Total					114,167.24

Root Cause/Implication

The above finding indicates failure on the part of the Officer responsible for updating the fixed asset register on a timely manner.

This increases the risk of loss of fixed assets through theft and damages without being detected. In addition, the Ministry will not be able to ascertain the correct value of its property abroad.

Recommendation

The Ministry should ensure that all items valued above \$2,000 are recorded in the Fixed Asset Register upon purchase.

Agreed Management Action

The Ministry now introduced a new system of recording Assets introduced by Ministry of Economy in 2018. This is through a standard template [in excel] which is now been currently implemented including Fiji Missions abroad. The template specifically identifies the particular asset, its specifications years of service, cost and value which are some major information kept in the template register. This template is currently being updated on a weekly basis.

The Ministry of Economy Asset Management officials have also conducted a full training session that captures the whole asset register followed by their continuous assistance monitoring at agency level.

Officer Responsible

Principal Accounts Officer

8.13 Operating Trust Balances Carried Forward from Prior Years

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Accounts Officer shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.¹¹

Any errors or misallocations must be immediately adjusted by way of journal vouchers.¹²

Our review of the operating trust fund account balances revealed that trust account balances have been carried forward from previous years without any or minimal movement noted during the year.

Refer to Appendix 8.2 for details.

Root Cause/Implication

The anomalies indicate that inadequate internal control and supervision and non-compliance with procedures in the Finance Instructions which could result in penalties imposed by the relevant authorities and accumulation of liabilities for the Ministry.

Recommendations

- **The Ministry should investigate the significant balances in the Operating Trust Fund account as at 31 July 2018 and take appropriate action to clear the balances.**
- **The Ministry should ensure that proper supervisory checks are in place to ensure that all balances are accurate, adequately supported and that errors from previous years are rectified.**
- **Alternatively, the Ministry may consider liaising directly with the relevant authorities and seeking confirmation that all dues was cleared for the relevant periods.**

¹¹ Ministry of Foreign Affairs Finance Manual 2013, Section 12.3.3

¹² Ministry of Foreign Affairs Finance Manual 2013, Section 12.3.4

Agreed Management Action

These balances of account in the mentioned Trust Allocations have been recurring over the past years although consultations has been conducted with relevant parties, particularly the Ministry of Economy.

This issue has been our main agenda of discussions with the Ministry of Economy recently with the intention of reconciling the left over credits and clearance of the accounts.

Note that most of these accounts have been dormant over the years mainly due to the introductions of new accounts, new format of postings and or nonexistence of the vendors.

Officer Responsible

Principal Accounts Officer

8.14 Absence of Risk Management Framework

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

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

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

- occupational health and safety;
- Ministry operational and human resource / succession planning;
- fraud control and anti-corruption;
- disaster recovery, IT back up and business continuity; and
- assessment of potential conflicts of interest.

The Ministry does not have an established governance and accountability function to drive the risk management framework.

Root Cause/Implication

The Ministry is currently in the process of developing a Risk Management Framework.

In absence of a risk management framework, the Ministry may find difficulty in managing risks affecting the Ministry particularly risk of fraud and misappropriation of assets.

Recommendations

- The Ministry should work towards establishing a governance and accountability function that supports the operations of the Ministry by providing financial and operational risk management and management of external reporting obligations.
- Following the establishment of the governance and accountability function, a risk management framework should be developed, continuously used and reviewed as and when necessitated.

Agreed Management Action

The Ministry is working on developing its Risk Management Framework policy within the next 6 months.

Officer Responsible

Senior Management

8.15 Revenue Collected by Overseas Missions not Formalised

The Senior Accounts Officer, Assistant Accounts Officer and Clerical Officer Mission shall check the respective revenue received from missions, analyse it and prepare journal upload to General Ledger.¹³

The Fiji Missions charged administrative fees in addition to the prescribed fees and charges for the services provided. The following anomalies were noted:

- There is no standard rate applied;
- It was not formally endorsed by the Ministry of Economy; and
- The fees charged were implemented in 2003 and there has been no review made to date.

Refer to Table 8.6 for details

Table 8.6: Examples of Administration Fees Charged by the Missions

Mission	Details	Rate
London	Passport Renewal	£30.00
	Marriage Certificate	£10.00
Washington	Visa Application	USD10.65
	Multiple Entry Visa Application	USD12.40
	Shipment of Application	USD100.00
	Passport Renewal	USD40.00
	CI Application	USD10.82
	Application fee for Apostille copy of marriage certificate	USD20.00
Canberra	Passport Renewal	AUD100.00
	Application for Work Visa	AUD136.00
Wellington	Application for Passport Renewal	NZD59.00
	Birth Certificate	NZD19.80
	Application for Visa	NZD100.00

¹³ Ministry of Foreign Affairs Finance Manual 2013, Section 4.5.5

Root Cause/Implication

The Fiji Missions provides pivotal services to the Fijian citizens and visitors. The non-standardisation, review and formalisation of the administrative fees indicates lack of management reviews and commitment.

Recommendation

The Ministry should review and formalize the administrative fees charged by the Mission for facilitating the request or applications for government services

Agreed Management Action

The Ministry is in consultation with the Ministry of Economy on the matter as the Agency that has the jurisdiction for any new fees and charges levied.

The Ministry is working together with Ministry of Economy on developing a Cabinet Paper seeking Cabinet's endorsement on the specific rate of fees to be charged by each Mission as administrative fees for conducting consular services.

The intent is to resolve this within the first quarter of 2019-2020 financial year.

Officer Responsible

Principal Accounts Officer

APPENDIX 8.1: EXAMPLES OF PROCUREMENT ANOMALIES

Date	Cheque No	Amount (\$)	Payee	Description	Audit Comment
12.12.17	1590379	761.17	Employee A	Reimbursement of medical expenses	No supporting documents attached to substantiate the claim
21.12.17	5810	6,235.71	Employee B	Medical insurance allowance for the year 2018 as per contract	No supporting documents attached to substantiate the claim
19.12.17	5796	2,542.56	Company A	Ambassador and family health insurance for the month of January, 2018	No supporting documents attached to substantiate the claim
19.12.17	5798	2,156.47	Company A	Second Secretary and family health insurance for December 2017	No supporting documents attached to substantiate the claim
09.02.18	5876	6,112.47	Employee C	Medical insurance allowance for the year 2018 as per contract	No supporting documents attached to substantiate the claim
21.11.17	5755	3,609.84	Company A	Ambassador and family health insurance for the month of December, 2017	No supporting documents attached to substantiate the claim
21.11.17	5757	2,502.30	Company A	Second Secretary and family health insurance for the month of December, 2017	No supporting documents attached to substantiate the claim
18.06.18	6049	9,613.73	Company A	Ambassador and family health insurance for the month of June and July, 2018	No supporting documents attached to substantiate the claim
18.06.18	6050	2,492.76	Company A	First Secretary health insurance for the month of June & July, 2018	No supporting documents attached to substantiate the claim
18.06.18	6051	6,337.27	Company A	Second Secretary and family health insurance for the month of June & July, 2018	No supporting documents attached to substantiate the claim
02.12.17	5885	2,265.69	Employee D	Per diem for official travel to Las Vegas (01/03/18 to 05/03/18)	No supporting documents attached to substantiate the claim
12.02.17	5907	2,832.11	Employee E	Per diem for official travel to Las Vegas (28/02/18 to 05/03/18)	No supporting documents attached to substantiate the claim
12.02.17	5906	2,265.69	Employee F	Per diem for official travel to Las Vegas (01/03/18 to 05/03/18)	No supporting documents attached to substantiate the claim
08.12.17	417500	5,437.37	Company B	Repair to roof tiles at Chancery due to hailstorm on 17.11.17.	Competitive quotes not obtained Local purchase order not attached
08.12.17	417501	5,437.37	Company B	Repair to roof tiles at Second Secretary's residence due to hailstorm on 17.11.17	Competitive quotes not obtained Local purchase order not attached

Date	Cheque No	Amount (\$)	Payee	Description	Audit Comment
18.01.18	Online	18,457.20	Employee G	Renovation costs to former First Secretary landlord.	Competitive quotes not obtained Local purchase order not attached
05.06.18	Online	13,507.97	Company C	Final deposit as per condition of payment for capital work done at the Chancery.	Competitive quotes not obtained Local purchase order not attached

APPENDIX 8.2: TRUST FUND ACCOUNT BALANCES CARRIED FORWARD

Account	Description	Balance as at 31/07/17 (\$)	Balance as at 31/07/18 (\$)	Increase / (Decrease) (\$)	Ministry's Comments
1-08101-08101-861902	204 PD Deposit Account Recoverable	(24,901.70)	(23,920.00)	(981.70)	The credits appearing on the allocation has been recurring since year 2010. For the current practice, deductions credited for required recoveries are made payable to respective vendors after pay has been processed.
1-08101-08101-861910	383 PD Sundries	(212,072.61)	(212,072.61)	-	This allocation has not been transacted since financial year 2016 and recommend that the credit be posted to revenue allocation.
1-08101-08101-861920	501 PD Employees FNPF	(475,893.96)	(487,823.65)	11,929.69	An amount of \$449,333.02 was credited to the account since year 2013 which the main contributor to this unsubstantiated credits for the account. The credits in the current period were subsequently paid out to FNPF on the respective months. The Ministry also wishes to include this unsubstantiated credit into the submission for clearance of SLG86 dormant balances.
1-08103-80101-863101	Administration Contributions Foreign Mission	(239,444.54)	(239,444.54)	-	These allocations were previously opened to facilitate revenue generated by Missions on Administration fees for Missions office. During the introduction of new GL posting for Missions, the allocations have been deactivated and credits are now been passed to SEG 27. A submission approved by PS MOFA has been forwarded to PS Economy requesting adjustments of these dormant SLG 86 accounts to Equity SEG 91 and clear the issue from recurring. This submission is awaiting approval from PS Economy.

Account	Description	Balance as at 31/07/17 (\$)	Balance as at 31/07/18 (\$)	Increase / (Decrease) (\$)	Ministry's Comments
1-08103-80102-863101	Administration Contributions Foreign Mission	(330,157.99)	(330,157.99)	-	As per above
1-08103-80201-863101	Administration Contributions Foreign Mission	(49,269.33)	(49,269.33)	-	As per above
1-08103-80401-863101	Administration Contributions Foreign Mission	(3,261.14)	(3,261.14)	-	As per above
1-08103-80701-863101	Administration Contributions Foreign Mission	(131,018.25)	(131,018.25)	-	As per above
1-08103-81001-863101	Administration Contributions Foreign Mission	(23,961.59)	(23,961.59)	-	As per above
1-08103-81102-863101	Administration Contributions Foreign Mission	(8,100.51)	(8,100.51)	-	As per above
1-08101-08101-864102	Sundries	(18,795.34)	(18,795.34)	-	These allocations have been dormant since 2016. This allocation is also included in the submission for clearance into SEG 91.
1-08101-08101-864199	PSC Cuba Scholarship	(1,703.92)	(1,703.92)	-	As per above

Head 9

Office of the Director of Public Prosecutions

Roles and Responsibilities

The Office of the Director of Public Prosecution is an independent office established by the Fijian Constitution. The Director of Public Prosecutions (DPP) is responsible for instituting and conducting criminal proceeding in Fiji.

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PART A: FINANCIAL STATEMENTS

9.1 Audit Opinion

The audit of the 2018 accounts of the Office of the Director of Public Prosecutions resulted in an unqualified audit opinion.

9.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$2,105 and incurred a total expenditure of \$5.6 million for the year ended 31 July 2018. Details are provided in Table 9.1.

Table 9.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Revenue		
State revenue	1,427	5,967
Agency revenue	678	589
Total Revenue	2,105	6,556
Expenditure		
Established staff	3,041,101	2,789,866
Government wage earners	241,356	193,972
Travel and communications	471,009	341,940
Maintenance and operations	377,766	392,186
Purchase of goods and services	1,195,321	1,192,106
Special expenditures	115,901	120,165
Total Operating Expenditure	5,442,454	5,030,235
Value Added Tax	185,558	182,041
Total Expenditure	5,628,012	5,212,276

Revenue amounting to \$2,105 in 2018 mainly comprised of commission.

Revenue decreased by \$4,451 in 2018 compared to 2017 due to no major revenue received apart from disclosure fees and court costs.

The Government Wage Earners expenditure increased by \$47,384 in 2018 compared to 2017 due to increase in overtime and meal payments for standby after official hours and during weekends for pick up and drop off for staff and witnesses and stand by for Legal staff who work late due to back to back trials.

The Travel and Communication expenditure increased by \$129,069 in 2018 compared to 2017 due to increase in local, overseas travels and subsistence costs for attending trials out of station and attending monthly trainings.

9.3 Appropriation Statement

The Office incurred expenditure totalling \$5.6 million in 2018 against a revised budget of \$6.2 million.

Details of expenditure against the revised budget are provided in Table 9.2.

Table 9.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	---	---	---	---	---
2	Unestablished Staff	---	---	---	---	---
3	Travel & Communication	---	---	---	---	---
4	Maintenance & Operations	---	---	---	---	---
5	Purchase of Goods & Services	---	---	---	---	---
6	Operating Grants & Transfers	6,292,166	---	6,292,166	5,628,012	664,154
7	Special Expenditure	---	---	---	---	---
	Total Operating Expenditure	6,292,166	---	6,292,166	5,628,012	664,154
8	Capital Construction	---	---	---	---	---
9	Capital Purchase	---	---	---	---	---
10	Capital Grants & Transfers	---	---	---	---	---
	Total Capital Expenditure	---	---	---	---	---
13	Value Added Tax	---	---	---	---	---
	TOTAL	6,292,166	---	6,292,166	5,628,012	664,154

9.4 Trust Fund Accounts

As at 31 July 2018, funds amounting to \$289,044 were maintained in trust fund accounts which consisted of funds amounting to \$105,999 for DPP Trust Account and \$183,045 for Forfeited Assets Fund Account.

9.4.1 DPP Trust Account

The purpose of this fund is to administer the trainings normally conducted by the Office. Money received in this account from parties such as Fiji Police Force, lawyers and other participants and payments are made for provision of the trainings and bank interest. Details are provided in Table

Table 9.3: Director of Public Prosecutions – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Lawyers' Prosecution Training Fees	23,500	1,219
Interest	97	49
Bank Fees Reversal	30	---
Total Receipts	23,627	1,268
Payments		
Refund of Lawyers' Prosecution Training Fees	300	300
Bank Fees	244	137
Total Payments	544	437
Net Surplus	23,083	831
Opening balance as at 1 August	82,916	82,085
Closing balance as at 31 July	105,999	82,916

9.4.2 Forfeited Assets Fund Account

Proceeds of Crime Act 2004 and Proceeds of Crime Act Amendment No.7/2005, Section 71 (A) established the trust fund account for the purpose of keeping funds received from a person instead of a forfeited order as per section 16 of the act, proceeds of pecuniary penalty orders and money received by the state from a foreign country for mutual assistance on criminal matters. The purpose of this fund is to make payments to the person if a forfeiture order is discharged, make payments to foreign countries with approval of the Minister of Economy in the obligation with respect of a registered foreign forfeiture order and registered foreign pecuniary order.

Receipts consist of \$183 for bank interest and no payments were made during the financial year. Details are provided in Table 9.4

Table 9.4: Forfeited Assets – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Interest	183	344
Error in deposit of prosecution fees	---	300
Total Receipts	183	644
Payments		
Purchase of second hand containers	--	49,327
Purchase of hand held analyser	---	122,000
Bank fees	---	1
Transfer to DPP Trust Account for error in deposit	---	300
Total Payment	---	171,628
Net Surplus/(Deficit)	183	(170,984)
Opening balance as at 1 August	182,862	353,846
Closing balance as at 31 July	183,045	182,862

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

9.5 Internal Controls

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

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

- A *significant deficiency* is a deficiency that either alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires that provide the basis for carrying out internal controls across the entity. These include commitment to integrity and ethical values, independence of management to exercise oversight for the development and performance of internal control, documented structures, reporting lines and appropriate authorities such as delegated levels of authority and responsibilities in the pursuit of the entity's objectives. It also includes commitment to attract, develop and retain competent individuals, and holding them accountable for their internal control responsibilities.

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

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

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

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

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

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

carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.

Examples of issues which would fall under this category are reported to management of the agencies on matters relating to internal controls.

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

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

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

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

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

Rating	Internal control assessment
● Effective	No deficiencies identified in internal controls

9.6 Submission of FY 2017-2018 Draft Agency Financial Statements

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

The key focus areas in the circular were:

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

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

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

Rating	Year-end close process assessment
Effective	All 9 key processes completed by due date

9.7 Quality of Draft Financial Statements by entities

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

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

Rating	Quality of draft financial statements assessment
Effective	No adjustments were required

9.8 Timeliness of Draft Financial Statements

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

Rating	Timeliness of draft financial statements assessment
Effective	Acceptable draft financial statements received before 15 October 2018

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

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

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

Rating	Timeliness of Signed Financial Statements Received
Effective	Within 5 days from issue of Financial Statements for signing

Head 9**Judicial Department****Roles and Responsibilities**

The Judicial Department is responsible for enhancing the quality of justice in the community by ensuring an effective and accessible Court System as the cornerstone of Justice. The Court System will uphold the principles of impartiality, equality, fairness and access, while protecting the dignity and rights of all members of the community. In line with the Constitution of the Republic of Fiji 2013, Chapter 5, Part A 97 (2), the courts and all judicial officers are subject only to the Constitution of the Republic of Fiji and the law, which they must apply without fear, favour or prejudice.

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PART A: FINANCIAL STATEMENTS

9.1 Audit Opinion

The audit of the 2018 accounts of the Judicial Department resulted in a qualified audit report. The qualification was due to the following:

There still exists significant lapse in the years of reconciliation and absence of detailed breakdown listings of beneficiaries and their current balances, as such the accuracy of the closing balance of \$31,681,497 disclosed in the Judicial Trust Fund account Statement of Receipts and Payments for the year ended 31 July 2018 could not be ascertained.

9.2 Statement of Receipts and Expenditure

The Department collected revenue totalling \$2,968,627 and incurred a total expenditure of \$38,028,598 for the year ended 31 July 2018. Details are provided in Table 9.1.

Table 9.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	2,534,391	4,496,946
Agency Revenue	434,236	510,569
Total Revenue	2,968,627	5,007,515
Established Staff	24,197,666	19,965,063
Government Wage Earners	2,342,731	1,222,471
Travel & Communications	2,868,214	1,912,631
Maintenance & Operations	1,015,016	988,476
Purchase of Goods & Services	830,582	1,485,422
Special Expenditures	1,797,986	1,209,134
Total Operating Expenditure	33,052,195	26,783,197
Capital Construction	3,704,295	1,628,228
Capital Purchase	571,742	478,946
Total Capital Expenditure	4,276,037	2,107,174
Value Added Tax	700,366	471,914
Total Expenditure	38,028,598	29,362,285

- Total Revenue decreased by \$2,038,888 or 41% in 2018. This was attributed to the amendment to the Land Transport Authority (LTA) Act 1998 which came in effect from 7 April 2017. As per the amendment, when a Traffic Infringement Notice is issued, the person to whom this notice is issued is liable to pay the prescribed fine within 90 days at the LTA Office. Unlike previously, after 21 days if fine is not paid, the case is referred to the Court. Therefore, under current system, offenders have ample time to pay their fines at LTA Office thus reducing cases referred to the Court.
- Established Staff expenditure increased by \$4,232,603 or 21% in 2018, which was mainly attributed to increase in the salaries of all the Judicial Officers with effect from 1 April 2018;

increase in a base salary of all Court Support Staffs with effect from 1 August 2017 based on the outcome of the Job Evaluation Exercise and increase in the visiting Judges sitting allowance with effect from 23 January 2018.

The Government Wage Earners expenditure increased by \$1,120,260 or 92% in 2018, which was due to the pay rise received with effect from 1 August 2017 based on the outcome of the Job Evaluation Exercise and the payment of gratuity.

- Travel and Communications expenditure increased by \$955,583 or 50% in 2018, which was directly attributed to the increase in overseas travel for Judicial Officers who travelled overseas to attend seminars and trainings and the travel and passage for the expatriate Judicial Officers.
- Special Expenditures increased by \$588,852 or 49% in 2018. The increase was mainly attributed to training provided by the Singapore Mediation Centre and the alternate accommodation cost for Honourable Chief Justice while his quarters was under renovation.
- Capital Construction expenditure increased by \$2,076,067 or 128% in 2018 due to new capital projects undertaken during the year: construction of Nasinu Courthouse, Relocation of Ba Court, renovation of old Parliament Complex and upgrading of sound and recording System.

9.3 Appropriation Statement

The Department incurred expenditure totalling \$38.0 million in 2018 against a revised budget of \$54.4 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$16.4 million or 30%.

- Savings of \$3,264,500 or 12% under Established Staff was mainly attributed to the existence of 18 vacant positions for Judicial Officers that were not filled.
- Savings of \$510,425 or 22% noted under Special Expenditure was mainly attributed to the vacant Chief Tribunal, Legal Tribunal and Non-Legal Tribunal positions under Employment Relations Tribunal.
- The significant savings for Capital Construction was mainly attributed to the low utilisation rate of on-going projects and non-implementation of a project earmarked for the 2017/2018 financial year. The savings of \$4,860,391 or 81% for Renovation of old Parliament Complex at Veiuto was due to delay in the initial stage of consultations because of the variation in the scope of work; savings of \$3,740,702 or 75% Construction of Nasinu Court was due to the delay in the initial stage of consultations and tendering process; and savings of \$783,073 or 92% under Rural Small Town Court House Upgrade was due to the tender of Nabouwalu Courthouse project being withdrawn since only one tender bid was received by CIU. The Extension of Lautoka Court with the budget of \$1,000,000 was not implemented because the lead consultant contract was terminated and Construction Implementation Unit was in tendering process of appointing new consultant.

Details of expenditure against the revised budget are provided in Table 9.2 and 9.3.

Table 9.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	---	---	---	---	---
2	Government Wage Earners	---	---	---	---	---
3	Travel & Communication	---	---	---	---	---
4	Maintenance & Operations	---	---	---	---	---
5	Purchase of Goods & Services	---	---	---	---	---
6	Operating Grants & Transfers	54,463,543	---	54,463,543	38,028,598	16,434,945
7	Special expenditure	---	---	---	---	---
	Total Operating Expenditure	54,463,543	---	54,463,543	38,028,598	16,434,945
8	Capital Construction	---	---	---	---	---
9	Capital Purchase	---	---	---	---	---
	Total Capital Expenditure	---	---	---	---	---
13	Value Added Tax	---	---	---	---	---
	TOTAL	54,463,543	-	54,463,543	38,028,598	16,434,945

Table 9.3: Appropriation Movement for 2018

SEG	Item	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	27,462,166	24,197,666	3,264,500
2	Government Wage Earners	2,357,135	2,342,731	14,404
3	Travel & Communication	3,149,491	2,868,214	281,277
4	Maintenance & Operations	1,084,160	1,015,016	69,144
5	Purchase of Goods & Services	1,086,600	830,582	256,018
6	Operating Grants & Transfers	3,000	---	3,000
7	Special expenditure	2,308,411	1,797,986	510,425
	Total Operating Expenditure	37,450,963	33,052,195	4,398,768
8	Capital Construction	14,359,380	3,704,295	10,655,085
9	Capital Purchase	656,620	571,742	84,878
	Total Capital Expenditure	15,016,000	4,276,037	10,739,963
13	Value Added Tax	1,996,580	700,366	1,296,214
	TOTAL	54,463,543	38,028,598	16,434,945

9.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Judicial Department operates and maintains three main trust fund bank accounts which include the Judicial Trust Fund Account, the Judiciary Trust Fund Account and the Legal Practitioners Unit Fund Account.

The Trust Fund Account Statement of Receipts and Payments is now presented separately in the current year for transparency purposes and to correctly reflect the trust monies received and paid

out of the three separate bank accounts maintained for the various trust funds being administered by the Department.

9.4.1 Judicial Trust Fund Account

The Judicial Trust Account consisted of four trust fund accounts namely; Suitors Trust, Maintenance Trust, Sundries Trust and Deposit Retention for project funds.

- (i) The Suitors Trust comprise of monies received from FNPF on behalf of deceased who did not have nominees for their FNPF accounts, Criminal and Civil related matters. The Suitors Trust Account are administered only at Suva, Lautoka and Labasa Office. The current status of the Suitors Trust Fund Reconciliation is as follows:

- Suva Suitors Trust Reconciliation prepared up to February 2017;
- Lautoka Suitors Trust Reconciliation prepared up to December 2007;
- Labasa Suitors Trust Reconciliation prepared up to September 2009.

- (ii) The Maintenance Trust comprise of monies received from maintenance payments by defendants to their spouses based on the judgements passed by the Family Law Court. The Maintenance Trust is administered at 11 Stations; namely Suva, Sigatoka, Nadi, Lautoka, Ba, Tavua, Rakiraki, Nausori, Nasinu, Taveuni and Levuka. The status are as follows:

Current

- 2016 Reconciliation completed for all 11 Stations;
- 2017 Reconciliation is in progress.

Backlog

- 1995 Reconciliation completed for all 11 Stations;
- 1996 Reconciliation is in progress.

- (iii) The Sundries Trust of monies received from Civil and Criminal cases based on Court judgements. These include compensations, LTA fines, cash bail, court fees, bailiff fees and small claims. The Sundries Trust are administered at 12 Stations; namely Suva, Nasinu, Nausori, Rakiraki, Tavua, Ba, Lautoka, Nadi, Sigatoka, Labasa, Savusavu and Taveuni. The current status of the Sundries Trust Fund Reconciliation is as follows:

Current

- 2016 Reconciliation completed for all 12 Stations;
- 2017 Reconciliation is in progress.

Backlog

- 1995 Reconciliation completed for all 12 Stations;
- 1996 Reconciliation is in progress.

- (iv) The Deposit Retention for projects comprises of funds retained for projects that are being carried out by the contractors and are paid back to them after the defects liability period. It is usually 10% of the gross cost of the project. The funds are kept in this account because some projects defects liability period lapses in the following financial year.

Table 9.4: Judicial Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Suitors Fund	15,279,125	16,493,671
Maintenance Fund	5,716,751	4,385,693
Sundries	3,487,336	4,266,256
Deposit Retention for Project Funds	135,775	58,029
Total Receipts	24,618,987	25,203,649
Payments		
Suitors Fund	15,301,203	11,012,496
Maintenance Fund	6,192,021	3,702,031
Sundries	3,024,319	3,665,638
Retention paid for Project Funds	43,717	18,126
Total Payments	24,561,260	18,398,291
Net Surplus	57,727	6,805,358
Opening balance as at 1 August	31,623,770	24,818,412
Closing Balance as at 31 July	31,681,497	31,623,770

9.4.2 Judiciary Trust Fund Account

The Trust Fund comprise of funds received from an audit firm for interest received from the Law Society Account to meet the costs and expenses for improving court premises, purchase of equipment for various courts in all the divisions including acquisition of equipment for the Judiciary, implementation of electronic recording of court proceedings and on the discretion of the Chief Justice.

Table 9.5: Judiciary Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Judiciary Trust Fund Account	433,199	1,189,335
Total Receipts	433,199	1,189,335
Payments		
Judiciary Trust Fund Account	288,878	1,007,226
Total Payments	288,878	1,007,226
Net Surplus	144,321	182,109
Opening balance as at 1 August	583,571	401,462
Closing Balance as at 31 July	727,892	583,571

9.4.3 Legal Practitioners Unit Fund Account

The Trust Fund comprise of funds received from a Chartered Accounting firm for interest received from the Law Society Account to meet the costs and expenses of the Legal Practitioners Unit in the Office of the Chief Registrar in the performance of the functions and duties of the Chief Registrar under the Legal Practitioners Act 2009 and other expenses on the discretion of the Chief Registrar.

Table 9.6: Legal Practitioners Unit Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Legal Practitioners Unit Fund	379,550	259,717
Total Receipts	379,550	259,717
Payments		
Legal Practitioners Unit Fund	22,399	33,681
Total Payments	22,399	33,681
Net Surplus	357,151	226,036
Opening balance as at 1 August	771,901	545,865
Closing Balance as at 31 July	1,129,052	771,901

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

9.5 Internal Controls

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

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

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

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

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

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

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

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

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

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

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

Examples of issues which would fall under this category are reported to management of the agencies on matters relating to internal controls.

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

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

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

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

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

Rating	Internal control assessment
✖ Ineffective	Significant deficiencies identified in internal controls

9.6 Submission of FY 2017-2018 Draft Agency Financial Statements

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 - 2018 accounts and times were detailed.

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Retirement of imprests by 20 July 2018
- Cancellation of unprocessed purchase orders by 26 July 2018
- Processing of payments by 31 July 2018
- Completion of reconciliations by 29 August 2018
- Submission of arrears of revenue returns by 31 August 2018

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

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

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

9.7 Quality of Draft Financial Statements by entities

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

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

Rating	Quality of draft financial statements assessment
🌿 Effective	No adjustments were required

9.8 Timeliness of draft financial statements

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

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

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

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

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

Rating	Timeliness of Signed Financial Statements Received
🌿 Effective	Within 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

9.10 Anomalies noted in the Sundries Trust Fund – Suva

Every accused person has a right to be released on bail unless it is not in the interests of justice that bail should be granted.¹

Bail may be granted unconditionally or subject to written conditions imposed by the police officer or the court, as the case may be. The accused person deposits with an authorised officer of the court a specified amount of money in cash and enters into an agreement to forfeit the amount deposited if the accused person fails to comply with his or her bail undertaking.²

Within 5 days after the end of each month, the Assistant Accounts Officer (Ledgers) shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.³ Details of balances must be attached to the reconciliation statement.⁴

The Suva Criminal and Civil Magistrate Court Registry maintain Sundries Trust funds which contains compensations, LTA fines, cash bail, court fees, bailiff fees and small claims from the Criminal and Civil cases awaiting the court judgement/court order or disposal. The closing balance as at 31/07/18 was \$1,615,706.

Following our review of the records maintained at the Registry, the following anomalies were noted:

- The Criminal Magistrate Court Registry has the unclaimed funds dating back 1995. This consist of cash bail bond and compensation totalling \$730,448.51 and administration cost unclaimed by the respective prosecutions for example; Land Transport Authority, Small Claim Tribunal, Director of Public Prosecution amounting to \$103,428.42; and
- Although the Registry was maintaining a register to record the case files, it does not maintain a detailed breakdown case listing of funds held in Trust as at 31/07/18.

¹ Bail Act 2002, Section 3(1)

² Bail Act 2002, Section 22.1,22.2(g)

³ Judicial Department Finance Manual – section 15.4.1

⁴ Judicial Department Finance Manual – section 15.4.2

Root Cause/Implication

The respective authorities and the respondents/applicants (plaintiff/defendants) are not following up actively with the Registry on their refund or status. Hence, the unclaimed funds have accumulated in the trust account.

In addition, due to movement of recipients/applicants, the Department is unable to locate them as it does not have their current contact address.

Also, due to the sensitivity of the matter, the Department is not in a position to advertise the names and the case details of the recipients/applicants.

Recommendations

The Department should:

- **review the disposed case files to ascertain that there was no breach of bail condition, confirm the compensation amount received and payable to respective respondent/applicants and administrative fees payable to the respective authorities are in order;**
- **prepare the detailed breakdown listing of the Trust Fund closing balance for its decision making, public awareness and monitoring;**
- **create public awareness through various talk back Television/ radio/newspaper shows or article or through partnership with line agencies; and**
- **consider reviewing the Act and if legally feasible putting the clause on the timeframe the bond funds to be claimed from the Department. In absence of any claims within stipulated timeframe the unclaimed bonds would become the state revenue.**

Agreed Management Action

The procedure for refund of Cash Bail is that once the matter is disposed, the application has to be made by the Accused person for refund of Cash Bail and the Order has to be made by Court for the refund. After the Order is made then Voucher is raised for refund.

Some Cash Bails that are not refunded are for the matters that are still pending in Court. For the matters that are already disposed and Cash Bail not refunded are those matters where there are no order for refund. Without the Court Order Cash Bails are not refunded.

For Compensation - Once the matter is disposed, Prosecution has to inform the Complainant to liaise with the MCT Registry for compensation to be paid to them. Voucher is only raised once Complainants give their bank/TIN details to us. In cases where complainants do not get in touch with the registry, compensations are not paid as we don't have details of the complainants.

Prosecution Cost - this should be refunded to Prosecutions after 28 days Appeal period has from the date of disposal. We are practicing this currently. These should have been refunded to Prosecution for old matters as well. We will try to work on the refund of these old Prosecution Costs which has not been refunded till to date.

Officer Responsible

Senior Management

9.11 Anomalies noted in the Suitors Trust Fund – Suva

Within 5 days after the end of each month, the Assistant Accounts Officer (Ledgers) shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.⁵ Details of balances must be attached to the reconciliation statement.⁶

The Suva High Court Criminal and Civil Registry maintained the Suitors Trust Fund which contains funds from the FNPF, Criminal and Civil cases awaiting the court judgement/court order or disposal. The closing balance as at 31/07/18 was \$21,735,446.

We noted that although the Registry was maintaining the register to record the case files, it did not maintain a detailed breakdown listing of each funds type held in Trust as at 31/07/18.

Root Cause/Implication

This was mainly attributed to the lack of internal controls and monitoring, case loads and manual record keeping system.

In absence of the detailed breakdown listings, details of funds held as per the registry records could not be ascertained.

Recommendation

The Suva High Court Registry should stocktake and review the case files and prepare the detailed breakdown listing of the funds held in Trust for each fund type.

Agreed Management Action

The comments of the Auditors are noted. We will liaise with our IT section for creation of a database so that all details are captured. The Department is also considering using the artificial intelligence in near future.

Officer Responsible

Senior Management

9.12 Manual record keeping with no backups

An effective backup strategy minimises the potential impact of the loss of data and enables a return to normal operations as soon as practicable.⁷

Upon examination of the records in Suva Family Court registry, Suva Criminal and Civil Magistrate Court Registry and Suva High Court Registry, we noted that all three registries are using the manual system for record keeping.

Case files called jackets similar to a manila files contain all the relevant documents of the case and the important details are documented on the jacket.

⁵ Judicial Department Finance Manual – section 15.4.1

⁶ Judicial Department Finance Manual – section 15.4.2

⁷ The Fiji Government Information Technology Policies and Procedures – Appendix C: Section C7

However, we noted that the condition of the files are deteriorating and the details are fading away which could lead to loss of significant case information.

We also noted that the registries maintain a basic database but it does not contain all the documents maintained in the case file/ jacket and the financial records.

Root Cause/Implication

There is a lack of technological (ICT) investment to ease the administration of the respective trust funds and its case files maintained by the Department.

In absence of any backup of the vital case file records, it exposes the Department to the risk of loss of information arising from natural disasters particularly fire/tsunami and staff errors/ collusion to destroy the records.

Recommendations

- **The Department should consider setting up the steering committee to oversee modernising the operations and consider investing in Informations and Communications Technologies (ICT).**
- **The funding could be sourced through the national budget, donor agencies or through the interest generated from the respective trust funds maintained by the Department (Ministry of Economy to be consulted).**

Agreed Management Action

The Maintenance section, the Magistrates Court and High Court Civil Registry do not have a database system. The three registries have liaised with our IT section about the database and this is being looked into.

The Department is intending to adapt to e-filing system in the near future which will be very helpful in terms of record keeping and backups. The feasibility studies and consultations are in progress.

Officer Responsible

Senior Management

9.13 Judicial Trust Fund Account Bank Reconciliation Variance

Each month the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.⁸

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.⁹

⁸ Finance Instructions 2010 – Section 58 (3)

⁹ Finance Instructions 2010 – Section 58 (2& 3)

The Department maintains Judicial Trust Fund Account which consists of three trust fund accounts: Suitor's Trust, Maintenance Trust and Sundries Trust accounts.

As at 31 July 2018, the General Ledger for respective trust fund account had the following balances:

Table 9.7: Details of the Judicial Trust Fund Account

Trust Account	Amount (\$)
Suitors Trust Fund	24,264,070
Maintenance Trust Fund	1,739,890
Sundries Trust Fund	5,545,577
Total	31,549,537

Our review of the bank reconciliations revealed the following:

- There is a balance of \$734,667 that is appearing in the Judicial Trust account bank reconciliation as "Adjustment by Ministry of Economy in December 2013". This amount has been appearing in the Judicial Trust reconciliation since 2013.

Physical cash amounting to \$734,667 is yet to be transferred by Ministry of Economy. While the Department has raised the issue with the Ministry of Economy on numerous occasions,, the issue remains unresolved. As a result the cash at bank general ledger is overstated by the same amount as there is no actual cash held against this balance;

- Included in the trust fund account reconciliation as at 31 July 2018 is a reconciling balance of \$49,774 for which the Department has not been able to provide relevant details to substantiate the balance; and
- The monthly bank reconciliations are being carried out by the Department to reconcile the receipts and payments made out of the bank account. We noted that the trust liability reconciliations for the Suitors, Maintenance and Sundries Trust Fund accounts were significantly delayed.
 - For Suitors Trust Fund, Suva Suitors Trust reconciliations were prepared up to February 2017, Lautoka Suitors up to December 2007 while Labasa Suitors Trust reconciliations were prepared up to September 2009.
 - For Maintenance Trust, the current Maintenance Trust reconciliations were completed up to 2016, while the backlog reconciliations were completed up to 1995 for 11 stations.
 - For Sundries Trust reconciliations, the current Sundries Trust reconciliations were completed up to 2016 while the backlog Sundries Trust reconciliations were completed up to 1995 for 12 stations.

As a result, we could not obtain the detailed breakdown listing of those beneficiaries and ascertain the respective balances held by Department as trust as at 31 July 2018.

A variance of \$12,910 was also noted between the Trust Fund Account balance (SLG 89) and the Cash at bank balance (SAG 52) in the FMIS general ledger as at 31 July 2018. Refer to the table 9.8 for details.

Table 9.8: Variance in FMIS Trust Fund Account and FMIS Cash at Bank Balance

Description	Amount (\$)
FMIS Cash at Bank balance	31,562,447*
FMIS Trust Fund Balance	31,549,537
Variance	12,910

*Exclude project retention balance \$131,960

We noted that the Department maintains Judicial Trust Fund Account which consists of three trust fund accounts: Suitor's Trust, Maintenance Trust and Sundries Trust accounts. All funds related to the above trusts are deposited in one bank account and a consolidated statement of trust receipts and payments is prepared by the Department in its Agency Financial Statements.

Root Cause/Implication

The backlog was mainly due to the poor monitoring and controls in place by the previous management and scrutiny from Ministry of Economy. The unresolved variance indicates lack of coordination between the Department and the Ministry of Economy.

However, the efforts made by current management to update the reconciliations is acknowledged.

In the absence of proper reconciliations, we were not able to ascertain the correctness of the balance reflected in the Judicial Trust Fund accounts.

Recommendations

The Department should:

- liaise with the Ministry of Economy to rectify the variances noted above;
- consider allocating more resources to undertake the exercise of updating the backlog in the trust account detailed reconciliations; and
- ensure that trust fund account bank statement balance, trust fund cash at bank balance in FMIS general ledger and trust fund account balance in FMIS general ledger is reconciled on a monthly basis and any error or omissions are investigated and resolved.

Agreed Management Action

The Department is still liaising with Ministry of Economy for the funds of \$784,441 which was adjusted by them in the year 2013. We had initially managed to provide all documents amounting to \$734,667 leaving a balance of \$49,774. This amount has also been identified from the details of the bank statements of May 2009. During this period all monies, Trust & Revenue were deposited in one bank account, thus we had to separate both in order to find the variance. Whilst in the process of separating the two, we found that \$49,774 were accounted in revenue which in fact should be Trust Money.

We are in the process of writing to Ministry of Economy again requesting them to provide us the sum of \$784,441.00 so that it can be accounted in our Trust Fund Account.

The Department has already written to Ministry of Economy on 26th February 2019 to adjust the previous year's variance of \$12,910.00 which has been recurring from years 2014 to 2018. We are awaiting their decision on this.

The root cause of the reconciliation being so behind is that in previous years the reconciliation was not taken seriously thus left without taking any action. Had this been queried at that point in time, then we wouldn't be in the situation which we are in now.

The backlog is not because of the limited resource and staff we have now. In fact the current staff are tirelessly trying to do the reconciliations and bring it up to date. As discussed earlier this backlog is because the reconciliations were not carried out in the years 1988 onwards thus has accumulated over the years.

We have managed to complete all the reconciliations till the year 1994. After the recruitment of seven (7) night shift staffs on project from May 2018, they managed to complete 1995 and 1996 reconciliations to date (Maintenance). These staff have now started with the 1997 data entries and are expected to complete Maintenance reconciliations by August 2019.

The current staff have completed 2016 and 2017 maintenance and Sundries reconciliations and have started on the 2018 reconciliations which they intend to complete by June 2019 and then start on 2019 reconciliations. The department understands the importance of the reconciliations but as advised earlier we have inherited this problem and are trying our best to try and update it. Since there are so many transactions and also the number of reconciliations to be carried out, it takes time to do the data entry and then reconcile.

Officer Responsible

Executive Management

9.14 Presentation of Judicial Trust Fund Accounts

Trust money is to be accounted for separately from public money and other money within the meaning of this Act. Trust money is to be kept in a separate bank account pending its withdrawal and accounted for separately from “public money” and “other money”.

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.¹⁰

The audit noted that the Department maintains Judicial Trust Fund Account which consists of three trust fund accounts: Suitor's Trust, Maintenance Trust and Sundries Trust accounts. All funds related to the above trusts are deposited in one bank account and a consolidated statement of trust receipts and payments is prepared by the Department in its Agency Financial Statements.

As at 31 July 2018, the General Ledger for respective trust fund account had the following balances:

Table 9.9: Details of the Judicial Trust Fund Account

Trust Account	Amount (\$)
Suitors Trust Fund	24,264,070
Maintenance Trust Fund	1,739,890
Sundries Trust Fund	5,545,577
Total	31,549,537

¹⁰Finance Instructions 2010 – Section 58 (2& 3)

Currently, separate statements are not presented for each trust type with the receipts and payments to be classified by the nature of receipt and payment. However, the current presentation in the Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one line item on the Statement even though the nature of the trust receipt and payment may vary.

Moreover, we noted that the retention monies totalling \$131,959.80 for three capital projects were also kept in the Judicial Trust Fund bank account and therefore the amount is reflected in the Judicial Trust cash balance as at 31 July 2018.

Root Cause/Implication

With the various trust funds being deposited into one bank account, there is a risk of funds for a particular trust being utilised for the other trust funds exacerbated by the backlog in the reconciliation for each of the trust types.

With the current presentation, the trust fund accounts disclosures are deemed inadequate and does not provide adequate useful information to the users of the financial statements.

Recommendations

The Department should:

- **work towards maintaining separate bank accounts for all new trust accounts created and submit separate statements accordingly; and**
- **liaise with the Ministry of Economy and consider opening up a new bank accounts to account fresh and separately for each trust fund account. At the same time continue updating pending reconciliations.**

Agreed Management Action

As advised earlier, once all reconciliations are up to date, then we would have a clear picture of how much money belongs to each account and then consideration can be given to open separate Trust Accounts for Maintenance, Sundries and Sutors as recommended by the Auditors. At the moment it would be difficult without the proper reconciliations.

As for the retention monies, when the separation of accounts will be done then we have to decide how to account for the bank fees and charges as the entire sum has to be paid to the supplier after the defects liability period.

Officer Responsible

Executive Management

9.15 Significant Arrears of Revenue

The credit officer must promptly follow up accounts that fall due. If the recovery is unsuccessful after one month, the following actions shall be taken:

- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than a month; and

- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.¹¹

If a final notice had been issued to one of the debtors listed, the Principal Accounts Officer may approve the case to be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implication and the probability of recovery.¹²

The arrears of revenue comprise of arrears arising from court fees, fines and costs awarded to the state. The audit noted that the Department's arrears of revenue as at 31 July 2018 amounted \$13,337,274. The last six years balances are as follows:

Table 9.10: Arrears of Revenue over Six Financial Years

Year	Balance (\$)
31/07/18	13,337,274
31/07/17	13,450,691
31/07/16	13,461,155
2015	13,215,858
2014	13,345,569
2013	11,968,031

Although, the Department has established a Fine Enforcement Unit in prior years to manage the arrears of revenue, the arrears of revenue remains substantial. The breakdown of aging as at 31/07/18 are as follows:

Table 9.11: Aging of Debtors

Age of Debtors	Amount (\$)	% of Total
Less than 1 year	733,117	5.5
1-2 years	991,513	7.4
2-5 years	2,053,473	15.4
More than 5 years	9,559,171	71.7
Total	13,337,274	100

Root Cause/Implication

The recovery measures warrants immediate review and collaborative actions with other government agencies.

Further delay in collecting the outstanding revenue increases the risk of revenue not likely to be collected which may require writing it off resulting in loss of revenue for government.

¹¹ Judicial Department Finance Manual 2013 - Section 9.2.1

¹² Judicial Department Finance Manual 2013 - Section 9.2.4

Recommendations

The Department should:

- work closely with Fine Enforcement Unit in an effort to recover the arrears of revenue from the defaulters;
- consider seeking collaborative assistance in terms of recovery from FRCS, LTA, Immigration and FNPF before considering the write offs; and
- upgrade its database information to capture information such as FNPF/Tin number, License and Passport Number in order to easily track the defaulters.

Agreed Management Action

The total arrears of revenue as at 31 July 2017 was \$13,450,691 and it decreased slightly to \$13,337,274 (0.84%) as at 31 July 2018.

Even though the fine enforcement unit staff accompanied the Police officers to locate the defaulters, they were not able to collect many arrears as people had changed their addresses from the ones which they had initially provided.

The Department is working with the Police to increase the number of execution runs such as having a full time transport allocated by the Police to do day time executions during the week whilst the Department provides the transport for the evening executions. The Department is also carrying out execution runs in the Northern Division now.

Officer Responsible

Executive Management

Head 9**Office of The Auditor-General****Roles and Responsibilities**

Office of the Auditor-General is an independent public office established and mandated by the Fijian constitution and is responsible for;

- The inspection, audit and report on the public accounts, property and transaction of state.
- To perform annual audits across various state entities, ministries, departments and whole of government accounts and fiancé. Report on performance, environment and information technology risk assessment.

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PART A: FINANCIAL STATEMENTS

9.1 Audit Opinion

The audit of the 2018 accounts of the Office of the Auditor General done by the Chartered Accounting firm, BDO resulted in an unqualified audit opinion.

9.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$389,729 and incurred a total expenditure of \$4,380,933 for the year ended 31 July 2018. Details are provided in Table 9.1.

Table 9.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Revenue		
Audit Fess	388,943	547,559
Miscellaneous revenue	786	2,406
Total Revenue	389,729	549,965
Expenditure		
Established staff	3,348,290	2,998,592
Government wage earners	38,381	31,146
Travel and communications	238,778	136,766
Maintenance and operations	98,053	109,120
Purchase of goods and services	585,975	486,884
Operating grants and transfer	12,775	5,298
Total Operating Expenditure	4,322,252	3,767,806
Value Added Tax	58,681	51,971
Total Expenditure	4,380,933	3,819,777

The significant variances with the comparative balances for some account areas were attributed to salary increment for all staff following Job Evaluation Review (JER), increase in staff professional development through local and international trainings and meetings and staff performance assessment bonus and staff health insurance benefit payments.

Revenue mainly comprised of audit fees and commission.

9.3 Appropriation Statement

The Office incurred expenditure totalling \$4,380,933 in 2018 against a revised budget of \$4,612,843 resulting in savings of \$231,910 or 5%. Major saving was in personal emolument due to some vacant positions which were filled in 2018/2019 financial year.

Details of expenditure against the revised budget are provided in Table 9.2.

Table 9.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,693,927	(178,148)	3,515,779	3,348,290	167,489
2	Unestablished Staff	39,352	2,500	41,852	38,381	3,471
3	Travel & Communication	213,000	35,000	248,000	238,778	9,222
4	Maintenance & Operations	131,064	(3,852)	127,212	98,053	29,159
5	Purchase of Goods & Services	444,500	158,000	602,500	585,975	16,525
6	Operating Grants & Transfer	16,000	(1,000)	15,000	12,775	2,225
	Total Operating Expenditure	4,537,843	12,500	4,550,343	4,322,252	228,091
13	Value Added Tax	75,000	(12,500)	62,500	58,681	3,819
	Total Expenditure	4,612,843	---	4,612,843	4,380,933	231,910

The Office collected revenue totalling \$389,729 in 2018.

PART B ASSESSMENT OF FINANCIAL GOVERNANCE

9.4 Internal Controls

As part of its audit, BDO assessed the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

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

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

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

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

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

- **Risk Assessment (RA)** – involves a dynamic process for identifying and analysing risks to achieve the entity's objectives, forming a basis for determining how risks should be managed. The Risk Management Policy (POL 31/2019 – Version 1/2019) was formally approved on 23 May 2019. The Office of the Auditor General is committed to embedding Risk Management Principles and Practices in its operations.

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

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

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

authorization, performance reviews, information processing, physical controls, and segregation of duties.

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

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


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

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

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

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

In view of the above, we have assessed the internal controls of the Office of the Auditor General as:

Rating	Internal control assessment
 Effective	No significant deficiencies identified in internal controls

9.5 Submission of FY 2017-2018 Draft Agency Financial Statements

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

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- Monitoring of unpresented cheques by 31 July 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Retirement of imprests by 20 July 2018

- Cancellation of unprocessed purchase orders by 27 July 2018
- Processing of payments and virements by 20 July 2018
- Completion of reconciliations by 29 August 2018
- Submission of arrears of revenue returns by 31 August 2018

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

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

Rating	Year-end close process assessment
● Effective	All 10 key processes completed by due date

9.6 Quality of draft financial statements by entities

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

BDO assessed the quality of financial statements by the impact these adjustments had on the operating results or net assets of the entity subject to our audit. The assessment for the Office of Auditor General was:

Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required

9.7 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
● Effective	Acceptable draft financial statements submitted to Chartered Accounting firm BDO before 15 October 2018

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

To assess the timeliness of provision of management comments and signing of financial statements, BDO have compared the date the draft management letter and audited financial statements were provided to OAG and the date management comments and signed accounts were provided by OAG to the firm. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Provided to Chartered Accounting firm BDO
● Ineffective	After 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements
● Effective	After 15 days from issue of Financial Statements for signing

Head 9**Parliament Office****Roles and Responsibilities**

The primary function of the Parliament is provided for under Section 46(1) of the Constitution of the Republic of Fiji which states that “the authority and power to make laws for the State is vested in Parliament”. The Parliament is the voice of the Fijian people, and it is responsible for ensuring representative government, openly debating relevant issues and providing oversight of government activities.

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PART A: FINANCIAL STATEMENTS

9.1 Audit Opinion

The audit of the 2018 accounts of the Parliament Office resulted in an unqualified audit opinion.

9.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$12,262 and incurred a total expenditure of \$10.8 million for the year ended 31 July 2018. Details are provided in Table 9.1.

Table 9.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State revenue	12,068	11,523
Agency revenue	194	151
Total Revenue	12,262	11,674
Established staff	4,792,066	4,523,347
Government wage earners	322,178	387,200
Travel and communications	2,695,508	2,068,416
Maintenance & operations	848,115	686,670
Purchase of goods and services	472,952	545,203
Operating grants and transfers	750,000	437,500
Special expenditures	569,931	1,485,628
Total Operating Expenditure	10,450,750	10,133,964
Capital Purchase	50,988	261,651
Total Capital Expenditure	50,988	261,651
Value Added Tax	391,719	440,157
Total Expenditure	10,893,457	10,835,772

Revenue mainly comprised of refunds from accountable advance and recoveries arising from losses and damages.

The reduction in expenditure for Government Wage Earners resulted from the reduction in staff establishment and overtime payments.

The increase in expenditure for Travel and Communication resulted from increase in the number of overseas official engagements attended by Honourable Speaker and Members of Parliament. The Members of Parliament also attended Parliament sittings, Committee sittings and public consultations which resulted in increase in local subsistence spending. There was increase in charges for internet services utilised by executives, Members of Parliament and staff for research purposes.

The increase in expenditure for Maintenance and Operation resulted from increased activities and demand for stationeries and printing. The Office also procured and installed a generator which increased expenditure in this allocation. Additionally, there was an increase in costs of

refreshments and catering for Members of Parliament during Parliament and Committee sittings and secretariat management meetings.

The increase in expenditure for Operating Grants and Transfers resulted from the full payment of the grant to political parties compared to 2017 where grant was only paid for 7 months. This was done to regularise 2016 grant payment which was done for the 12 months instead of the seven months.

The reduction in expenditure for Special Expenditure resulted from the reduction in the expenses for the 25th Asia-Pacific Parliamentary Forum.

The reduction in expenditure for Capital Purchases resulted from less capital procurements in 2018 compared to 2017 resulting from delay in tender process relating to the IT projects.

9.3 Appropriation Statement

The Office incurred expenditure totalling \$10,893,457 in 2018 against a revised budget of \$10,997,878.

Details of expenditure against the revised budget are provided in Table 9.2.

Table 9.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	---	---	---	---	
2	Unestablished Staff	---	---	---	---	
3	Travel & Communication	---	---	---	---	
4	Maintenance & Operations	---	---	---	---	
5	Purchase of Goods & Services	---	---	---	---	
6	Operating Grants & Transfers	10,997,878	---	10,997,878	10,501,738	496,140
7	Special Expenditure	---	---	---	---	
	Total Operating Expenditure	10,997,878	---	10,997,878	10,501,738	496,140
8	Capital Constructions	---	---	---	---	
9	Capital Purchase	---	---	---	---	
10	Capital Grants & Transfers	---	---	---	---	---
	Total Capital Expenditure	---	---	---	---	---
13	Value Added Tax	---	---	---	391,719	(391,719)
	TOTAL	10,997,878	---	10,997,878	10,893,457	104,421

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

9.4 Internal Controls

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

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

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

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

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

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

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

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

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

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

authorization, performance reviews, information processing, physical controls, and segregation of duties.

- **Information and Communication Control (IC)** – information is necessary for the entity to carry out internal control responsibilities in support of achievement of its objectives. Communication occurs both internally and externally and provides the entity with the information needed to carry out day-to-day controls. Communication enables personnel to understand internal control responsibilities and their importance for the achievement of objectives.
- *Examples of issues which would fall under this category are reported to management of the agencies on matters relating to internal controls*
- **Monitoring Activities (MA)** – on-going evaluations, separate evaluations or some combination of the two are used to ascertain whether controls are present and functioning. Findings are evaluated and deficiencies are communicated in a timely manner.

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

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

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

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

Rating	Internal control assessment
✱ Effective	No deficiencies identified in internal controls

9.5 Submission of FY 2017-2018 Draft Agency Financial Statements

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

The key focus areas in the circular were:

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

- Completion of reconciliations by 29 August 2018
- Submission of arrears of revenue returns by 31 August 2018

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

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

Rating	Year-end close process assessment
● Effective	All 9 key processes completed by due date

9.6 Quality of Draft Financial Statements by entities

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

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

Rating	Quality of draft financial statements assessment
● Effective	No adjustments were required

9.7 Timeliness of Draft Financial Statements

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

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

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

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

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

Rating	Timeliness of Signed Financial Statements Received
● Effective	Within 5 days from issue of Financial Statements for signing

Head 13**Independent Commissions****Roles and Responsibilities**

Fiji's independent commissions directly serve the people in specialised areas where objective and non-political judgment is required. These commissions apply the law independently, and are valuable tools for transparent and accountable governance. They share the larger purpose of defending the rights and dignity of individuals and communities consistent with the Fijian Constitution, keeping institutions and the people who serve the public accountable and serving as a constant reminder that Government serves the people.

A sum of **\$27.0 million** is provided to fund the operations of the seven Independent Commissions: the Human Rights and Anti-Discrimination Commission, the Accountability and Transparency Commission, the Constitutional Offices Commission, the Fiji Accident Compensation Commission, the Public Service Commission and the Fiji Independent Commission Against Corruption.

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FIJI INDEPENDENT COMMISSION AGAINST CORRUPTION

PART A: FINANCIAL INFORMATION

13.1 Audit Opinion

The audit of the financial statements of Fiji Independent Commission Against Corruption for the year ended 31 July 2018 resulted in an unqualified audit opinion. The Commission prepares its financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized entities.

13.2 Abridged Statement of Comprehensive Income

Description	2018 (\$)	2017 (\$)
Government grant	8,254,648	8,215,437
Other income	7,247	136,729
Total Revenue	8,261,895	8,352,166
Administrative Expenses	737,043	719,976
Other Expenses	7,602,725	7,581,863
Total Expenditure	8,339,768	8,301,839
Net Profit/(Loss)	(77,873)	50,327

The financial year end for the Commission was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016.

13.3 Abridged Statement of Financial Position

Description	2018 \$	2017 \$
Cash	1,054,171	1,068,206
Receivables	17,148	53,119
Other current assets	355,638	263,455
Property, plant and equipment	1,770,377	1,599,308
Intangible assets	289,648	416,108
Total Assets	3,486,982	3,400,196
Trade and other payables	319,242	207,827
Employee entitlements	388,057	334,813
Total Liabilities	707,299	542,640
Net Assets	2,779,683	2,857,556
Accumulated funds	2,779,683	2,857,556
Total Equity	2,779,683	2,857,556

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

13.4 Internal Controls

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

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

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

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

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

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

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

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

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

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






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

Examples of issues which would fall under this category are reported to management of Commission on matters relating to internal controls.


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

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

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

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

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

Ratings	Internal control assessment
 Effective	No deficiencies identified in internal controls

13.5 Quality of Draft Financial Statements by Entities


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

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

Ratings	Internal control assessment
 Effective	No adjustments were required


13.6 Timeliness of Draft Financial Statements


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

Ratings	Internal control assessment
 Effective	Acceptable draft financial statement received within one month from the end of financial year.

13.7 Timeliness of Management Comments and signed Financial Statements

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

Rating	Timeliness of Management Comments Received
 Effective	Management response received within 14 days

Rating	Timeliness of Signed Financial Statements Received
 Effective	Signed accounts was received within 5 days

PUBLIC SERVICE COMMISSION

PART A: FINANCIAL STATEMENTS

13.8 Audit Opinion

The audit of the 2018 accounts of the Public Service Commission resulted in an unqualified audit report.

13.9 Statement of Receipts and Expenditure

The Public Service Commission allocation caters for the salaries, allowances and other expenses for contracted Permanent Secretaries in civil service. The Ministry of Civil Service is responsible for the administration of this fund under the budget. The Commission incurred a total expenditure of \$5,180,294 for the year ended 31 July 2018. Details are provided in Table 13.3.

Table 13.3: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Operating Grants and Transfers – Salaries for Permanent Secretaries	5,180,294	4,983,911
Total Operating Expenditure	5,180,294	4,983,911
Total Expenditure	5,180,294	4,983,911

13.10 Appropriation Statement

The Commission incurred expenditure totalling \$5,180,294 in 2018 against a revised budget of \$6,253,596 in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$1,073,302 or 17%.

Details of expenditure against the revised budget are provided in Table 13.4.

Table 13.4 Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating grants & transfers	6,253,596	---	6,253,596	5,180,294	1,073,302
	Total Operating Expenditure	6,253,596	---	6,253,596	5,180,294	1,073,302
	Total Expenditure	6,253,596	---	6,253,596	5,180,294	1,073,302

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The assessment of financial governance for the Public Service Commission was performed together with the assessment of Ministry of Civil Service. The results are included under section 17 of this report.

Head 15**Ministry of Justice****Roles and Responsibilities**

The Ministry of Justice is responsible for the administration of law and justice in Fiji. The Ministry delivers judicial services through registries established by the law to maintain official records of legal documents. The Office of the Registrar of Companies registers companies, businesses, credit unions and money lenders. The Office of the Registrar of Titles registers titles and deeds. The Office of the Registrar-General registers births, deaths and marriages. The Office of the Official Receiver is responsible for the administration of the winding-up of companies and bankruptcy matters, whereas the Office of the Administrator General is responsible for the administration of the Justices of the Peace.

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PART A: FINANCIAL STATEMENTS

15.1 Audit Opinion

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

15.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$2,657,722 and incurred a total expenditure of \$5,898,077 for the year ended 31 July 2018. Details are provided in Table 15.1.

Table 15.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	2,657,722	2,385,560
Total Revenue	2,657,722	2,385,560
Established Staff	3,034,750	2,305,416
Government Wage Earners	132,814	139,050
Travel & Communications	207,756	119,887
Maintenance & Operations	536,559	409,650
Purchase of Goods & Services	92,442	99,668
Operating Grants & Transfers	---	11,500
Special Expenditure	1,218,597	851,821
Total Operating Expenditure	5,222,918	3,936,992
Capital Construction	442,798	524,039
Capital Purchases	70,162	121,031
Total Capital Expenditure	512,960	645,070
Value Added Tax	162,199	150,273
Total Expenditure	5,898,077	4,732,335

The following factors contributed to the increase in balances for some account areas:

- Other State revenue increased by \$139,413 due to bankruptcy and liquidation government revenues that were previously deposited in the Official Receiver Liquidation and Bankruptcy Trust Fund Account and now required by the Companies Act 2015 to be deposited into the Consolidated Fund Account.
- Travel and Communication expenditure increased by \$87,869 in 2018 due to increase in meal allowance from \$9 to \$20 and increase in telecommunication expense following the opening of the new Birth, Death and Marriage (BDM) offices.
- Special Expenditure increased by \$366,776 due to increase in meal allowance from \$9 to \$20 and overtime pay-out for those involved in the digitisation programme.

15.3 Appropriation Statement

The Ministry incurred expenditure totalling \$5.8 million in 2018 against a revised budget of \$7.9 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$2.0 million or 26%.

The savings under Travel and Communication is due to less spending on accommodation, travel and subsistence.

Savings under Operating Grants and Transfers is due to the approved budget being insufficient to facilitate the increase in subscription for Asian Pacific Group on Money Laundering. Approval was given to facilitate the payment from anti-corruption activities allocation.

Savings under Capital Construction is due to the non-implementation of the decentralisation of BDM office projects and refurbishment of titles office project caused by delay in tender process for approval.

Details of expenditure against the revised budget are provided in Table 15.2.

Table 15.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,850,469	(65,000)	3,785,469	3,034,750	750,719
2	Government Wage Earners	193,685	---	193,685	132,814	60,871
3	Travel & Communication	293,000	55,000	348,000	207,756	140,244
4	Maintenance & Operations	657,000	83,000	740,000	536,559	203,441
5	Purchase of Goods & Services	205,826	(73,000)	132,826	92,442	40,384
6	Operating Grants & Transfers	11,500	---	11,500	---	11,500
7	Special expenditure	1,537,478	---	1,537,478	1,218,597	318,881
	Total Operating Expenditure	6,748,958	---	6,748,958	5,222,918	1,526,040
8	Capital Construction	800,000	---	800,000	442,798	357,202
9	Capital Purchase	100,000	---	100,000	70,162	29,838
	Total Capital Expenditure	900,000	---	900,000	512,960	387,040
13	Value Added Tax	322,450	---	322,450	162,199	160,251
	TOTAL	7,971,408	---	7,971,408	5,898,077	2,073,331

The Ministry collected revenue totalling \$2,657,722 in 2018, an increase of 11% from the previous year.

15.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Ministry of Justice

operates and maintains two main trust fund bank accounts, which include the Official Receiver Liquidation Trust Fund Account and the Official Receiver Bankruptcy Trust Fund Account.

The Official Receiver administers Liquidation and Bankruptcy Accounts in accordance with the Companies Act 2015 and Bankruptcy Act 1944, respectively.

The creditor files the petition against the debtor by paying a sum of \$150 for individual debtors and \$700 for companies.

The petitions are then lodged with the Magistrates' Court or High Court which then appoints the Official Receiver as the Official Receiver of a debtor's estate for individuals or as the Provisional Liquidator for a company.

The Official Receiver then would have to take necessary steps as required under the Companies Act 2015 and the Bankruptcy Act 1944 to ensure recoveries are made from the debtors to pay off the creditors.

Money received from the individual debtors is deposited in the Bankruptcy Trust Bank Account for payment to creditors. Money received from Liquidated Companies on the other hand is deposited into the Liquidation Trust Bank Account for payment to creditors.

15.4.1 Official Receiver Liquidation Trust Fund Account

Table 15.3: Official Receiver Liquidation Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Debt Collected	1,281,951	1,461,819
Petition	38,213	31,416
Search Fees	6,714	6,233
Proof of Debt	2,453	2,004
Total Receipts	1,329,331	1,501,472
Payments		
Debt Payment	834,767	993,143
Company Operational Expenditure	55,116	520,542
Debtor Refund	291,088	7,953
Petition Refund	5,604	3,788
Valuation Costs	1,500	3,850
Publication Costs	3,664	1,456
Bank Fees & Charges	336	551
Payment to CFA	108,840	---
Accounting Fee	26,200	---
Total Payments	1,327,115	1,531,283
Net Surplus	2,216	(29,811)
Opening balance as at 1 August	587,437	617,248
Closing Balance as at 31 July	589,653	587,437

15.4.2 Official Receiver Bankruptcy Trust Fund Account**Table 15.4: Official Receiver Bankruptcy Trust Fund Account – Statement of Receipts and Payments**

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Debt Collected	105,501	102,356
Search Fees	37,475	29,410
Official Receiver Fees & Costs	---	29,037
Petition	4,456	7,618
Proof of Debt	18	64
Total Receipts	147,450	168,485
Payments		
Debt Payment	59,788	101,722
Debtor Refund	673	24,908
Publication Costs	4,733	3,044
Petition Refund	---	2,375
Bank Fees & Charges	513	463
Payment to CFA	63,086	---
Total Payments	128,793	132,512
Net Surplus	18,657	35,973
Opening balance as at 1 August	255,603	219,630
Closing Balance as at 31 July	274,260	255,603

PART B ASSESSMENT OF FINANCIAL GOVERNANCE

15.5 Internal Controls

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

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

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

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

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

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

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

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

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

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

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

Examples of issues which would fall under this category are reported to the management of the entities on matters relating to internal controls.


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

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

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

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

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

Rating	Internal control assessment
 Effective	No deficiencies identified in internal controls

15.6 Submission of FY 2017-2018 Draft Agency Financial Statements


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

The key focus areas in the circular were:

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

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


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

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

15.7 Quality of draft financial statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


15.8 Timeliness of draft financial statements


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

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

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

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

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

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 5 days from issue of Financial Statements for signing

Head 15A**Fiji Corrections Service****Roles and Responsibilities**

The Fiji Corrections Service [FCS] is responsible for properly and safely detaining and rehabilitating persons sentenced to a term of imprisonment or placed on remand pending trial by the courts at its correctional centres.

The FCS upholds Government's obligation to meet international standards and best practices in its custody of inmates. One of its main responsibilities is to reduce overcrowding in correction centres to ensure that the human dignity of all inmates is respected.

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PART A: FINANCIAL STATEMENTS**15A.1 Audit Opinion**

The audit of the 2018 accounts of the Fiji Corrections Service resulted in the issue of an unqualified audit opinion.

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

1. Internal controls over the preparation of TMA cash at bank reconciliations were generally found to be weak. This relates to reconciliations not being performed and reviewed on a timely manner. Instances were noted where TMA cash at bank reconciliations were not adequately supported. These internal controls weakness if not addressed on a monthly basis may result in material misstatements and possible financial losses in the future.
2. Note 6 of the Department's Financial Statements provides a brief description on the purpose of the Prisoners Cash Trust Fund Account. As at the date of this report, the Fiji Corrections Service was in the process of updating the beneficiaries listing which details the actual income earned by the prisoners during incarceration.

15A.2 Statement of Receipts and Expenditure

The Fiji Corrections Service collected revenue totalling \$402,679 and incurred a total expenditure of \$31,555,620 for the year ended 31 July 2018. Details are provided in Table 15A.1.

Table 15A.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	357,679	64,779
Agency Revenue	45,000	1,604
Total Revenue	402,679	66,383
Established Staff	17,740,596	18,275,010
Government Wage Earners	16,812	31,721
Travel and Communications	709,128	473,504
Maintenance and Operations	2,421,163	1,890,104
Purchase of Goods and Services	4,915,743	4,349,534
Operating Grants and Transfers	9,940	9,623
Special Expenditures	645,448	359,071
Total Operating Expenditure	26,458,830	25,388,567
Capital Construction	3,540,439	6,844,787
Capital Purchase	486,302	364,890
Total Capital Expenditure	4,026,741	7,209,677
Value Added Tax	1,070,049	1,374,477
Total Expenditure	31,555,620	33,972,721

15A.3 Appropriation Statement

The Fiji Corrections Service incurred expenditure totalling \$31.5 million in 2018 against a revised budget of \$38.7 million, resulting in a saving of \$7 million or 19%.

The significant savings of \$3.6 million or 17% in Established Staff resulted from vacant positions which were not filled during the financial year.

Funds allocated under operating grant and transfers are used to pay those inmates with formal qualifications who provide services to institutions while in custody. The funds are released to inmates upon their discharge from the care of Fiji Corrections Service. For the financial year, there were less inmates released hence savings were noted for the funds allocated under operating grants and transfers.

Savings in Special Expenditure amounting to 27% was due to reduction in self-help projects, businesses and rehabilitation programs provided to sustain inmates when integrating into the community. Savings in Capital Construction budget resulted from the delay caused by vetting of contracts and tender process for approval.

Details of expenditure against the revised budget are provided in Table 15A.2.

Table 15A.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	24,249,368	(2,904,151)	21,345,217	17,740,596	3,604,621
2	Government Wage Earners	34,656	---	34,656	16,812	17,844
3	Travel & Communication	640,670	170,000	810,670	709,128	101,542
4	Maintenance & Operations	1,923,000	811,424	2,734,424	2,421,163	313,261
5	Purchase of Goods & Services	3,806,232	1,683,761	5,489,993	4,915,743	574,250
6	Operating Grants & Transfers	46,260	---	46,260	9,940	36,320
7	Special expenditure	884,745	---	884,745	645,448	239,297
	Total Operating Expenditure	31,584,931	(238,966)	31,345,965	26,458,830	4,887,135
8	Capital Construction	5,425,000	---	5,425,000	3,540,439	1,884,561
9	Capital Purchase	550,000	---	550,000	486,302	63,698
	Total Capital Expenditure	5,975,000	---	5,975,000	4,026,741	1,948,259
13	Value Added Tax	1,190,600	238,966	1,429,566	1,070,049	359,517
	TOTAL	38,750,531	---	38,750,531	31,555,620	7,194,911

The Department collected revenue totalling \$402,679 in 2018; an increase of 507% from the previous year due to a refund received from a supplier for fence supplies which could not be provided, overpayment recoveries and late arrival deductions from staff.

15A.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Fiji Corrections Service operates and maintains the following trust fund bank account:

15A.4.1 Prisoners Cash Trust Fund

Money held in trust consist of confiscated cash from prisoners upon convictions, engagement in the Trading and Manufacturing Small Business Units (TMA SBUs), engagement in the art gallery and commercial wage job placements. For the TMA SBUs, the wage rate depends on the job cost, skill of the prisoner and years of experience in the trade. The more skilful the prisoner, the higher the wage rate which is charged. For commercial wage job placements, the wage rate depends on the rate offered by the company. For the art gallery, 60% of sale goes to the prisoner while 40% is used to purchase gallery items. The hours worked by the prisoners are recorded in the timesheets and receipted when deposited into the Prisoners Trust Account.

Any pay out for prisoners upon discharge is taken out from the Trust Account upon production of receipts by a prisoner. Pay outs are based on actual cash earned by the prisoners during imprisonment. If there are discipline issues during imprisonment these are accounted for when making payments to prisoners during release but upon Commissioner's discretion. All payments are supported by receipts and approved by the Commissioner before payment is made.

Table 15A.3: Prisoners Cash Trust Fund – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Prisoner's cash	27,969	389,987
Job placement	7,399	---
Sale of art gallery	14,730	---
Sugar cane harvesting	173,861	---
Commercial wages	1,758	---
Total Receipts	225,717	389,987
Payments		
Return of Prisoner's cash	81,042	169,024
Job placement	558	---
Art gallery	3,320	---
Sugar cane harvesting	34,654	---
Total Payments	119,574	169,024
Net surplus	106,143	220,963
Balance as at 1 August	661,323	440,360
Closing Balance as at 31 July 2018	767,466	661,323

15A.5 Consolidated Trading and Manufacturing Account

The Fiji Corrections Service operates the Trading and Manufacturing Account (TMA) and is guided by its legal mandate to operate its Commercial Enterprises Unit as stipulated under the Fiji Corrections Act 2006 under Part 10 Clause 45 (a) to (d).

The Department's TMA consists of six Small Business Units (SBUs) namely the Bakery, Joinery, Piggery, Poultry, Tailor and Crops. The summary of the activities are presented in a consolidated form as there is only one bank account for all the SBUs.

The operation of these TMA helps in the rehabilitative work programs with key objective of teaching and developing inmates with basic industrial and agricultural skills. The TMA also generates much needed revenue through the sale of agricultural products, joinery, tailor and bakery materials.

The activities for the TMA are as follows:

Bakery - is responsible for baking long loaves and slice bread. Bakery unit is located within the Maximum Correction facility. This is the only product currently produced at the bakery. The production is to cater for the demand from the corrections institution and two main external customers which are the Fiji Military Forces and Fiji Navy. It also includes supply for special events like the Hibiscus Festival and Show Case when the need arises.

Crops - does farming of crops and vegetables such as ginger, cassava, dalo and many other products according to seasons. The produce are mostly used to cater for institutional needs and also for sale to local buyers.

Joinery - comprises of inmates who are involved with the construction of furniture items for institutional and commercial use. The furniture include construction of tables, desks, chairs, coffin boxes and wardrobes.

Piggery - is responsible for breeding pigs and supplying pig meat to buyers along the Navua to Nausori corridor. The unit breeds pigs from weaner to baconer. Although it's not part of the major supplies of pig meat in Fiji, the unit is aiming to improve its breeding numbers.

Poultry - is responsible for breeding live chickens for supply of fresh eggs which are then retailed in the local market. The eggs produced are of high quality with affordable prices compared to other suppliers of fresh eggs and is mostly bought by households and businesses around the greater Suva area. Additionally, the unit sells live chicken.

Tailor - is responsible for making garments such as school uniforms, beddings, government uniforms, health workers uniforms/coats and many more. Garments are mostly bought by clothing retail shops around Fiji. The unit also specializes in custom made designs and modifies the designs according to customer needs.

The operating results for each business unit are tabulated below:

Table 15A.4: Operating results for each business unit

	Business Units													
	Bakery		Crops		Joinery		Piggery		Poultry		Tailoring		Consolidated	
	2018 (\$)	2017 (\$)	2018 (\$)	2017 (\$)	2018 (\$)	2017 (\$)	2018 (\$)	2017 (\$)	2018 (\$)	2017 (\$)	2018 (\$)	2017 (\$)	2018 (\$)	2017 (\$)
Income														
Gross Profit	84,123	207,096	10,455	81,517	(21,890)	(38,498)	166,104	230,868	127,362	278,912	161,240	15,650	527,394	775,545
Expenses														
Maintenance and Operations	24,429	32,836	6,873	94,990	34	9,561	19,911	69,828	22,975	31,874	81	14,290	74,303	253,379
Total Expenses	24,429	32,836	6,873	94,990	34	9,561	19,911	69,828	22,975	31,874	81	14,290	74,303	253,379
Net Profit/(Loss)	59,694	174,260	3,582	(13,473)	(21,924)	(48,059)	146,193	161,041	104,387	247,038	161,159	1,361	453,091	522,166

As can be seen from the table above, loss incurred in operation of Joinery business unit was financed from surpluses in other operations.

The consolidated Trading and Manufacturing Accounts are presented in the tables below:

Table 15A.5: Manufacturing Account – Consolidated Trading Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
Opening Raw Materials	44,019	142,969
Add: Purchases	882,043	1,066,375
	926,062	1,209,344
Less: Closing Raw Materials	72,841	44,019
Raw Materials Used	853,221	1,165,325
Add: Opening Work in Progress	95,424	108,721
Add: Direct Cost – Labour	31,423	37,153
Less: Closing Work in Progress	357,243	95,424
Cost of Manufactured Goods Transferred to Trading Account	622,825	1,215,775

Table 15A.6: Trading Account – Consolidated Trading Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
Sales	1,487,190	2,033,087
Total Sales	1,487,190	2,033,087
Opening Stock	354,541	396,308
Add: Cost of Manufactured Goods transferred from Manufacturing Account	622,825	1,215,775
Less: Closing Stock of Finished Goods	17,570	354,541
Cost of Goods Sold	959,796	1,257,542
Gross Profit transferred to Profit & Loss Account	527,394	775,545

Table 15A.7: Profit and Loss Account – Consolidated Trading Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
Income		
Gross Profit Transferred from Trading Account	527,394	775,545
Total Income	527,394	775,545
Expenses		
Maintenance and Operations	74,303	253,379
Total Expenses	74,303	253,379
Net Profit	453,091	522,166

Table 15A.8: Balance Sheet – Consolidated Trading Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
Assets		
Cash at Bank	702,424	753,527
Debtors	218,558	218,558
Raw Materials	72,841	44,019
Works in Progress	357,243	95,424
Finished Goods	17,570	354,541
VAT Receivable	8,064	13,390
Total Assets	1,376,700	1,479,459
Net Assets	1,376,700	1,479,459
Equity		
TMA Accumulated Surplus	916,713	950,397
TMA Surplus transferred to Consolidated Fund	6,896	6,896
Net Profit	453,091	522,166
Total Equity	1,376,700	1,479,459

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

15A.6 Internal Controls

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

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

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

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

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

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

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

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

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

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





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

Examples of issues which would fall under this category are reported to management of the agencies on matters relating to internal controls.


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

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

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

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

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

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

15A.7 Submission of FY 2017-2018 Draft Agency Financial Statements


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

The key focus areas in the circular were:

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

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


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

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

15A.8 Quality of Draft Financial Statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Ineffective	Adjustments on operating results were more than one percent


15A.9 Timeliness of Draft Financial Statements


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

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

15A.10 Timeliness of Provision of Management Comments and Signing of Financial Statements

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

Rating	Timeliness of Management Comments Received
 Ineffective	After 21 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
 Ineffective	After 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTER

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

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

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

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

15A.12 Budget savings

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.¹

We noted that there were significant savings in certain expenditure allocations of the Department. The overall savings for the Department was \$7,194,911 which equates to 19% of the revised budget. Refer to table below for detail.

Table 15A.9: Detail of significant savings

Expenditure	Revised budget (\$)	Actual expenditure (\$)	Savings (\$)	Percentage savings (%)
Established staff	21,345,217	17,740,596	3,604,621	17
Government wage earners	34,656	16,812	17,844	51
Operating grants and transfers	46,260	9,940	36,320	79
Special expenditures	884,745	645,448	239,297	27
Capital construction	5,425,000	3,540,439	1,884,561	35

Root cause/Implication

Such finding indicates that there was no proper planning of procurement and implementation of capital projects.

As a result, the Department's budget was under-utilized and organizational objective was not met.

Recommendation

The Department should ensure that proper planning is done for utilizing the funds as appropriated by Parliament.

¹ Finance Instructions 2010 – Section 7

Agreed Management Action

This recommendation is welcomed. The overall 16% budget saving is from various allocations within the operating and capital SEGs of FCS budgetary provisions. There are two major SEGs that contribute to this percentage balance, is the SEGs 1 and 8. This issue will be rectified in the next financial period (2019/20), to which MoE budget division has reduced FCS SEG 1 vote by \$2,670,000 and VAT at \$253,900; bringing to a total of \$5,159,911. This budgetary decrease will eventually equate the savings experienced in this 2017/18 period. Savings was mainly derived from the vacant posts and funds released through RIEs for SEG 8, Capital construction.

Officer Responsible

Senior Accounts Officer

15A.13 Weaknesses noted in the reconciliation process

The TMA Clerical Officer shall be responsible for preparing and submitting to the Ministry of Economy a monthly bank reconciliation statement within 7 days after the end of the month. A standard Bank Reconciliation format is provided in Part 18 Schedule 6 of the manual. The TMA bank reconciliation is to be submitted first to the Accounts Officer/ Senior Accounts officer, who will verify and forward to the Commissioner of Corrections for endorsement.²

The Senior Accounts Officer should ensure that all irregularities in the bank reconciliation is investigated and rectified within 7 work days and all irregularities are documented.³

Internal controls over the preparation of salary reconciliations and TMA cash at bank reconciliations were generally found to be weak. This relates to reconciliations not been performed and reviewed on a timely manner and endorsed by the Commissioner. Instances were noted where TMA cash at bank reconciliations were not adequately supported. Refer to table below for detail.

Table 15A.10: Detail of weaknesses in reconciliation process.

TMA Cash Book Reconciliations		
Reconciliation Month	Financial Year	Audit Observations
August	2017	Bank reconciliation provided was not signed by SAO and endorsed by the Commissioner.
September	2017	Opening balance did not agree with previous month's closing balance.
October	2017	Bank reconciliation provided was not signed by the SAO and endorsed by the Commissioner. All supporting documentation for adjustments were not attached.
November	2017	
December	2017	
January	2018	
February	2018	
March	2018	
April	2018	
May	2018	
June	2018	
July	2018	

² Fiji Corrections Service Finance Manual 2018 – 2019 Section 6.5.3

³ Fiji Corrections Service Finance Manual 2018 – 2019 Section 6.5.4

The above errors were only rectified by the Department after it was highlighted during audit.

The practices highlighted above were also prevalent in our audit of the 2016-2017 financial statements, whereby amended reconciliations were resubmitted only after errors and omissions were discovered following our audit.

Root cause/Implication

The audit finding indicates that the monthly monitoring and supervision of the reconciliations process has been ineffective. These internal controls weakness if not addressed may result in material misstatements and possible financial losses in the future.

Recommendation

Supervisory checks are strengthened at the Accounts Section to ensure all reconciliations checks and verifications are carried out in a timely manner.

Agreed Management Action

The Audit findings is acknowledged.

- Reconciliations have a timeline for endorsement and submission to MoE. This timeliness have been improved to meet the schedule times. Changes in balances are usually identified later after the closing hence the reason for correcting the reconciliations to balance back with the FMIS system.*
- The variances between the opening and closing balances were addressed accordingly through the re - submission of all monthly recons as required by them.*
- FCS has tried its best to address this issue; the insufficiency in the FMIS structure to capture FCS TMA processes.*
- Amended recons were given to OAG and variances clarified and cleared.*

Officer Responsible

Senior Accounts Officer

PRIOR YEAR UNRESOLVED ISSUES

15A. 14 Beneficiaries listing of Prisoner's trust fund account

Within 5 days after the end of each month, the reconciliation clerk shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.⁴ Details of balances must be attached to the reconciliation.⁵

Review of the Prisoner's trust fund account revealed that the beneficiaries listing was not updated whereby the listing entailed unidentified beneficiaries.

Root cause/Implication

This indicates the lack of proper controls and supervisory checks for record keeping and administration of Prisoner's Cash Trust Account.

In the absence of updated beneficiaries' listings, it will be difficult for the Department to verify claims made by beneficiaries.

Recommendation

The Department should identify all the beneficiaries and reconcile their record against the general ledger (FMIS) balance.

Agreed Management Action

We have acknowledged the audit team's comments on the maintaining of documents with respect to the Prisoner Trust Fund Account. We confirm that receipt documents prior to 2015 cannot be located in our archives room and stores. As way forward, to release funds to an inmate being discharged that was incarcerated prior to 2015, the original receipt is requested from the supervisor and OC in which the inmate is detained. This is checked with the FMIS system for any payments processed for this bearer. If not, then a payment is processed upon the approval of the Commissioner and released to the inmate. If original is misplaced, a statutory declaration is made and system checked also.

Officer Responsible

Senior Accounts Officer

⁴ Fiji Corrections Service Finance Manual 2018 - 2019, Section 15.4.1

⁵ Fiji Corrections Service Finance Manual 2018 - 2019, Section 15.4.2

Head 16**Ministry of Communication****Roles and Responsibilities**

Modern technology can create many opportunities for media, businesses, education, health and finance. It provides access to a world of information and helps keep families and communities, often separated by vast distances, connected.

Government is committed to spreading the benefits of technology to all Fijians – to bridge the digital divide between the rural and urban, the rich and the poor. The benefits of technological advances should be equally accessible to all Fijians and not just the elite.

In pursuit of this goal, the Ministry of Communication is responsible for providing coordination, support and leadership on all matters of policy, law, regulation and strategy for the Information, Communication and Technology [ICT] sector.

The Ministry comprises the following Departments: Information, Communication and Information Technology and Computing Services.

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PART A: FINANCIAL STATEMENTS

16.1 Audit Opinion

The audit of the 2018 accounts of the Department of Information and Communications resulted in an unqualified audit opinion.

16.2 Statement of Receipts and Expenditure

The Department of Information and Communication collected revenue totalling \$22,103 and incurred a total expenditure of \$32,688,342 for the year ended 31 July 2018. Details are provided in Table 16.1.

Table 16.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	18,630	20,754
Agency Revenue	3,473	3,793
Total Revenue	22,103	24,547
Established Staff	1,247,516	1,078,089
Government Wage Earners	161,671	148,439
Travel & Communications	348,901	253,981
Maintenance & Operations	101,507	97,774
Purchase of Goods and Services	1,845,460	770,654
Operating Grants and Transfers	803,966	549,142
Special Expenditure	2,298,854	2,205,091
Total Operating Expenditure	6,807,875	5,103,170
Capital Construction	9,075,678	4,014,641
Capital Purchase	14,368,579	---
Capital Grants and Transfers	---	---
Total Capital Expenditure	23,444,257	4,014,641
Value Added Tax	2,436,210	471,843
Total Expenditure	32,688,342	9,589,654

The total expenditure incurred by the Department in 2018 increased by \$23,098,688 or 241% compared to 2017. The following factors contributed to the increase in the expenditures in 2018:

- Established Staff expenditure increased by \$169,427 due to the increase in pay as a result of implementation of Job Evaluation Review and the introduction of salary bands and steps.
- Government Wage Earners costs also increased by \$13,232 as a result of implementation of Job Evaluation Review and wage rate increase.
- Travel and Communication expenditure increased by \$94,920 due to increase in meal allowance from \$9 to \$20 and purchase of communication tools due to increases in staffing.
- Purchase of Goods and Services increased by \$1,074,806 or 139.5% due to the inclusion of new budgetary provisions for Qorvis Communication and National Training Productivity Centre Levy which were previously budgeted under Head 50 – Miscellaneous Services and

Head 17 – Ministry of Civil Service respectively. An increase was also noted in the budget provision for purchase of photography cameras for coverage of main events.

- Operating Grants and Transfers costs increased by \$254,824 due to increase in grant pay-out to Telecommunication Authority of Fiji.
- Special expenditure increased by \$93,763 due to the inclusion of new budgetary provision for hosting of Asia Pacific Broadcasting Union (ABU) meeting in February 2018.
- Capital Construction increased by \$5,061,037 or 126.1% as a result of inclusion of World Bank loan component for Cable Connection project to Vanua Levu.
- Capital Purchase increased by \$14,368,579 due to the provision of grant to WALESI Limited for the Digital TV Rollout programme.
- Value Added Tax expenditure increased by \$1,964,367 as a direct result of the increase in related standard expenditure groups.

16.3 Appropriation Statement

The Department incurred expenditure totalling \$32.7 million in 2018 against a revised budget of \$41.7 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$9.0 million or 28%. The savings was largely attributed to capital construction.

The savings for capital construction of \$7,461,401 was the result of an additional budget funding of \$12.5 million as the loan component from the World Bank to fund the Suva to Savusavu Cable Project, which was successfully completed in July 2018.

Details of expenditure against the revised budget are provided in Table 16.2.

Table 16.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	1,815,490	(135,000)	1,680,490	1,247,516	432,974
2	Government wage earners	192,610	-	192,610	161,671	30,939
3	Travel & communication	328,782	80,000	408,782	348,901	59,881
4	Maintenance & operations	203,520	(16,000)	187,520	101,507	86,013
5	Purchase of goods & services	2,097,792	(89,000)	2,008,792	1,845,460	163,332
6	Operating grants & transfers	1,297,598	(469,000)	828,598	803,966	24,632
7	Special expenditure	3,180,000	(849,000)	2,331,000	2,298,854	32,146
	Total Operating Expenditure	9,115,792	(1,478,000)	7,637,792	6,807,875	829,917
8	Capital Construction	17,537,079	(1,000,000)	16,537,079	9,075,678	7,461,401
9	Capital Purchases	8,000,000	6,368,579	14,368,579	14,368,579	---
10	Capital grants and transfers	---	---	---	---	---

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Total Capital Expenditure	25,537,079	5,368,579	30,905,658	23,444,257	7,461,401
13	Value added tax	2,821,300	402,710	3,224,010	2,436,210	787,800
	TOTAL	37,474,171	4,293,289	41,767,460	32,688,342	9,079,118

The Department received additional budget funding of \$4.3 million vired from the Department of Information and Technological Services (ITCS) to fund the Digital Television program overseen by WALES Company Limited.

16.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Department operates and maintains a main trust fund bank accounts which was established under the Telecommunication Act 2008 and the Telecommunication (Trust Fund) Regulations 2016 for the purpose of imposing a levy on the interconnections to fund national developments in telecommunications.

Carriers (such as Telecommunication companies) are liable to pay to the Department a levy at such rate as maybe specified by order published in the Gazette.

Money that is accumulated in the Telecommunication Development Trust Fund may be invested or utilised for national development in relation to information, communication and technology projects approved by Minister.

The Telecommunication Trust Fund Account recorded a balance of \$682,617 for the financial year ending 31 July 2018. The Trust recorded receipt totalling \$5,407,299 and expenses totalling \$8,327,105 resulting in net deficit of \$2,919,806 for the financial year ending 31 July 2018.

Details of receipts against payments are provided in Table 16.3

Table 16.3: Telecommunication Trust Fund Account - Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Levy Fees from Telecommunication Companies	5,404,944	6,320,657
Pay Reimbursement	---	188
Interest	2,355	12,708
VAT refund for JICA project	---	1,312,320
Total Receipts	5,407,299	7,645,873
Payments		
Digital Television (DTV) Expenses - WALES	6,224,425	23,671,568
Tele-centre Expenses	544,159	507,861
Bank Fee	229	225
VAT payment for JICA Project	35,818	1,291,940
Government Digital Transformation	1,522,474	---
Total Payments	8,327,105	25,471,594

Description	31 July 2018 (\$)	31 July 2017 (\$)
Net Deficit	(2,919,806)	(17,825,721)
Balance as at 1 August	3,602,423	21,428,144
Closing Balance as at 31 July	682,617	3,602,423

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

16.5 Internal Controls

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

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

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

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

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

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

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

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

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

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






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

Examples of issues which would fall under this category are reported to management of agencies on matters relating to internal controls


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

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

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

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

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

Rating	Internal control assessment
 Generally effective	Adjustments on operating results/net assets were less than one percent

16.6 Submission of FY 2017-2018 Draft Agency Financial Statements


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

The key focus areas in the circular were:

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

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


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

Rating	Year-end close process assessment
 Effective	All 9 key processes completed by due date

16.7 Quality of Draft Financial Statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


16.8 Timeliness of Draft Financial Statements


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

Rating	Timeliness of draft financial statements assessment
 Ineffective	Acceptable draft financial statements received after 18 October 2018

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

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

Rating	Timeliness of Management Comments Received
 Ineffective	After 20 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 7 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

16.10 Additional budget appropriation vired from ITC

The Department of Communication was appropriated a sum of \$32,853,600 in the 2017-2018 National Budget. At the end of the financial year, an additional funding of \$4,293,289 was vired from the Department of Information and Technological Services (ITCS).

The virement of additional funding was made into SEG 9 Capital Purchases for the Digital TV Rollout program with WALES Ltd. The initial budget appropriated for 2018 was \$8,000,000 which was paid in a lump sum to WALES Ltd in September 2017.

Root cause and Implication

While the project of digitalization is appreciated, the additional funding requested through virements highlights weakness in the budget preparation process of the Department of Communication. Virement of such large amount indicates that planning for the project was not comprehensively carried out.

Recommendations

The Department should plan comprehensively for large projects to ensure that funds are readily available for the projects.

Agreed Management Action

Audit concern has been noted.

Upon request from WALES Ltd, further grant was paid out through vired funds from ITC. Due to the high public demand in 2018 after the rollout, Free Public WIFI were launched. In addition to this, as per Government initiative to promote Digital Television, free set up boxes were also issued to public.

The additional costs was not due to poor planning by WALES Ltd, but change in scope of the operation as required by the shareholder (Government). The overall cost was more than the budgeted.

Officer responsible

Senior Accounts Officer

16.11 Corporate Governance

Having strategic plans and annual corporate plans provides the department direction and a flow of accountability from the Government National Development Plan which are then linked to operational plans and subsequently, the individual work plans.

The flow of accountability in these plans also demonstrates outcomes to be achieved and provides measures of appropriate key performance indicators for the Department.

We noted that the Department did not have a corporate plan or a strategic plan in place. The last annual corporate plan and strategic plan was last developed for the financial year ending 2014.

Additionally, the last annual report the Department prepared was for year ending 2014.

As practices of good governance requires, records of management meetings were also not maintained.

Root cause and Implication

The Department did not develop the strategic and annual plan because the operations of the Department has remained fairly the same.

Inability to document strategies and plans of the Department, in line with Government goals and plans, can result in the lack of direction and non-achievement of government plans and goals.

Recommendation

The Department should ensure that

- **a strategic plan and annual corporate plan is developed in line with the National Development plan**
- **Requirements of the Financial Management Act 2004 Division 3 in relation to annual reports should be adhered.**
- **Minutes of management meeting must be kept for records and monitoring of management decisions**

Agreed Management Action

- Strategic Development Plan

Ministry of Communication has a draft Strategic Development Plan 2018-2021 in place. At present, this is in a reviewing stage to align with the Government vision “Transforming Fiji”. The Ministry will have this document ready for the management decision in the second half of this year (2019).

- Annual Corporate Plan

The Annual Corporate Plan 2018-2019 is in draft form. There is a review in progress to align Annual Corporate Plan with Strategic Development Plan. Ministry has maintained its business work plan at the Unit level as a working document. The Ministry ensures that all Staffs are well versed with their accountabilities. The staff performance is assessed on this unit work plan.

- Minutes of Heads Meeting

Ministry has stopped raising and circulating minutes of the meeting to minimize paper usage. Ministry does have an action plan soft copy for discussion purposes. Preference is to continue with daily and weekly briefing at unit level and important issues raised are included in the soft copy action plan.

Officer responsible

Principal Assistant Secretary and Senior Accounts Officer

16.12 Non submission of proper acquittal for grant appropriated to WALESI Ltd

The grant agreement signed between the Ministry of Communication and WALESI Ltd on 22 September 2017 required that the grant recipient (WALESI Ltd) must submit to Government quarterly acquittal reports.

While the agreement did not detail the form of acquittal report to be submitted, WALESI Ltd submitted their cash book only and a list of all installations done so far.

It was noted that the financial statements, status and progress report was not provided to the Department of Information and Communication.

A total grant of \$14,368,579 was paid out to WALESI Ltd in financial year 2018.

Root Cause/Implication

Since the grant pay-out was a lump sum payment, the acquittal for the previously given grant amount was not enforced.

This is a non-compliance to the signed grant agreement.

Recommendation

The Department must enforce the requirements of the agreement to obtain the quarterly acquittal report and provide the necessary checks and reviews on the utilisation of the government grant in accordance to the purpose and agreement of the grant.

Agreed Management Action

Management acknowledges the audit findings and has noted recommendations for further improvement and compliance.

For the 2017/2018 financial year, a lump sum grant payment was made to WALESI Ltd and department had received a full year report with the cash book.

Further grant was paid to WALESI Ltd this financial year (2018/2019) and the department to date has received 2 quarterly reports from them. The Department will ensure that it continues to comply with the requirement of the agreement by providing the necessary checks and reviews on the utilization of funds.

Officer responsible

Senior Accounts Officer

Head 16A**Department of Information Technology and Computing Services****Role and Responsibilities**

Modern technology can create many opportunities for media, businesses, education, health and finance. It provides access to a world of information and helps keep families and communities, often separated by vast distances, connected.

Government is committed to spreading the benefits of technology to all Fijians – to bridge the digital divide between the rural and urban, the rich and the poor. The benefits of technological advances should be equally accessible to all Fijians and not just the elite.

In pursuit of this goal, the Ministry of Communication is responsible for providing coordination, support and leadership on all matters of policy, law, regulation and strategy for the Information, Communication and Technology [ICT] sector.

The Ministry comprises the following Departments: Information, Communication and Information Technology and Computing Services.

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PART A: FINANCIAL STATEMENT**16A.1 Audit Opinion**

The audit of the 2018 accounts of the Department of Information Technology and Computing Services resulted in an unqualified audit opinion.

16A.2 Statement of Receipts and Expenditure

The Department collected revenue totalling \$142,041 and incurred a total expenditure of \$7,908,807 for the year ended 31 July 2018. Details are provided in Table 16A.1 below.

Table 16A.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue		
Commission	40	69
Total State Revenue	40	69
Agency Revenue		
Miscellaneous Revenue	142,001	20,433
Total Agency Revenue	142,001	20,433
Total Revenue	142,041	20,502
Operating Expenditure		
Established Staff	1,231,836	1,570,594
Government Wage Earners	17,317	17,748
Travel & Communications	1,274,509	1,334,290
Maintenance & Operations	986,332	1,213,312
Purchase of Goods & Services	2,642,123	3,274,015
Special Expenditure	1,092,121	1,217,068
Total Operating Expenditure	7,244,238	8,627,027
Capital Purchases	---	793,468
Capital Grants & Transfers	132,868	
Total Capital Expenditure	132,868	793,468
Value Added Tax	531,701	722,051
Total Expenditure	7,908,807	10,142,546

The total expenditure incurred by the Department in 2018 decreased by \$ 2,233,739 or 22% compared to 2017. The following factors significantly contributed to the decrease in the expenditures in 2018:

- Established Staff costs decreased by \$338,758 or 21.6% as a result of staff turnover and the vacancy of more than 50% of the established positions which remained vacant at year end.
- Travel and Communication costs decreased by \$59,781 or 4.5% due to reduction of work travels and related expenses.
- Maintenance and Operation costs decreased by \$226,980 or 18.7% as a result of decrease in the use of motor vehicles and related expenses. Additionally, there was a decrease in the use of stationeries, and power supply.

- Purchase of Goods and Services expenses decreased by \$631,892 or 19.3% due to the reduction in the number of local and overseas trainings attended. Additionally software upgrades were not carried out during the financial year except for renewal of existing licenses.
- Special expenditure decreased by \$124,947 or 10.3% as some invoices were unpaid at year end.
- Capital Construction, Capital Purchase and Capital Grants and Transfers decreased by \$660,600 or 83.3% as a result of the non-implementation of capital projects planned for the financial year apart from the utilisation of 50% advance payment for the National Switch project. Planned capital projects budgeted for in the financial year which remained unutilised at financial year end were for the Disaster Recovery site, Digitisation of the BDM, Companies and Titles Office, Central VOIP Infrastructure, Data centre certification, storage system capacity, Government Fibre Network Project and Fiji Pay.
- Value Added Tax expenses decreased by \$190,350. This is a direct result of the decrease in related expense accounts.

16A.3 Appropriation Statement

The Department of Information Technology and Computing Services incurred expenditure totalling \$7.9 million in 2018 against a revised budget of \$13.5million resulting in savings of \$5.68 million or 41.8%.

During the financial year, a total of \$4,293,289 of budgetary allocation was transferred out of the Department to the Department of Information and Communication to cater for payments to WALES Limited.

Details of expenditure against the revised budget are provided in Table 16A.2.

Table 16A.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,641,042	2,023,888	1,231,836	792,052
2	Government Wage Earners	41,501	41,501	17,317	24,184
3	Travel & Communications	1,614,392	1,466,103	1,274,509	191,594
4	Maintenance & Operations	2,186,000	2,034,773	986,332	1,048,441
5	Purchase of Goods & Services	3,804,760	3,805,987	2,642,123	1,163,864
7	Special Expenditure	2,000,000	2,000,000	1,092,121	907,879
	Total Operating Cost	13,287,695	11,372,252	7,244,238	4,128,014
8	Capital Construction	50,000	50,000	---	50,000
9	Capital Purchase	2,461,272	1,061,272	---	1,061,272
10	Capital Grants & Transfers	1,000,000	175,000	132,868	42,132
	Total Capital Expenditure	3,511,272	1,286,272	132,868	1,153,404
13	Value Added Tax	1,090,522	937,676	531,701	405,975
	TOTAL	17,889,489	13,596,200	7,908,807	5,687,393

The Department collected revenue totalling \$142,041 in 2018, an increase of 593% from the previous year. The increase was due to the receipt of a reimbursement of an overpayment made in the prior year.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

16A.4 Internal Controls

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

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

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

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

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

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

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

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

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

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






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

Examples of issues which would fall under this category are reported to the management of the entities on matters relating to internal controls.


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

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

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

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

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

Ratings	Internal control assessment
 Generally Effective	Deficiencies identified in internal controls

16A.5 Submission of FY 2017-2018 Draft Agency Financial Statements


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

The key focus areas in the circular were:

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

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


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

Ratings	Year-end close process assessment
 Effective	All 9 key processes completed by due date

16A.6 Quality of draft financial statements by entities


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

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

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


16A.7 Timeliness of Draft Financial Statements


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

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

16A.8 Timeliness of Provision of Management Comments and Signing of Financial Statements

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

Rating	Timeliness of Management Comments Received
 Ineffective	Management response received after 14 days

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

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

16A.9 Corporate governance

Our review of the governance structure of the Department revealed the following;

- The annual corporate plan, strategic plan were still in draft format at the end of the financial year;
- Annual report of the Department for financial year 2017 is still in draft; and
- Risk management policy, disaster recovery plan, business continuity plan and a Human Resource policy in line with government policies issued by the Civil Service Reform Management Unit (CSRMU) were not developed by the Department

Root Cause/Implication

The anomalies indicate that the department does not have proper processes in place to ensure timely preparation of the Annual Corporate plan, update of the strategic plan and Annual plan.

In absence of the above mentioned plans and reports the Department can lack strategic direction. In addition, absence of the Risk Management Policy and business continuity plans can pose risk of operations in case of natural disasters or unforeseen events.

Recommendation

The Department should ensure that it prepares and finalizes the plans and reports in a timely manner.

Agreed Management Action

The Annual Corporate Plan and Annual Report are currently being finalized. With regards to Risk Management Policy, Disaster Recovery Plan, Business Continuity Plan, a tender for an IT Disaster Recovery was advertised. There was a table top exercise with Singapore Corporation Enterprise (SCE) where a simulation was carried out on Payroll and FMIS and how data would be recovered during disaster. The objective of the table top exercise of 6hrs was met within 5.5hrs. A Business Continuity Plan (BCP) was also discussed during the exercise.

Officer responsible

Management

16A.10 Unutilised Budget and Budget Savings

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency¹.

Our review of the Department's financial statement revealed overall savings in the budget. The Capital Expenditure budget was not utilized in the year. Total percentage of savings was 59%.6. Refer to Tables 16A.3 and 16A.4 below for details.

Table 16A.3: Details of Expenditure Groups with savings of more than 30%

Expenditure Group	Revised Budget (\$)	Actual Expenditure (\$)	Variance (\$)	% Utilized	% Savings
Established staff	2,023,888	1,231,836	792,052	61%	39%
Government Wage Earners	41,501	17,317	24,184	42%	58%
Maintenance & Operations	2,034,773	986,332	1,048,441	48%	52%
Purchase of Goods & Services	3,805,987	2,642,123	1,163,864	69%	31%
Special Expenditure	2,000,000	1,092,121	907,879	55%	45%
Capital Construction	50,000	---	50,000	0%	100%
Capital Purchase	1,061,272	---	1,061,272	0%	100%

Table 16A.4: Details of budgeted ITC projects not implemented

Description	Original Budget (\$)	Revised Budget (\$)
Capital construction (SEG 8)		
Disaster recovery site project	50,000	50,000
Capital Purchase (SEG 9)		
Central VOIP (Voice over Internet Protocol): An internet based telephone system to provide a central and secure unified communication platform, which is also much cheaper to run than a traditional telephone system.	461,272	461,272
Storage System Capacity: To increase the storage capacity in ITC for current and future requirements.	250,000	250,000
Data Centre Infrastructure Upgrade: To consolidate all Government systems to a central Data Centre that meets the highest international standards.	250,000	50,000
Government Fibre Network Project: To replace 20-year-old and obsolete multimode fibre optic cables with newer fibre cables in the CDB areas. This will improve the speed of accessing the Govnet network and provide a stable environment for online services.	500,000	300,000

¹ Finance Instruction 2010 Appropriations

Root cause/implication

Unutilized funds may reflect ineffectiveness in carrying out planned activities for the year.

In addition, the department may not be achieving its objectives.

Recommendations

The Department must:

- **Ensure that it is adequately resourced to carry out planned activities of the Department; and**
- **Ensure that government policies and initiatives appropriated in the Budget are carried out**

Agreed Management Action

Capital Projects

1. *DR site Tender has been advertised for DR Solutions Table top exercise complete and target of 6hrs recovery time was achieved*
2. *DC Infrastructure Upgrade - A tender has been advertised for a Building Management System solution*
3. *Govt. Fiber network - Tender was advertised to complete the last two phases.*

With regard to the recommendation, it is noted that ITC is currently reviewing the number of total staff required within ITC. The structure lists 105 established and 3 unestablished and the intention is to reduce this number.

Work has already commenced to restructure/re-evaluate some of the roles within ITC to align the job descriptions and roles to the role title and the remuneration package.

When comparing to the old structure, we have now consolidated some of duties which was common to a particular position thereby reducing the number of positions. The re-evaluation of the ITC structure will result in a more streamlined Organization structure that is also effective and efficient

Officer responsible

Team Leader Infrastructure

16A.11 Overstatement of SEG 4

We noted an incorrect recording of a payment was made on 27/11/2017 under SEG 4 - Maintenance and Operations expenses instead of the budgeted SEG 10 – Capital Grants and Transfers. The payment was made out of SEG 4 as there were delays in the approval of the Requisition to Incur Expenditure (RIE) from Ministry of Economy which restricted the Department from utilising the budget under SEG 10.

The payment was later correctly posted to the relevant expenditure allocation in SEG 10. However, it was noted that the withholding tax portion of the payment amounting to \$23,447.27 was not adjusted out of SEG 4.

Root cause/implication

The above anomaly indicates the absence of proper checks verification of journal vouchers before posting into the general ledger.

Recommendation

The Senior Accountant must ensure that thorough checks are made before journal vouchers are approved for posting into the general ledger.

Agreed Management Action

Audit issue is noted. WHT is always charged to Trust Account and that is the reason for not journalizing.

Payment voucher #2323 withholding tax was credited. Payment voucher #2324 was prepared passing its debit amount. Evidence can also be checked in GL874 & Commitment & Expenditure Report for Year 2017 – 2018.

Officer responsible

Senior Accounts Officer

Head 17**Ministry of Civil Service****Roles and Responsibilities**

The Ministry of Civil Service has been created to oversee and implement the necessary central guidelines in line with the Government's view of Civil Sector Reform, which was undertaken to produce a more accountable, effective and professional Civil Service with the ultimate aim of improving service delivery to the public.

The Ministry comprises three main divisions: the Policy Division, responsible for the assessment of overarching government policies to ensure consistency and fairness within the Civil Sector's Human Resource policies; the Central Training Division, to coordinate central training programs that are necessary to facilitate the up skilling of civil servants; and the Corporate Service Division, to administer the day-to-day activities of the Ministry.

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PART A: FINANCIAL STATEMENTS

17.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Civil Service resulted in an unqualified audit report.

17.2 Statement of Receipts and Expenditure – Head 17 Ministry of Civil Service

The Ministry collected revenue totalling \$373,880 and incurred a total expenditure of \$50,868,904 for the year ended 31 July 2018. Details are provided in Table 17.1.

Table 17.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	74	42
Agency Revenue	373,806	-
Total Revenue	373,880	42
Established Staff	48,819,375	40,789,894
Government Wage Earners	82,882	34,629
Travel & Communications	127,468	121,948
Maintenance & Operations	231,499	142,172
Purchase of Goods and Services	1,429,625	1,079,021
Operating Grants and Services	995	1,047,988
Special Expenditure	22,317	539
Total Operating Expenditure	50,714,161	43,216,191
Value Added Tax	154,743	167,208
Total Expenditure	50,868,904	43,383,399

Agency Revenue increased by 373,806 in 2018 as a result of National Training Productivity Centre grant levy refund for 2016.

Established Staff expenses increased by \$8,029,481 in 2018 compared to 2017. The increase was mainly attributed to the increase in staff strength for the Ministry from August 2017 till July 2018. The Ministry filled in 202 vacant positions which also included hiring more expat doctors leading to increase in SEG 1.

The Operating Grants and Transfers expenditure decreased by \$1,046,993 in 2018 because the Ministry was no longer administering the National Training Productivity Centre Levy on behalf of other Ministries and Departments with effect from 01 August 2017.

17.3 Appropriation Statement - Head 17 Ministry of Civil Service

The Ministry incurred expenditure totalling \$50.9 million in 2018 against a revised budget of \$69.0 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$18.1 million or 26%.

Significant Savings were noted for Established Staff and Purchase of Good & Services for the financial year ended 31 July 2018.

Savings in Established Staff was due to the Ministry not employing the maximum number of medical officers as per approved establishment of 968 doctors. During the 2018 financial year, there were a total of 683 doctors employed and 285 doctors' positions were vacant, which resulted in a savings of \$17,481,936 under Established Staff expenditure.

Savings in Purchase of Goods and Services allocation was mainly due to the savings in the training budget as the Ministry was trying to set up the online education module and tender works were still in process.

Details of expenditure against the revised budget are provided in Table 17.2.

Table 17.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	66,389,311	(88,000)	66,301,311	48,819,375	17,481,936
2	Government Wage Earners	65,422	27,500	92,922	82,882	10,040
3	Travel & Communication	160,000	-	160,000	127,468	32,532
4	Maintenance & Operations	397,932	(55,000)	342,932	231,499	111,433
5	Purchase of goods & services	1,806,201	80,500	1,886,701	1,429,625	457,076
6	Operating grants & transfers	1,000	-	1,000	995	5
7	Special expenditure	-	35,000	35,000	22,317	12,683
	Total Operating Expenditure	68,819,866	-	68,819,866	50,714,161	18,105,705
13	Value added tax	212,800	-	212,800	154,743	58,057
	TOTAL	69,032,666	-	69,032,666	50,868,904	18,163,762

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

17.4 Internal Controls

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

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

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

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

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

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

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

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

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

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

authorisation, performance reviews, information processing, physical controls, and segregation of duties.






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

Examples of issues which would fall under this category are reported to management of the agencies on matters relating to internal controls.


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

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

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

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

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

Rating	Internal control assessment
 Effective	No deficiencies identified in internal controls

17.5 Submission of FY 2017-2018 Draft Agency Financial Statements

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 04/2017 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed. The final day for closing the 2018 accounts was 4 August 2018.


The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- Monitoring of unrepresented cheques by 31 July 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Retirement of imprests by 20 July 2018

- Cancellation of unprocessed purchase orders by 27 July 2018
- Processing of payments and virements by 20 July 2018
- Completion of reconciliations by 29 August 2018
- Submission of arrears of revenue returns by 31 August 2018

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


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

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

17.6 Quality of Draft Financial Statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


17.7 Timeliness of draft financial statements


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

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

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

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

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

Rating	Timeliness of Signed Financial Statements Received
 Ineffective	After 15 days from issue of Financial Statements for signing

Head 18**Ministry of Rural and Maritime Development****Roles and Responsibilities**

The Ministry of Rural and Maritime Development and National Disaster Management manages and coordinates Government's rural and maritime development programs. Guided by the socio-economic rights enshrined in the Fijian Constitution, the Ministry is focused on providing Fijians with the things they need to empower themselves and support their families.

The Ministry's programs are targeted at generating economic growth and improving living standards in Fiji's rural and maritime communities. This includes self-help programs and work on non-cane access roads, maritime roads and housing assistance.

The Ministry also provides support services to rural, peri-urban and maritime communities such as registration of births, deaths, marriages, issuing licences and collecting licence and permit fees.

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PART A: FINANCIAL STATEMENTS

18.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Rural and Maritime Development resulted in a qualified audit report. The qualification was for the following:

Included in the Provincial Trust Fund Accounts are funds received for Rural Housing Scheme 1 totalling \$1,173,893 and one third self-help projects totalling \$553,611. However, the Ministry did not maintain listing to show detailed breakdown of funds held. Hence, I was unable to establish the status and accuracy of the closing balance of the account.

18.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$1,464,668 and incurred a total expenditure of \$16,589,916 for the year ended 31 July 2018. Details are provided in Table 18.1.

Table 18.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	1,402,195	1,340,496
Agency Revenue	62,473	76,569
Total Revenue	1,464,668	1,417,065
Established Staff	5,545,564	5,422,886
Government Wage Earners	1,578,461	1,477,614
Travel & Communications	533,916	510,798
Maintenance & Operations	976,535	981,759
Purchase of Goods & Services	891,657	887,833
Operating Grants and Transfers	572,074	398,507
Special Expenditures	743,175	824,755
Total Operating Expenditure	10,841,382	10,504,152
Capital Construction	2,120,681	1,570,783
Capital Purchase	167,943	198,834
Capital Grants and Transfers	2,976,906	11,566,666
Total Capital Expenditure	5,265,530	13,336,283
Value Added Tax	483,004	470,334
Total Expenditure	16,589,916	24,310,769

- The Ministry collected revenue totalling \$1,464,668 in 2018, an increase of 3% from the previous year. Revenue mainly comprised of business and liquor licences and registration of marriage/birth fees collected on behalf of other government agencies.
- State revenue increased by \$61,699 in 2018 compared to 2017 because of timely renewal of license fee and new registrations made during the year.

- Operating Grants and Transfers increased by \$173,567 in 2018 compared to 2017 due to increase in provision for District Advisory Councillors allowances.
- Capital Construction expenses increased by \$549,898 in 2018 compared to 2017 due to the increase in value of projects undertaken for the community access roads, footpaths and footbridge programs.
- Capital Grants and Transfer expenditures decreased by \$8,589,760 in 2018 compared to 2017. The decrease in provision in 2018 was due to the transfer of the two programs; the Committee on Better Utilisation of Land [CBUL] which was transferred to Ministry of Agriculture and Disaster Rehabilitation Fund and Disaster Risk & Climate Mitigation which was transferred to Ministry of Disaster Management and Meteorological Services.

18.3 Appropriation Statement

The Ministry incurred expenditure totalling \$16.6 million in 2018 against a revised budget of \$18.7 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$2.1 million or 11%.

The savings of \$502,025 in the Special Expenditure (SEG 7) allocation resulted from the underutilisation of funds in one of its component; Emergency Water Supplies budget because there was no major drought recorded in the financial year 2017-2018. The Emergency Water Supplies funding is maintained at Headquarters and only distributed to the Divisional Commissioners upon request.

The savings of \$359,319 under the Capital Construction (SEG 8) allocation resulted from underutilisation of funds appropriated for:

- Vunidawa Government Station project due to delay in preparatory work and tender process; and
- Community Access Roads, Footpaths and Footbridges allocation for Headquarters and Eastern Division.

There was a saving of \$673,094 under the Capital Grants & Transfers (SEG 10) allocation which resulted from underutilisation of funds:

- allocated to each Division for the Project Preparatory Works intended to be carried out in the 2018-2019 financial year.
- for Wainua Government Station due to the delay in the preparatory works and tender process.

There was a redeployment of funds from the Ministry's (Head 18) budget to Head 50 – Miscellaneous Services. The redeployment was approved by Cabinet. The Ministry's budget was affected through reduction of Capital Construction (SEG 8) by \$1,200,000, Capital Grants and Transfer by \$500,000 and Value Added Tax (SEG 13) by \$108,000.

Details of expenditure against the revised budget are provided in Table 18.2.

Table 18.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	5,772,825	(11,186)	5,761,639	5,545,564	216,075
2	Government Wage Earners	1,621,899	26,186	1,648,085	1,578,461	69,624
3	Travel & Communication	424,660	145,471	570,131	533,916	36,215
4	Maintenance & Operations	931,900	69,455	1,001,355	976,535	24,820
5	Purchase of Goods & Services	961,572	(991)	960,581	891,657	68,924
6	Operating Grants & Transfers	780,030	(190,135)	589,895	572,074	17,821
7	Special expenditure	1,284,000	(38,800)	1,245,200	743,175	502,025
	Total Operating Expenditure	11,776,886	---	11,776,886	10,841,382	935,504
8	Capital Construction	3,680,000	(1,200,000)	2,480,000	2,120,681	359,319
9	Capital Purchase	200,000	---	200,000	167,943	32,057
10	Capital Grants & Transfers	4,150,000	(500,000)	3,650,000	2,976,906	673,094
	Total Capital Expenditure	8,030,000	(1,700,000)	6,330,000	5,265,530	1,064,470
13	Value Added Tax	673,400	(108,000)	565,400	483,004	82,396
	TOTAL	20,480,286	(1,808,000)	18,672,286	16,589,916	2,082,370

18.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use.

The Ministry of Rural and Maritime Development operates and maintains one main trust fund bank account which includes the Provincial Development Trust Fund Account.

18.4.1 Provincial Development Trust Fund Account

The Provincial Development Trust Account comprise of the following funds which are all kept in one bank account:

- (i) Rural Housing Deposit Trust Fund Account: a scheme where rural dwellers are assisted by Government in the building of their homes and they are required to meet one third of the cost;
- (ii) PM Relief and Rehabilitation Trust Fund Account: is where the rural dwellers deposit the full cost of building materials for their houses. Government would negotiate and get cheaper quotes for the materials and also provide free transportation for the delivery of the materials;
- (iii) Special Purpose Trust Account – Vatukoula: is to cater for Vatukoula Housing Clients Assistance which consists of two-thirds government contribution; and

- (iv) One-Third Self Help Trust Fund Account: the Ministry assist communities in their self-help projects which consist of the Government contributing two third of the cost whilst one third is provided by the community.

Table 18.3: Provincial Development Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Rural Housing Deposits Scheme II	675,962	411,314
Rural Housing Scheme I / PM Relief & Rehab Committee	48,669	72,324
Special Purpose Trust Account – Vatukoula	40,226	163,038
One – Third Self Help Projects	194,879	108,739
Cities Trust	59	999
Total Receipts	959,795	756,414
Payments		
Rural Housing Deposits Scheme II	686,408	210,220
Rural Housing Scheme I / PM Relief & Rehab Committee	32,446	71,819
Special Purpose Trust Account – Vatukoula	71,535	---
One – Third Self Help Projects	143,535	86,906
Total Payments	933,924	368,945
Net Surplus	25,871	387,469
Opening balance as at 1 August	2,265,927	1,878,458
Closing Balance as at 31 July	2,291,798	2,265,927

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

18.5 Internal Controls

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

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

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

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

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

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

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

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

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

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

authorization, performance reviews, information processing, physical controls, and segregation of duties.




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

Examples of issues which would fall under this category are reported to management of the agencies on matters relating to internal controls.


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

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

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

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

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

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

18.6 Submission of FY 2017-2018 Draft Agency Financial Statements

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


The key focus areas in the circular were:

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

- Completion of reconciliations by 29 August 2018
- Submission of arrears of revenue returns by 31 August 2018

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


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

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

18.7 Quality of Draft Financial Statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Effective	No adjustments were required


18.8 Timeliness of draft financial statements


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

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

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

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

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

Rating	Timeliness of Signed Financial Statements Received
 Ineffective	After 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

18.10 Delay in Implementation of PSIP Projects

Divisional Development Project (PSIP) Scheme is granted to capital projects that benefits a wider section of the community and determined by relevant ministries in consultation with the Provincial Development Board and Divisional Development Board.¹

Our review of the Public Sector Investment Programme (PSIP) Projects of the Ministry revealed the following:

- For Wainikoro Government Station, the full project budget of \$700,000 was not utilised in 2017/2018 and was fully redeployed on 18/05/18;
- In the case of Vunidawa Government Station, \$750,000 was allocated for the construction of 1 x 4 *Maisonette Quarters*, but only \$109,487 was utilised for the preparatory works. Due to non-utilisation of the funds, \$500,000 was redeployed on 18/05/18;

For Wainua Government Station, one *Timber Administration Office* and one *Grade V Timber Quarters* was to be constructed. However, we noted the following:

- The project preparatory work fund was provided in 2016 and 2016/2017 budgets. However, allocated funds was not utilised in 2016 due to TC Winston and in 2016/2017, a sum of \$91,644 was utilised from the \$100,000 allocated;
- The actual construction work was supposed to commence in 2017/2018 financial year from the budget of \$850,000 which was allocated. However, the project was still at the preparatory work stage and only \$71,275 was utilised. On 18/05/18, \$500,000 was redeployed.

¹ Capital Programme Standard Operating Procedures 2011 Part 4 Section 2.1

Root Cause/Implication

Delay in the implementation of PSIP projects was mainly attributed to inadequate planning and untimely completion of preparatory work. As a result funds were redeployed by Ministry of Economy.

Recommendations

The Ministry should;

- **improve its planning process to ensure that all the preparatory works are completed for planned projects before requesting the budget for construction;**
- **recruit a suitable officer with strong background in the project management and/or building/infrastructure engineering.**

Agreed Management Action

The non – utilisation of the Project Preparatory Works [PPW] in the 2016 was due to the TC Winston Rehabilitation Works. PPW funds were not utilized until the appointment of the Senior Economic Planning Officer Central on 10th, April, 2017 (which was only 3 months away from the end of the FY 2016-2017).

Further to the above, all PPW and PSIP capital projects are now captured in the Ministry's August 2018-July 2023 Strategic Plan.

One of the difficulties and greatest hindrance faced was the very slow response from MoIT. MoIT was requested to prepare the Tender Documents at the beginning of the financial year to allow for finalisation of tender by December. However, the Tender Documents were submitted right in January 2018. After it was submitted to FPO and CIU for Advertisement, CIU found anomalies in their drawings and the documents were reverted back to MoIT. This occurred two times and this whole process took another two months before the Tender (WSC 72/87) was advertised in March 2018.

Officer Responsible

- Divisional Commissioners
- Director Development Services
- Divisional Planning Officer
- Senior Economic Planning Officer

18.11 Impact and Sustainability Assessment

Evaluation is an almost continuous exercise. Evaluation of projects is necessary to explain what has happened and to design better projects in the next cycle. Project evaluation tries to answer questions about the progress, worth, effectiveness, impacts and lessons from projects.²

The Ministry under its Rural and Maritime assistance program provides *Rural Housing Assistance, Community Access Roads, Footpaths and Footbridges and Self Help Scheme* in a response to bring Fijians living in rural and maritime regions the same level of access to essential services and economic opportunity as anywhere else in the country.

² Capital Programme Standard Operating Procedures 2007 Part 5.6

For the past five years, the Ministry has provided combined assistance amounting \$18.38 million under its three programs.

The Ministry has a Development Unit whose role is to perform oversight function, monitoring and evaluation of the capital projects/programs. However, the Ministry did not effectively produce the *impact and sustainability assessment report of its rural housing assistance, community access roads, footpaths and footbridges and self-help scheme assistance program*.

Root Cause/Implication

There was lack of supervisory control and strategic leadership due to the Director Development Services position being vacant since 28 October 2016.

Not carrying out the impact and sustainability assessment at regular intervals would deny the Ministry the prospect to gauge the effectiveness of its assistance program and the opportunity to replicate its successes and avoid the mistakes/failures.

Recommendations

The Ministry should:

- **fill the position of the Director Development;**
- **carry out the impact and sustainability assessment of its assistance program at regular intervals of 3 to 5 years in order to gauge its assistance program effectiveness, suitability, impact and sustainability.**

Agreed Management Action

Stringent measures would be undertaken by the Development Monitoring and Evaluation Team to ensure that physical implementation is undertaken according to work plan and timeline provided in the project proposals.

Impact Assessments has also been considered for duration of 3 years from the completion date of the project to ascertain the sustainability of the project and to wean it off to the recipient.

Officer Responsible

- Acting Director Development Services
- Divisional Commissioners
- Divisional Planning Officers

18.12 Rural Housing Assistance Programme

The rural housing assistance programme aims at eliminating homelessness in rural Fiji through provision of affordable, durable and cyclone resistant structures.³ The existing Rural Housing Unit (RHU) would be involved in the monitoring of the programme to ensure conformity with building codes etc. Upon completion of the building, Health authorities assisted by our staff in RHU will issue completion certificates to ensure compliance with building codes.⁴

³ Capital Programme Standard Operating Procedures 2007 - Section 3 7.1

⁴ Capital Programme Standard Operating Procedures 2007 - Section 3 7.3 (c) 7 & 8

As at 31 July 2018, the total expenditure for Rural Housing Assistance for the Ministry was \$979,626. Review of the Rural Housing projects files at the Commissioner Central's Office noted the following anomalies:

- The Rural Housing's Standard Operation Procedure (SOP) was not reviewed and aligned to best practices since 2007;
- The completion certificate for ten Rural Housing Assistance (RHA) projects under Scheme 2 and Poverty Alleviation Programme (PAP) were not certified by either the Rural Local Authority or the Rural Housing Unit Technical Officer. Therefore, we could not ascertain whether technical experts were involved in the inspection of the Rural Housing projects during and after the construction and whether the houses are built in accordance with the national building code/plan. Also, some projects were not vetted by the Divisional Planning Officer. Refer to Appendix 18.1 for details.
- The Rural Housing Scheme 2 standard building plan sized 7.2m x 4.8m open space wooden house and the Poverty Alleviation Programme (PAP) 5.4m x 5.4m design were both designed in 2014. However, no documentation was provided us to confirm whether the plans were reviewed or amended by a certified engineer following the aftermath of Tropical Cyclone Winston.

Root Cause/Implication

The RHU unit faced resource constraint to effectively monitor and provide the technical support to all recipients. There was lack of coordination and no agreement between the Ministry and Rural Local Authorities.

Absence of adequate monitoring and certification during and after the construction and the regular reviews of the building plan used for RHU and PAP projects could result in sub-standard construction during another severe tropical cyclone.

Recommendations

- **Rural Housing Assistance Standard Operating Procedure needs to be reviewed;**
- **The Rural Local Authority and/or the Rural Housing Unit Technical Officers should be involved in the inspection of the Rural Housing Projects during the construction phase and certifications upon completion;**
- **The Rural Housing and PAP building plan/design should be reviewed at a regular intervals to evaluate its strength, suitability and sustainability.**

Agreed Management Action

The Ministry agreed with the recommendations by the Audit Team that the Technical Officers should be involved with the inspection and issuance of completion certificates. It also agreed that the building plan/design will need to be reviewed on a regular basis to ensure compliance to national building standards.

Officer Responsible

- Acting Director Development Services
- Divisional Commissioners
- Divisional Planning Officers

18.13 Significant Arrears of Revenue

Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.⁵

We noted that the Ministry had significant arrears of revenue balance amounting \$2,243,139 as at 31/07/18.

The arrears of revenue comprise of outstanding business licence fees for operation outside the town/city boundaries and maritime areas. It has an upward trend over the last eight years. Refer to Table 18.4 for details.

Table 18.4: Arrears of Revenue over the last 8 years

Year	Amount (\$)	Variance (\$)	Percentage Change (%)
2011	499,358	-	-
2012	495,059	(4,299)	(1)
2013	656,688	161,629	33
2014	756,568	99,880	15
2015	753,843	(2,725)	0
2016	917,430	163,587	22
2017	994,292	76,862	8
2018	2,243,139	1,248,847	126

Root Cause/Implication

The main challenge the Ministry is facing is the lack of resources in terms of vehicles and staffing to effectively monitor the defaulters. Also there is a lack of public awareness through media on a need for timely renewal of the business license and its consequences.

In addition, it was noted that the Ministry has not effectively engaged the District Advisory Councillors and Turaga-ni-Koro's to assist in the monitoring process.

Further delay in collecting the outstanding revenue increases the risk of revenue not likely to be collected which may require writing it off resulting in loss of revenue for government.

⁵ Finance Instruction 2010 – section 41

Recommendations

- Due to resource constraints faced, the Ministry should consider engaging the District Advisory Councillors and Turaga ni Koro/Mata ni Tikina in terms of monitoring of illegal business operators in their respective boundaries;
- The Ministry should consider setting up the internal Arrears of Revenue Collection Committee to review, verify and manage the arrears;
- Revenue Standard Operating Procedures should be prepared as a guide to ensure a structured and consistent revenue recovery process is implemented in the Ministry;
- The Ministry should consider setting up the database for Business License for ease of monitoring, data management and decision-making.

Agreed Management Action

The Ministry has noted the audit comments and recommendations. The Ministry has set up teams within each Division to conduct a special recovery exercise.

The Ministry is developing a Revenue Monitoring and recovery guideline/manual to ensure a structured and consistent revenue recovery process is implemented in the Ministry.

Officer Responsible

- Director Corporate Services (DCS)
- Manager Finance

18.14 Backlog Projects

Within 5 days after the end of each month, the Trust Fund Clerk shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account. Details of balances must be attached to the reconciliation statement.⁶

Our review of the Provincial Development Trust Accounts revealed significant balance in the trust closing balance for PM's Relief/Rehabilitation (Rural Housing Scheme 1) and 1/3 Self Help Scheme deposit.

The Ministry held substantial amount of funds in the Provisional Development Trust fund account. Refer to Table 18.5 for details.

Table 18.5: Details of Provisional Development Trust Fund Account Balances

Account Name	Brief Description	2018 (\$)	2017 (\$)	2016 (\$)
PM Relief & Rehab Committee	Rural Housing Scheme 1 – In this scheme, the rural dwellers can either be an individual or community based projects. The clients deposit the full cost of building their houses. Government assist in the procurement of building materials at cheaper quotes & then provide free transportation of the delivery of the	1,173,893	1,157,671	1,157,166

⁶ Ministry of Rural and Maritime Development Finance Manual 2013 – section 13.4.1 & 13.4.2

Account Name	Brief Description	2018 (\$)	2017 (\$)	2016 (\$)
	building materials to the project site. The Ministry funds transportation costs from the Rural Housing operational budget.			
Self Help Scheme	The Ministry assist communities in their self-help projects which consist of the Government contributing 2/3rd of the cost whilst the community provides 1/3rd. This 1/3rd is deposited into this trust account.	553,611	502,267	480,435

Our review of the trust fund account revealed that the Ministry did not maintain detailed breakdown of the projects for which funds were held in trust.

In the absence of the detailed breakdown of projects, it is difficult to ascertain the status of individual projects for which funds are retained in trust.

Root Cause/Implication

Not maintaining the up-to-date backlog list of the project indicates weak supervisory checks and controls at the Accounts Section, Rural Housing Unit and Development Unit.

The significant accumulation of the project funds indicates poor service delivery and execution of projects by the RHU Units and respective Divisional Commissioners Office and weak monitoring of the status/progress by the Development Unit at headquarters to ensure that the projects are completed on a timely manner.

Recommendations

The Ministry should:

- ensure that the detailed breakdown listing of the respective trust balances are maintained and attached to the monthly reconciliation;
- review the backlog project and prepare the action plan/timeline to execute those projects;
- strengthen its project implementation unit to ensure the projects are executed on a timely manner.

Agreed Management Action

The Ministry has noted the audit comments and recommendations. The Ministry will verify Trust fund receipts with the GL balance.

The Ministry will develop a system to regularly update and monitor trust fund receipts, payments and project listing.

Officer Responsible

- Director Corporate Services (DCS)
- Manager Finance

18.15 Information Database

At the Ministry Head Quarters, there is a Development Section which is responsible for the following;

- 1) Collection, collation, storage and dispersal of data and identification of suitable data systems.
- 2) Evaluation of projects and overall development, efforts, based on established data to advise authorities on suitable policy guidelines that enable planning for more effective development, especially on issues that will uplift and improve the quality of life of rural people.⁷

The Ministry under its Rural and Maritime assistance program provides rural housing assistance, community access roads, footpaths and footbridges and self-help scheme assistance. For the past five years, \$18.38 million has been utilised for these programs.

From our review of records for rural and maritime assistance programmes, we noted that the Ministry does not have a structured information database to consolidate and capture the following information:

- types of assistance provided to individuals/groups/villages under different programmes,
- location of the project,
- number and assistance provided at a tikina/province/community level,
- document references to confirm delivery of assistance, linkage with other line ministry/department who provide similar poverty alleviation assistance; and
- project progress/monitoring and evaluation reports.

Root Cause/Implication

The delay in setting up the database could be attributed to change in management and lack of prioritisation and initiative taken to seek the funding's through the annual budgetary process or donor agency.

Given its importance, technological advancement and the size of the budgets allocated to the programs annually, it is essential that credible data/information are captured for sustainability and impact assessment of the programs on the livelihood of rural and maritime dwellers and for informed management decisions regarding program design, policy and more coordinated/structured and effective implementations of various programs

Recommendation

The Ministry should establish a database to consolidate and capture information on all programmes to assist in reviewing the effectiveness of these programmes and improving policies and guidelines.

Agreed Management Action

The establishment of a database to consolidate and capture information the processes of the Ministry's Capital Programmes, had started from the 2017-2018 Financial Year. The database project was intended for both capital

⁷ Capital Programme Standard Operating Procedures 2007 - Section 7.5.3 & 7.5.4

projects and National Disaster Management processes. Budget was provided for the database project but it was allocated under Head 14 Ministry of NDMO and Met Services. Since NDMO has been transferred to MoIT, the Ministry is now looking for alternative funding sources to fund the full implementation of the database project. In the meantime, the Ministry's capital project data (excel) and information is stored by the Development Division and updates are done following their monitoring and evaluation exercises conducted on quarterly basis.

Officer Responsible

Acting Director Development Services

18.16 Absence of Risk Management Framework

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

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

- occupational health and safety (still in draft);
- Ministry's operational and human resource planning;
- fraud control and anti-corruption;
- disaster recovery and business continuity, and
- assessment of potential conflicts of interest

Root Cause/Implication

The above finding indicates that the Ministry has not allocated sufficient resources to develop the risk management framework. In absence of a risk management framework, the Ministry may find difficulty in managing risks affecting the Ministry particularly risk of fraud and misappropriation of assets.

Recommendations

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

Agreed Management Action

The Ministry admitted that it does not have a specific Risk Management Framework in place and would work towards formulating a Risk Management Policy and plan.

Officer Responsible

- Deputy Secretary
- Director Corporate Services
- Executive Management

18.17 Presentation of Main Trust Account

Trust money is money that the agency is holding in trust. As stipulated in the Financial Management Act and Finance Instructions, trust money is to be kept in a separate bank account and accounted for separately from “public money” and “other money”.⁸

The Provincial Development Trust Fund Account includes Tender Deposits, Unclaimed Wages, One Third Self Help Projects.

All funds related to the above trusts are deposited into one bank account and a consolidated statement of trust receipts and payments is prepared by the Ministry in its Agency Financial Statements. In addition, the current presentation of the Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one line item on the Statement even though the nature of the trust receipt and payment may vary.

Root Cause/Implication

The current presentation and the trust fund accounts disclosures are deemed inadequate which does not provide adequate information to the users of the financial statements.

With the various trust funds being deposited into one bank account, there is a risk of funds for a particular trust being utilised for the other trust funds exacerbated by the lack of proper record keeping.

Recommendation

The Ministry should work towards opening separate bank accounts for various trust fund currently recorded under the Provincial Development Trust Fund Account and prepare separate statements of receipts and payments.

Agreed Management Action

The Ministry noted the audit recommendations. The Ministry would liaise with the Ministry of Economy for the opening of separate accounts for the various trust fund accounts maintained.

Officer Responsible

- Director Corporate Services
- Manager Finance

⁸ Ministry of Rural and Maritime Development Finance Manual 2013 – Part 13 Introductory Paragraph

APPENDIX 18.1: COMPLETION CERTIFICATE NOT CERTIFIED BY THE RURAL LOCAL AUTHORITY AND TECHNICAL OFFICER

RHA Recipients	Location	Total Project Cost (\$)	Date of Completion	Audit Remarks
Recipient 1	Lakena Hill No. 2, Nausori	4,974.82	15/03/18	<ul style="list-style-type: none"> Completion certificate was not certified by Technical Officer and/or Rural Local Authority Not vetted by Divisional Planning Officer
Recipient 2	Verata, Wailevu, Tailevu	12,408.00	20/03/18	<ul style="list-style-type: none"> Completion certificate was not certified by Technical Officer and/or Rural Local Authority Not vetted by Divisional Planning Officer
Recipient 3	Taulevu, Matailobau, Naitasiri	12,408.00	07/05/18	<ul style="list-style-type: none"> Completion certificate was not certified by Technical Officer and/or Rural Local Authority Not vetted by Divisional Planning Officer
Recipient 4	Qoma, Verata, Tailevu	12,408.00	20/04/18	<ul style="list-style-type: none"> Completion certificate was not certified by Technical Officer and/or Rural Local Authority Not vetted by Divisional Planning Officer
Recipient 5	Lokia, Rewa, Rewa	6,314.61	12/01/18	<ul style="list-style-type: none"> Completion certificate was not certified by Technical Officer and/or Rural Local Authority
Recipient 6	Namakala, Suva, Rewa	17,241.58	28/02/18	<ul style="list-style-type: none"> Completion certificate was not certified by Technical Officer and/or Rural Local Authority
Recipient 7	Nadali, Nausori, Tailevu	17,996.47	09/08/18	<ul style="list-style-type: none"> Completion certificate was not certified by Technical Officer and/or Rural Local Authority
Recipient 8	Nakorovatu, Waima, Naitasiri	12,408.00	01/08/18	<ul style="list-style-type: none"> Completion certificate was not certified by Technical Officer and/or Rural Local Authority
Recipient 9	Naqarani, Noco, Rewa	8,032.50	02/02/18	<ul style="list-style-type: none"> Completion certificate was not certified by Technical Officer and/or Rural Local Authority
Recipient 10	Narocake, Noco, Rewa	16,821.61	27/07/18	<ul style="list-style-type: none"> Completion certificate was not certified by Technical Officer and/or Rural Local Authority Not vetted by Divisional Planning Officer
TOTAL		121,013.59		

Head 19**Republic of Fiji Military Forces****Roles and Responsibilities**

The RFMF is charged with, and responsible for the defence and state security of Fiji, in the maintenance of Law and Order in land and sea and provision of maritime surveillance of Fiji's maritime zone. It improves the living standards of rural community through infrastructure development and youth training of life skills provided by the Engineering Corp through its Trade Training. It also provides services to mariners through the coastal radio station (Suva Radio 3DP) for all vessels within Fiji waters as required under the International Law of the Sea and the surveying and charting of Fiji's Exclusive Economic Zone.

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PART A: FINANCIAL STATEMENTS

19.1 Audit Opinion

The audit of the 2018 accounts of the Republic of Fiji Military Forces resulted in an unqualified audit opinion.

19.2 Statement of Receipts and Expenditure

The Republic of Fiji Military Forces collected revenue totalling \$356,792 and incurred a total expenditure of \$92,049,468 for the year ended 31 July 2018. Details are provided in Table 19.1.

Table 19.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	283,456	335,115
Agency Revenue	73,336	141,365
Total Revenue	356,792	476,480
Established Staff	69,702,616	69,829,823
Government Wage Earners	350,305	333,974
Travel and Communications	2,593,390	2,799,216
Maintenance and Operations	3,745,141	3,795,084
Purchase of Goods and Services	6,350,791	6,982,964
Operating Grants and Transfers	---	42,375
Special Expenditures	2,209,183	1,771,837
Total Operating Expenditure	84,951,426	85,555,273
Capital Construction	2,588,793	1,210,317
Capital Purchase	2,843,253	2,584,580
Total Capital Expenditure	5,432,046	3,794,897
Value Added Tax	1,665,996	1,708,128
Total Expenditure	92,049,468	91,058,298

Special Expenditure increased in 2018 by 25% or \$437,346 due to increase in payments related to military training costs, conducting of the Basic Recruit Course and the procurement of military expendable items.

Capital Construction expenditure increased in 2018 by 114% or \$1,378,476 due to the life expectancy programme works carried out for RFNS Kikau, infrastructure and amenities projects undertaken, camp upgrades and the renovation works carried out at the Force Training Group.

Capital Purchase expenditure increased in 2018 by 10% or \$258,673 due to the procurement of new Hydrographic boat, IT equipment and military equipment.

19.3 Appropriation Statement

The Republic of Fiji Military Forces incurred expenditure totalling \$92.0 million in 2018 against a revised budget of \$96.1 million in accordance with section 19 of the Financial Management Act 2004, resulting in savings of \$4.1 million or 4 %.

The savings of \$1,991,501 or 43% under Capital Construction was due to the planned capital projects that were not completed in the financial year. The saving were largely due to the following:

- Construction of Magazine - The savings of \$246,953 or 62% was due to extension of practical completion date as a result of adverse weather condition and shortage of building materials.
- Upgrade of Armoury - The savings of \$184,490 or 74% was due to the delay in tender process since tender was called twice and after not getting a suitable bidder, the RFMF opted to request for waiver of tender and engage the RFMF Engineers.
- Blackrock Integrated Peacekeeping Centre - The savings of \$994,286 or 72% for Blackrock Integrated Peacekeeping Centre was due to the (i) extension of practical completion date for the ablution block as a result of adverse weather condition; (ii) mess hall construction was put on hold since a new waiver of tender needs to be obtained before recommencement of work; and (iii) the phase 2 roadwork did not commence during the financial year.

The savings of \$822,278 or 22% noted under Capital Purchase was due to delays in delivery and tendering processes for kitchen implements, communication equipment, medical equipment and back-up generator.

There was a redeployment of funds from the Force's (Head 19) budget to Head 50 – Miscellaneous Services. The redeployment was approved by Cabinet. The Force's budget was affected through reduction of Capital Construction (SEG 8) by \$500,000 and Value Added Tax (SEG 13) by \$45,000.

Details of expenditure against the revised budget are provided in Table 19.2.

Table 19.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	74,550,391	(4,156,547)	70,393,844	69,702,616	691,228
2	Government Wage Earners	256,531	101,866	358,397	350,305	8,092
3	Travel & Communication	1,380,890	1,288,473	2,669,363	2,593,390	75,973
4	Maintenance & Operations	4,153,710	(334,657)	3,819,053	3,745,141	73,912
5	Purchase of Goods & Services	5,796,386	829,835	6,626,221	6,350,791	275,430
6	Operating Grants & Transfers	---	---	---	---	---
7	Special expenditure	1,433,000	836,005	2,269,005	2,209,183	59,822

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Total Operating Expenditure	87,570,908	(1,435,025)	86,135,883	84,951,426	1,184,457
8	Capital Construction	5,720,000	(1,139,706)	4,580,294	2,588,793	1,991,501
9	Capital Purchase	1,590,800	2,074,731	3,665,531	2,843,253	822,278
	Total Capital Expenditure	7,310,800	935,025	8,245,825	5,432,046	2,813,779
13	Value Added Tax	1,806,800	(45,000)	1,761,800	1,665,996	95,804
	TOTAL	96,688,508	(545,000)	96,143,508	92,049,468	4,094,040

The Force collected revenue totalling \$356,792 in 2018, a decrease of 25% from the previous year.

19.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Republic of Fiji Military Forces operates and maintains the following trust fund bank account:

19.4.1 Engineer Project Trust Fund Account

On 19 May 2017, the RFMF obtained approval from Ministry of Economy to open the Engineer Project Trust Fund Account. The Engineers Trust Fund recorded the receipts and payments incurred for each Engineers project carried out during the financial year.

Table 19.3: Engineer Project Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Rural Development	---	34,095
PM's Office	---	24,868
Miscellaneous Project	9,633	17,661
Rotuma Hospital	---	3,815,000
Nasamila District School	209,025	---
Neomai Lewakai	2,646	---
Ratu Ilaisa Memorial School	205,449	---
Namalata District School	608,556	---
Solevu Kindergarten	18,527	---
Tailevu North College	202,852	---
Nawaikama Footpath	60,946	---
Ratu Kadavulevu School	26,558	---
Vunusalusalu	93,791	---
Vaturova/Koroalau	108,047	---
Druadrua Footpath	14,113	---
Tobunio	132,399	---
Total Receipts	1,692,542	3,891,624
Payments		
Rural Development	19,749	---
PM's Office	24,868	---
Miscellaneous Project	7,182	---
Rotuma Hospital	3,221,256	---
Nasamila District School	165,183	---

Description	31 July 2018 (\$)	31 July 2017 (\$)
Ratu Ilaisa Memorial School	96,589	---
Namalata District School	131,829	---
Solevu Kindergarten	18,527	---
Tailevu North College	131,642	---
Nawaikama Footpath	9,755	---
Ratu Kadavulevu School	19,272	---
Vunisalusalu	13,963	---
Vaturova/Koroalau	17,847	---
Total Payments	3,877,662	---
Net (Deficit)/Surplus	(2,185,120)	3,891,624
Opening balance as at 1 August	3,891,624	-
Closing Balance as at 31 July	1,706,504	3,891,624

19.5 Consolidated Trading and Manufacturing Account

The RFMF has two Trading Activity account, namely the Engineers Plant Troop and the Nautical Chart.

- a) The Plant Troop was formed in 1978 to construct and develop roads to the inaccessible parts of rural areas in Fiji. The total sales for Plant Troop for 2018 decreased by \$793,002 since the major project earmarked for the financial year, which was the phase 2 of the Gau playground construction, was deferred to the 2018 – 2019 financial year.
- b) The Nautical Chart was transferred to the RFMF's naval division in 2010 to provide accurate Oceanographic and Hydrographic information and services. On September 2017, the RFMF obtained approval from the Ministry of Economy to close the operations of Nautical Chart TMA. The closing of the Nautical Chart TMA was finalised in November 2017 thus the Nautical Chart TMA transactions for August to November 2017 are reflected in the Force Consolidated Trade and Manufacturing Accounts for the financial year ended 31 July 2018.

In 2018, there was a loss of \$459,389 incurred. This was due to the incomplete projects carried forward, the cost of machinery repairs & maintenance and cartage of machinery to and from outer islands.

Table 19.4: Trading Account – Consolidated Trading Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
Sales		
Plant Hire	31,487	824,489
Sale - Charts and Maps	6,446	32,787
	37,933	857,276
Opening Finished Goods	22,524	25,362
Add: Cost of Manufactured Goods	---	---
Goods Available for Sale	22,524	25,362
Less: Closing Finished Goods	21,912	22,524
Cost of Goods Sold	612	2,838
Gross Profit Transferred to Profit and Loss Statement	37,321	854,438

Table 19.5: Profit and Loss Account – Consolidated Trading Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
Income		
Gross Profit Transferred from Trading Account	37,321	854,438
Total Income	37,321	854,438
Expenses		
Fuel and Oil	71,721	85,625
Repairs and Maintenance	244,642	265,401
Freight	50,210	45,675
Office Upkeep and Supplies	---	454
Fixed Asset Replacement and Improvement	72,408	81,947
Minor Improvement	32,888	46,287
Consultant and Expert Fees	24,841	75,320
Total Expenses	496,710	600,709
Net (Loss)/Profit	(459,389)	253,729

Table 19.6: Balance Sheet – Consolidated Trading Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
Assets		
Cash at Bank	461,647	956,418
Accounts Receivable	289	289
Inventory	---	22,524
VAT Receivable	212,741	138,163
Total Assets	674,677	1,117,394
Liabilities		
Accrued Expenses	489,108	25,539
Total Liabilities	489,108	25,539
Net Assets	185,569	1,091,855
Equity		
TMA Accumulated Surplus	1,016,411	838,126
Transfers to Consolidated Fund	(371,453)	---
Net (Loss)/Profit for the Period	(459,389)	253,729
Total Equity	185,569	1,091,855

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

19.6 Internal Controls

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

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

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

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

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

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

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

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

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

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

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

Examples of issues which would fall under this category are reported to management of the agencies on matters relating to internal controls.

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

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

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

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

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

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

19.7 Submission of FY 2017-2018 Draft Agency Financial Statements

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2017 - 2018 accounts and times were detailed.


The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- Monitoring of unrepresented cheques by 31 July 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Retirement of imprests by 20 July 2018
- Cancellation of unprocessed purchase orders by 26 July 2018
- Processing of payments by 31 July 2018
- Processing of virements by 20 July 2018
- Completion of reconciliations by 29 August 2018

- Submission of arrears of revenue returns by 31 August 2018

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


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

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

19.8 Quality of Draft Financial Statements by Entities


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

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

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


19.9 Timeliness of draft financial statements


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

Rating	Timeliness of draft financial statements assessment
 Effective	Acceptable draft financial statements received before 15 October 2018

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

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

Rating	Timeliness of Management Comments Received
 Ineffective	After 21 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
 Ineffective	After 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

19.11 Procurement of Equipment and Stores Supplies

A tender must be called for the procurement of goods, services or works valued at \$50,001 and more.¹

During the 2018 financial year, the total payments made to the following vendors exceeded \$50,000.

Table 19.7 Payments to vendors that exceeded \$50,000

Vendor	Total Payments (\$)
Vendor A	334,144
Vendor B	262,928
Vendor C	227,662
Vendor D	135,850

Procurements from these four vendors' consisted of equipment and stores supplies that were part of the Force's day to day operational needs. These were normally purchased through three competitive quotations process and in most instances the above vendors offered the lowest price.

We noted that the Force did not sought to engage the above vendors through a tender process. By engaging these vendors through the tender process, the Force would have obtained best value for money for a longer period of time (period of up to 2 year) through contractual agreement with their suppliers. Refer to Appendix 19.1 for examples of supplies purchased from these aforementioned vendors in 2018.

¹ Procurement Regulations 2010 – section 30 (1)

Root Cause/Implication

The above finding indicates that the Force has not properly planned its procurement and has not realized the benefits of engaging vendors through a tender process. As a result, there is risk the procurement of equipment and stores may have not been sourced from the most economical supplier.

Recommendation

The Force should ensure that tenders are called for the procurements of goods and services that are part of their operational needs so that best prices and qualities are locked for a longer period of time through contractual agreement.

Agreed Management Action

Not all items reported are on tender as they are not common user goods. Some items are one off purchases while others are small items procured as and when required.

Furthermore, RFMF has identified a number of common user goods for which a contract to supply has been approved.

RFMF will continue to identify common user goods for tender process.

Officer Responsible

- Director Finance, Logistics and Acquisition
- Staff Officer Acquisition

19.12 Significant Savings noted for the Force Capital Projects

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.²

Review of the capital projects revealed the following anomalies:

- It was noted that 44% or \$1,991,501 of the Capital Construction (SEG 8) funds totalling \$4,580,294 allocated for the 2017/2018 financial year was not utilised by the Force.

As a result of the low utilisation rate of Capital Construction budget, funds totalling \$500,000 from the Black Rock Integrated Peacekeeping Centre allocation was approved by Cabinet to be redeployed to Head 50.

- In addition, Capital Purchase allocation for the procurement of the Kitchen Equipment for the Other Ranks Mess (Nabua) and Lautoka Mess (\$401,694) and Specialised Medical Equipment (\$277,404) could not be utilised due to late finalisation of tendering and contractual agreement.

² Finance Instruction 2010 – section 7
Republic of Fiji Military Forces

Root Cause/Implication

This was mainly attributed to lack of preparedness and planning as the procurement processes did not commence in first quarter to ensure its timely completion and account for unforeseen circumstances such as weather, material shortages and tender/contract vetting process.

Inability to fully utilise budgets for capital expenditures is deemed as lost opportunity particularly considering the current operational needs of the Force.

Recommendations

The Force should improve its planning process to ensure that all the capital works/procurement planned for year are completed and all funds budgeted are effectively utilised at year end.

Agreed Management Action

Reasons for the significant savings are explained as follows:

A. Construction of Magazine

The tender for the project was awarded to the recommended contractor in October, 2017. Extension of time was given to the contractor due to adverse weather conditions and shortage of building materials. It is important to note that this is a highly technical building which needs to be properly constructed and designed to avoid any security threats that may prevail in the long-run.

B. Construction of Armoury

Two tenders were called for the project. No bid was received in the initial call of tender. In the second call of tender, only one bid was received for the project however, the bidder's tendered price was higher than the budgetary provision. A waiver of tender was then requested for the engagement of RFMF Engineers which was approved on October, 2017. Hence, the delay in project implementation and low utilization of project funding.

C. Blackrock Integrated Peacekeeping Centre

The low utilization rate for the Blackrock Integrated Peacekeeping Center was due to:

An extension of completion time was given to the contractor engaged for the construction of Ablution Block at Blackrock due to adverse weather conditions. This caused the spill-over of progress claims payment to the contractor in the following financial year.

In the 2017-2018 financial year, \$500,000 was earmarked for the construction of Mess Hall of the \$2.0m allocated for Blackrock Camp project. However, the construction work for the Mess Hall was put on hold as Ministry of Economy had instructed for a new waiver of tender to be produced before re-commencement of construction work. The initial waiver of tender for the project was granted to RFMF Engineers in 2015. Due to this, the physical progress of the project was delayed as RFMF Engineers personnel engaged for the project have to be pulled-out from the site, pending waiver of tender approval.

D. Kitchen Equipment – Lautoka and Other Ranks Mess Queen Elizabeth Barracks (QEB)

The Lautoka Mess and Other Ranks Mess at QEB were under renovations and not ready to be equipped with new kitchen equipment, thus the delay in the utilization of funding. Likewise, the procurement of specialized medical equipment was delayed as the George Mate Medical Center (GMMC) at QEB, was under renovation.

Officer Responsible

- Director Finance, Logistics and Acquisitions
- Director Force Development

19.13 Overpayment of Military Pension

Subject to this Act, the Minister may grant in respect of an officer's service in the Regular Force pensions and gratuities in accordance with Part I of the regulations set out in the Fifth Schedule.³ Subject to this Act, the Minister may grant in respect of a soldier of the Regular Force pensions, gratuities and benefits in accordance with Part II of the regulations set out in the Fifth Schedule.⁴

A soldier who has retired from the Force and is in receipt of a pension under this Part (other than a pension granted) dies leaving a widow, the Minister may grant to that widow a pension of an amount equivalent to 40 percent of the pension that soldier would have been entitled to receive had he continue to live.⁵

Our review of the Military Pension records revealed that three Military Pensioners continued to receive their fortnightly pension payment after their death resulting in significant pension overpayment amounting to \$76,845.59. The overpayment is yet to be recovered. Refer to Table 19.8 for details.

Table 19.8 Details of overpayment of Military Pension

Regimental Number	Officer/Widow	Date of Death	Pension Termination Date	Number of Days Delayed	Overpayment (\$)
17976	Officer	03/08/14	25/02/18	1,298	40,283.28
21105	Officer	12/02/16	25/02/18	741	26,834.32
20598	Widow	06/09/15	11/02/18	886	9,727.99
Total					76,845.59

Root Cause/Implication

The Military Pensioners life status certificates were not obtained on six monthly basis resulting in the overpayments and eventual loss of taxpayers' funds.

Recommendations

The Force should:

- Seek life certificates from all the existing pensioners on six monthly basis;
- Seek legal advice on the possible recovery of the overpayment.

Agreed Management Action

Audit observation is noted.

Legal advice is being sought from the RFMF Army Legal Services on this issue.

In 2018, the RFMF had conducted an audit of all its military pensioners by visiting certain individuals around Fiji to verify their pension status. This exercise is being conducted quarterly when required.

The RFMF will ensure that Pensions payments will be ceased if Life Certificates are not received by due date.

³Pension (Amendment) Act 1986 - Section 32

⁴Pension (Amendment) Act 1986 - Section 35

⁵Pension (Amendment) Act 1986 - Section 37 B(2)

Officer Responsible

Chief Staff Officer Finance

19.14 Anomalies noted in Leave Management

Agencies must keep accurate and up to date records of all leave and other employee entitlements.⁶

From the verification of leave records, we noted the following anomalies:

- From the sample records selected, it was noted that the Force had paid leave compensation amounting \$22,770 on own request and \$110,583 on discharge either “At His/Her Own Request” or upon “Reaching Age of Retiring”;
- The Force Human Resource Unit at Headquarters maintained excel worksheets to update and track leave records of individual officers. However, it was noted that the excel records for the majority of the officers were not updated during the 2017/2018 leave year.
- The Force Human Resource Department did not prepare a consolidated Annual/Long Service Leave report/status for the whole of RFMF for the 2017/2018 leave year to assist in monitoring and tracking officers holding excessive leave.

Root Cause/Implication

The above indicates that the Force HR Unit does not maintain proper leave records. As a result, there is a risk of incorrect leave days taken by officers and incorrect leave compensation.

Recommendations

- **The Force Human Resource Unit at the HQ should map out their records with the records kept at the respective Units’ orderly rooms to ensure that the leave balances recorded in each officers Unit Personal Files reconciles with the records maintained at HQ at all times;**
- **The respective Units Orderly Rooms chief clerks to update/advice HQ on a fortnightly basis on the leave status of their respective Units;**
- **The Force to encourage Officers to utilise their leave as and when due and discourage leave compensation.**

Agreed Management Action

Audit observations are noted.

Due to the nature of work, it is difficult for some soldiers with specialist skills/trade to take leave, thus having to compensate them.

The Commander RFMF has also issued a Directive that all soldiers with outstanding leave balances should take leave.

RFMF has specifically invested in recruiting a software engineer to develop an RFMF Human Resource Software database to record personal information including leave balances. Once implemented will address the issues reported. The database will be completed in next 4 months and fully implemented in December 2019.

⁶ Finance Instructions 2010 – Section 54
Republic of Fiji Military Forces

Officer Responsible

- Director Human Resources Management
- Chief Staff Officer Information Technology

19.15 Anomalies noted in the Consolidated Trade and Manufacturing Account

Trading and manufacturing activities (TMAs) are operated on a semi-commercial basis to increase the returns that are realised from them and to provide goods, services or works more cost-effectively.⁷

Review of the Trade and Manufacturing Account records noted the following anomalies:

- Unexplained variance of \$75,444 was noted between the Equity closing balance as at 31 July 2017 and opening balance of the 2017/2018 financial year as at 01 August 2017. Refer to Table 19.9 for details.

Table 19.9 Details of variance in Equity opening balance

Particulars	Amount (\$)
Equity closing balance at 31/07/17	1,091,855
Equity opening balance at 01/08/17	1,016,411
Variance	75,444

- Unexplained variance of \$4,491 exists between VAT Receivable account as per the FMIS General Ledger and Statement of VAT (SVA) from Fiji Revenue and Customs Services (FRCS). Refer to Table 19.10 for details.

Table 19.10 Details of unexplained variance in VAT between VAT receivable and Statement of VAT

Particulars	Amount (\$)
VAT receivable as per Statement of VAT Account Reconciliation	208,250
VAT receivable as per Financial Statements	212,741
Variance	4,491

Root Cause/Implication

The above is the indication of ineffective account reconciliation as variances were not detected and rectified in a timely manner.

Recommendations

The Chief Staff Officer Finance should ensure that account reconciliations are performed effectively and variances rectified in a timely manner.

⁷ RFMF Finance Manual 2014 – Part 6: Trading & Manufacturing Accounts

Agreed Management Action

The recommendation from the Office of Auditor General is noted and RFMF Accounts will implement strict internal control.

RFMF will ensure that variances appearing in reconciliation statements are acted on in a timely manner.

Officer Responsible

Chief Staff Officer Finance

19.16 Follow up on Stores Management Performance Audit

Storage of inventories shall be the responsibility of the storekeepers. The storekeeper must ensure that:

- i.) adequate storage space is available for incoming stock as and when required;
- ii.) storage facilities are properly secured;
- iii.) stocks are kept in an orderly manner allowing for safe access;
- iv.) stocks are handled with care and well stored so as to reduce the risk of damage;
- v.) quantity of stock is closely monitored to avoid excess holdings or shortages.⁸

The Performance Audit carried out on the RFMF Stores Management in 2017 noted instances were noted where proper storage facilities were not maintained or were not secured as they had broken windows and leaking roof. A follow up carried out on 16 August 2019 revealed that the RFMF warehouse storage facilities at Walu Bay (Old Government Supplies stores) was in a deteriorated condition and not sufficiently secured as it had broken windows, doors not well-secured, broken ceilings and leaking rusted roofs. Refer to Figure 19.1 and 19.2 for details.



Figure 19.1: Door not secured, leaked sewer line



Figure 19.2: Leaked rusted roof without ceiling

Root Cause/Implication

The deteriorated condition of the warehouse indicates improper planning and lack of prioritisation.

Delay and untimely renovation would further deteriorate the condition of the building, which would be more costly to repair in the future.

⁸ RFMF Finance Manual 2014, section 8.2.1

Recommendation

The Force should prioritise the renovation of their warehouse to ensure that their storage facilities, which houses high valued stores items, are well secured.

Agreed Management Action

The Force acknowledges that the warehouse in Walu Bay is in a deteriorated state.

Plans are in place to construct a new warehouse. This is however subject to the provision of budget funding.

RFMF will submit a budget proposal in the next financial year for the construction of the new warehouse.

Officer Responsible

- Director Finance, Logistics and Acquisition
- Staff Officer Budget

19.17 Significant Outstanding Operating Trust Fund Balance

The Chief Staff Officer Finance is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.⁹

Our review of the Operating Trust Fund account noted that the account had a credit balance of \$972,413 as at 31/07/18.

This balance included the significant balance of \$801,704 for Employees FNPF, which was carried forward from prior years.

Root Cause/Implication

The anomaly indicates mispostings, non – clearance of the various deductions to respective authorities / organization or the non-clearance of the book entries on a timely manner.

This could be attributed to the lack of stringent monitoring and review of the monthly reconciliation performed in the accounts section.

Recommendations

- **The Force should ensure timely clearance of the operating trust balance.**
- **Force should set up a task force unit with a specified timeframe to speed up the review of the postings made in the general ledger (FMIS) and clearance of outstanding balances carried forward.**
- **Alternatively, the Force may consider liaising directly with the relevant authorities/entities and seek confirmation that all dues was cleared for the period concern.**

Agreed Management Action

The recommendation from the Office of the Auditor General is duly noted.

The amount of \$972,413 is the brought forward accumulated outstanding amount from previous years (2015, 2016 and 2017).

The outstanding balance of \$972,413 includes FCPF deduction of \$801,704.00 and credits from other pay deductions. These credits will be cleared at earliest.

Officer Responsible

Chief Staff Officer Finance

19.18 Effectiveness of the Internal Audit Function

Internal audit is a key pillar of good governance. It inspects an organisation's systems and processes and provides the board of directors, the audit committee, senior management, with objective, independent assurance on how well they are working, and aim to add value and improve the organisation's operations. Internal audit also provides a view on whether an entity has appropriate controls, practices and procedures both to minimise the risk that an adverse event will occur and to reduce the potential consequences if it does.

The Force has an Internal Audit Unit that is handled by three civilian staffs and that reports directly to the Director Finance, Logistic and Acquisition.

From the review of the internal audit functions of the Force, it was noted that there was no audit carried out to review the effectiveness of the internal controls, systems and process of the Force in 2018.

In addition, the Unit does not have an internal audit charter defining the internal audit's purpose, authority, responsibility and position within the Force.

Root Cause/Implication

The above findings indicate that the purpose and function of the internal audit function and has not been properly documented to allow it to operate effectively, efficiently and independently.

Recommendations

- **The Force should develop an internal audit charter outlining the internal audit functions purpose, authority, responsibility and position within the Force;**
- **Following the establishment of the internal audit charter, an annual audit program should be developed based on risk assessment of key functional units within the Force;**
- **The Internal Audit team should carry out reviews on the effectiveness of its internal controls, systems and processes particularly in the areas of risk and provide recommendation where deficiencies exist; and**
- **For the purpose of effectiveness and accountability, the Internal Audit function should directly report to the Force Commander.**

Agreed Management Action

The Internal Audit Unit of RFMF was established in 2010 comprising of one civilian staff and three military staffs. Due to issues with high staff turnover of military staffs, because of Peacekeeping duties abroad, the recruitment of two civilian staffs was completed in August 2017. Though the internal audit team reports directly to Commander RFMF, the team is administered under the Director Finance Logistic and Acquisition. Due to the lack of staff in 2016 the Audit team conducted only two routine audits for the RFMF – Logistics Support Unit and Engineers Regiment. Apart from that, the Audit team conducted special investigations as instructed by RFMF Headquarters.

With the recruitment of 2 civilian auditors', routine checks and reviews on internal controls in RFMF units is now being carried out in accordance with the audit plans. In addition RFMF is developing an audit charter for endorsement by the Commander by December 2018.

Officer Responsible

Director Finance, Logistics and Acquisition

19.19 Absence of Risk Management Framework

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

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

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

- occupational health and safety
- Force operational and human resource planning
- fraud control and anti-corruption
- disaster recovery and business continuity
- assessment of potential conflicts of interest.

Root Cause/Implication

In absence of a risk management framework, the Force may find difficulty in managing risks affecting the Force particularly risk of fraud and misappropriation of assets.

Recommendations

The Force should work towards establishing a risk management framework that would support their operations by providing financial and operational risk management and management of external reporting obligations.

Agreed Management Action

The RFMF operations is administered by various documents such as the Commander RFMF Intent; the Standing Orders Volume I – Admin Matters and Standing Orders Volume II – Support Matters, Camp Standing Orders, and various Standard Operating Procedures (SOPs) for various specialized groups and tasking's. Most of these SOPs cover risks managements for those particular tasks.

As a way forward RFMF acknowledges that a review and documenting of an overall Risk Management Framework should be put in place for the Force.

Officer Responsible

Director Finance, Logistics and Acquisition

APPENDIX 19.1: PURCHASES BASED ON THREE COMPETITIVE QUOTES

Vendor	Supplies purchased from vendor	Total (\$)
Vendor A	Webbing set, Badge cap, 20 Men Tent, 10 Men Tent, Fleece jacket, Wais Mil Webbing, Belt web, Star Pips Bod Stock, Gasmate Burners, Thermal Box	334,144
Vendor B	Terry Socks, Flannel Cloth, Gun Cleaning Sprays, Slides All Ranks, Duffle Bag, White Jacket, Mess Tin, Round neck T Shirt, Compass, Green Towel	262,928
Vendor C	Mattresses, High density foam pillows, Green Cummerbund, Stretcher beds, White bed sheet, Sam Brown Belt, Green shoes socks, Polar fleece blankets, Polar fleece blankets, Thermo mat, Olive green round neck, Steel roller cabinet, Green sweaterman, jungle hat, long sleeve under armour, Olive green elbow and knee pad, Olive Green Vest, Olive green summer socks	227,662
Vendor D	Stryker 5-25 fogging solution, White bed sheet, Maki blocks rat bait, Floor hygiene controller, Green overall with RFMF logo, White LED Head mounted lights, Flannel Cloth	135,850

Head 20**Fiji Police Force****Roles and Responsibilities**

The Fiji Police Force is responsible for maintaining law and order in Fijian society by employing best practices in police work and using modern technologies and innovative strategies to prevent criminal activity.

The Fiji Police Force engages in a wide range of activities to maintain professional personnel that are well-trained and well-equipped to handle evolving criminal threats.

The Force is currently seeking to expand the reach of its services through the construction of new facilities and to improve response times and investigative effectiveness by procuring new specialised equipment, including vehicles, communication equipment and forensic science tools.

The Force's efforts to integrate new technology will also help address crimes of increasing levels of sophistication, particularly the investigation and prevention of cybercrimes.

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PART A: FINANCIAL STATEMENTS

20.1 Audit Opinion

The audit of the 2018 accounts for the Fiji Police Force resulted in the issue of a qualified audit opinion. The qualification was due to the following:

The Force did not include as part of the Financial Statements the Trust Fund Account Statement of Receipts and Payments for the Force Band Trust Fund Account with receipts \$84,542 and payment amounting \$66,485 for the period ended 31 July 2018. In addition, the Force Band account transactions were not recorded in the FMIS General Ledger.

20.2 Statement of Receipts and Expenditure

The Fiji Police Force recorded revenue totalling \$2,709,303 and incurred a total expenditure of \$143,085,755 for the year ended 31 July 2018. Details are provided in Table 20.1.

Table 20.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	2,418,841	2,299,786
Agency Revenue	290,462	247,988
Total Revenue	2,709,303	2,547,774
Established Staff	112,433,425	95,077,397
Government Wage Earners	1,072,080	627,403
Travel and Communications	6,107,680	4,187,359
Maintenance and Operations	7,949,937	6,684,422
Purchase of Goods and Services	4,684,230	5,184,797
Operating Grants and Transfers	38,466	61,945
Special Expenditure	992,257	1,399,253
Total Operating Expenditure	133,278,075	113,222,576
Capital Construction	3,148,044	877,374
Capital Purchase	4,297,805	4,416,095
Total Capital Expenditure	7,445,849	5,293,469
Value Added Tax	2,361,831	1,934,979
Total Expenditure	143,085,755	120,451,024

Revenue mainly comprised of police clearance fees, license fees and overpayment recoveries.

The Established Staff expenditure increased by \$17,356,028 or 18% in 2018, which was due to increase in Force strength from 3,992 in 2017 to 4,084 in 2018 and pay rise due to realignment of Police Pay Structure. The realignment was part of the “One Force” concept that the Fiji Police Force embarked on to consolidate officer salary structure. The new salary structure was approved via Police (Amendment) Regulations 2017.

The Government Wage Earners expenditure increased by \$444,677 or 71% in 2018, which was mainly attributed by 14% pay increase for the members of the Special Constabulary.

Travel and Communication expenditure increased by \$1,920,321 or 46% in 2018, which was directly attributed to increase in operational costs (travelling, subsistence and communication expenses) of the Force. The revised rate of the meal allowance of \$20 made a significant cost impact as well.

Maintenance and Operations expenditure increased by \$1,265,515 or 19% in 2018, which was mainly attributed to increase in operational costs such as office stationery and printing expenditure, repair and maintenance expenditure, purchase of fuel due to increase in the allocation of vehicles and electricity expenditure.

Capital Construction expenditure increased by \$2,270,670 or 259% in 2018, which was due to the upgrading/repairs of Police Institutions and Police Quarters at Namarai, Dawasamu, Rakiraki Police Station and Valelevu Police Station compounded by the commencement of the consultancy (project design and engineering) works on the proposed upgrading and extension of the Nadi and Lautoka Police Stations and the construction of the new Nakasi Police Station.

20.3 Appropriation Statement

The Force incurred expenditure totalling \$143.1 million in 2018 against a revised budget of \$146.9 million, resulting in a saving of \$3.8 million or 2.6%.

The savings of \$1,035,317 or 19% under the Capital Purchase (SEG 9) allocation was mainly attributed to the Force anticipation to reprioritise the funds to commence the major CCTV project, waiting for approval of the Department of Information Technology and Computing for its Forensic Chemistry Equipment Project and leaving the procurement of the fibre glass boats to the last quarter resulting in the supplier not being able to supply the boats

Details of expenditure against the revised budget are provided in Table 20.2.

Table 20.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
1	Established Staff	118,054,649	(5,544,956)	112,509,693	112,433,425	76,268
2	Government Wage Earners	637,576	487,836	1,125,412	1,072,080	53,332
3	Travel & Communication	3,984,000	2,480,000	6,464,000	6,107,680	356,320
4	Maintenance & Operations	6,789,000	2,024,000	8,813,000	7,949,937	863,063
5	Purchase of Goods & Services	5,344,043	204,732	5,548,775	4,684,230	864,545
6	Operating grants & transfers	90,000	(21,407)	68,593	38,466	30,127
7	Special expenditure	1,133,000	(32,629)	1,100,371	992,257	108,114
	Total Operating Expenditure	136,032,268	(402,424)	135,629,844	133,278,075	2,351,769
8	Capital Construction	7,003,100	(3,642,818)	3,360,282	3,148,044	212,238
9	Capital Purchase	3,287,000	2,046,122	5,333,122	4,297,805	1,035,317
	Total Capital Expenditure	10,290,100	(1,596,696)	8,693,404	7,445,849	1,247,555
13	Value Added Tax	2,476,600	91,620	2,568,220	2,361,831	206,389
	TOTAL	148,798,968	(1,907,500)	146,891,468	143,085,755	3,805,713

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

20.4 Internal Controls

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

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

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

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

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

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

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

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

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

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

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

Examples of issues which would fall under this category are reported to management of the agencies on matters relating to internal controls.


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

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

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

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

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

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

20.5 Submission of FY 2017-2018 Draft Agency Financial Statements


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

The key focus areas in the circular were:

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

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


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

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

20.6 Quality of Draft Financial Statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Ineffective	Adjustments on operating results/net assets were more than one percent

20.7 Timeliness of Draft Financial Statements


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


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

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 15 days from issue of Financial Statements for signing

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

20.9 Operation of National Command Center

The responsible authority for a budget sector agency is responsible for the effective, efficient and economical management of the agency.¹

Physical assets provide a vital resource base that supports the delivery of outputs by the agency. Therefore it is important to ensure that:

- assets are safeguarded and properly maintained;
- assets are used for official purposes only;
- all assets held by the agency are used efficiently.²

The Force National Command Centre (NCC) is based at the Totogo/Central Police Station building. Its role is to manage the 917 hotline, manage the CCTV footage and manage the operation by receiving and disseminating of information/instruction.

Our visit to the NCC on 27/11/18 revealed that:

- The Force through the partnership with Suva City Council has eight CCTV cameras installed in the central business district. However, it was noted that CCTV monitor was not operational for over a year and hence no monitoring could be done.
- National Command Center (NCC) supports whole of Fiji operation. However, it was noted that the CCTV camera except for Suva was not installed or linked at/to any other district (town/cities).
- Except for Suva City Council, there was no partnership approach with other municipal council and the business chambers/council.
- Although the Force was allocated a sum of \$50,000 for CCTV cameras in 2017/2018 budget, the fund were not utilised.

¹ Financial Management Act 2004 – Section 28.1 (a)

² Fiji Police Force Finance Manual 2015 – Part 10

Root Cause/Implication

Prolong delay in fixing the NCC monitor screen and strengthening the operational needs of the NCC such as strategic installation of the CCTV and partnership with the municipal council, business chambers and public transport providers indicates lack of prioritisation.

CCTV system increases the Force visibility and is a great tool to assist the Force in smart/modern policing. In the absence of fully operational systems, it would limit the capacity of the Force in crime deterrence, quick response and tracking of the criminal activity or escapee from the police custody.

Recommendation

The Force should:

- prioritise the review and strengthen the operational needs of its National Command Center;
- consider engaging in a partnerships with local business chambers/council and municipal councils on the installation and maintenance cost of the CCTV while the monitoring to be facilitated by the Force; and
- ensure that funds allocated for the CCTV camera is effectively and efficiently utilised.

Agreed Management Action

CCTV for CBD

The Cameras that were already in operation in the Suva CBD that belongs to the SCC was in operation and linked to the Police Coordinating Command Centre. However, due to wear & tear the links from the cameras to the monitors at the National Command Centre has worn out and needs to be replaced. Therefore, the links have been removed and new links have been ordered for replacements. This is still a work in progress.

Linkage to other Divisions

For this issue, it is a work in progress in liaison with the Huawei Company, trying to facilitate the new platform for the CCTV monitoring system for the Fiji Police Force. Manager Communication is currently working on this Project.

This Project will have new platform to meet the current demand and standards of Police operations through monitoring and surveillance.

Officer Responsible

- Manager Communication
- Chief Administration Officer

20.10 Police WaterPol Unit

Physical assets provide a vital resource base that supports the delivery of outputs by the agency. Therefore it is important to ensure that:

- assets are safeguarded and properly maintained;
- assets are used for official purposes only;

- all assets held by the agency are used efficiently.³

The principles of responsible financial management are to ensure value for money in the use of money and resources.⁴ The responsible authority for a budget sector agency is responsible for the effective, efficient and economical management of the agency.⁵

During the 2017/18 financial year, the Force had a savings of \$300,877 from the funds allocated for the operations of WaterPol Unit. Similarly in 2016/17 financial year, there was a savings of \$342,912.

The Force owns a total of 27 vessels of which 15 vessels (2 Aluminium, 11 Fibre Glass, 1 wooden and 1 rubber dingy) were in operation, four were under repair, one was lost in the sea and seven in the process of being boarded due to its old age and non-compliance to the requirement of Maritime Safety Authority of Fiji. Our review of the condition and operational capability of the vessels noted the following:

- Out of the 15 vessel in operation only WP Nahatogo was fully equipped with navigating equipment's while WP Veiqaravi was partially equipped. Both the vessel went through massive overhaul in 2017/2018.
- The Fiber glass vessel used by the Force does not have the basic navigational equipment, lights and shelter which affects its movement at night and during heavy rain.

Root Cause/Implication

The above finding indicates lack of priority for the proper establishment of the WaterPol Unit as substantial funds remained unutilised during the 2017/18 financial year. As a result, the Force is unable to perform water policing efficiently and effectively.

Recommendations

The Force should:

- **review and strengthen its WaterPol Unit establishment and operational need;**
- **strategize ways to increase its visibility, timely interception and deterrence for criminals/drug peddlers from their criminal activities;**
- **develop the Standard Operating Procedures to guide the Water Pol operation;**
- **review the need for the type of vessel/boat required for current/future operation needs and equip it with the basic navigational equipment for the safety of the officers and as well as to effectively deliver its service; and**
- **effectively plan the utilization of funds allocated for Police WaterPol Unit.**

Agreed Management Action

Adequate Vessels

The FPF notes and agrees with the comments whereby in order to build its water policing works, FPF has advertised to procure 4 x Fast Intercept, Search and Rescue Boats. Moreover, approx. FJD\$5.5 Million has been

³ Fiji Police Force Finance Manual 2015 – Part 10

⁴ Financial Management Act 2004 – Section 5 (c)

⁵ Financial Management Act 2004 – Section 28.1 (a)

agreed by the Japanese Government on 18/12/18 to assist the Fijian Government to supply equipment, etc. to enhance the capabilities for the maritime operational works.

Procurement of 20 x 25 ft. Standard Fiberglass Boats

These engines were procured to supplement the installation of 2 x 60HP per boat. However, due to the Whole of Government Tender in place whereby only one contractor is manufacturing the boats, the contractor was dragging on furnishing of requirement of Advance Payment documents and also the contractor failed to deliver the boats. Due to constant delays from the Supplier and as such to meet Ministry of Economy requirement closing of account procedures, the Purchase Order had to be cancelled which resulted in a saving of \$342,912.

Review and strengthen its WaterPol Unit establishment and operational need

The new Establishment has been approved as part of the current Fiji Police Force Reform & Restructure.

Standard Operating Procedures to guide the WaterPol operation

The work on the Draft Standard Operating Procedures is ongoing and to be completed by 30/06/2019.

Vessels/boats required for current/future operation needs

The biggest challenge is the approved Government Tender which approves the standard boat and did not take into account the requirements of agencies [Fiji Police Force] in relation to the nature of their operations. However, Fiji Police Force has refitted and refurbished 2 x aluminium boats, WP 03 Nahatogo and WP 04 Naivonoi, with 200HP Yamaha outboard engine and installed with navigation systems approved by MSAF. Currently the Force is working on design and building police boat to meet CP's intent to achieve organizational goals.

Effective utilisation of funds allocated for Police WaterPol Unit

Your advice has been noted and currently the Force is in the process of upgrading the existing boats/vessels and acquiring of new vessels for our maritime operation areas, hence the allocated funds will be used for such expenditures.

Officer Responsible

- Director Operations
- Chief Operation Officer

20.11 Force Information Technology (IT) Strategy Plan

IT strategy is a comprehensive plan that information technology management professionals use to guide their organizations.

We noted that the Force does not have an approved Strategic Plan on its IT needs. Currently, the use of Information Technology by the Force is minimal and system and process was mostly manual. For instance, the following tasks were performed manually:

- Complain registration and Case File Management;
- Registration and movement of exhibits; and
- Registry records.

Furthermore, the police email domain was not adequately functioning hence most of the staffs were resorting to personal email addresses.

Root Cause/Implication

The Force has the established Director IT position. However, the IT unit is not established properly. As at the date of audit⁶, the unit had eight constable positions but there was no organisational structure for the IT unit.

The Force plays a vital role in ensuring safety, security, law and order to boost the public and investor confidence.

Technology is a vital tool in helping police forces to manage its internal operation, database for performance measurement and also prevent and fight crime more efficiently, and effectively.

Recommendations

The Force should:

- **establish and strengthen its IT Unit;**
- **consider recruiting experience system analyst and software developers to assist in programming and apps development;**
- **set up the taskforce/Working Group to review its IT capability and needs, consult with the respective stakeholders and prepare the strategic plan for its implementation; and**
- **seek funding through annual appropriation or seek donor funding for institutional strengthening through partnership approach.**

Agreed Management Action

- **Complain Registration Case/ File Management and Tracking** – Project was undertaken by IT (FPF) and Director Prosecution in the last two years but did not progress due to no budgetary funding.
- **Exhibit Registration and Movement** – No project was undertaken on this initiative. However it is envisaged being undertaken in future.
- **Registry Records** – Through the HRIS implementation, the database has already being developed and are currently utilised in the Fiji Police HQ Registry. However, the IT Department is working on the deployment of the database to all four divisions through a dedicated Police Network.
- **Database software** – for quick crime analysis, tracking and response - No project has been done on this initiative. However it is envisage being undertaken in future.

Police Email

Under the Govnet, a Domain was created for the Fiji Police Force official mailing system namely the police.gov.fj. Most of the officers were reverting back to the open email system due to the following reasons:

- Only 10MB of data for any attachments compared to 25MB for open emails;
- Access to the Govnet mailing system is limited and most times cannot be accessed by our frontline officers; and
- Development of Government ICT infrastructure has yet to reach some Police in remote and maritime sites.

⁶ 31/10/2018

Structure and Manpower

The establishment of IT Unit has been approved for regularisation in Phase 1 of the Fiji Police Reform & Restructure and this to be executed in 2019 financial year. The IT Department views this strategy as a positive move towards the establishment and strengthening of the IT departments through the implementation of its re-structure to facilitate establishment and enhance the development critically needed in the organization.

Officer Responsible

- Director IT
- Chief Administration Officer

20.12 Poor Condition of Force Quarters

Agencies must prepare an Annual Procurement Plan (APP) to support their projected procurement requirements for the coming financial year. The APP is to contain a short strategic procurement outlook for the agency supported by details of any planned procurement. The detail should include the subject matter of any planned procurement and the estimated date of the publication of the approach to the market.⁷

The responsible authority for a budget sector agency is responsible for the effective, efficient and economical management of the agency.⁸

Our site visit to the Force Quarters listed below in the Central Division noted that some quarters were in a very poor condition.

- **Nausori Police Station, Station's single men's and married quarters** – for the *Nausori Police Station*, the condition of washrooms were very dirty. The condition of the cell was not OHS compliant. We were informed that the sewer tank gets flooded during heavy rain which gives foul smell. Also, the 'Bure' for the Police Station needed a roof and new door

For the *Nausori Police Station's single men's quarters*, the toilet and urinary bowl were dirty and the toilet cistern was not working. The main door to the quarters is damaged, mosquito netting torn and there were missing louvre blades and broken windows

For the *Nausori Police Station's married quarters*, the roof was leaking and the old guttering needed replacement. There were broken/damaged windows on the quarters, the paintings were worn out and the power points were loose, which was unsafe for tenants.

- **Valelevu Police Station single men's and married quarters** – there were no showers, no doors, broken taps and broken washbowls in the bathrooms. The roofs and the guttering are old and needs replacing. The drainage for the sinks were damaged.
- **Nasova married quarters barrack** – the paintings on the barracks have worn out and had rusted roofing irons.

Refer to Appendix 20.1 for pictures taken during the site visit.

⁷ Guide to the Procurement Policy Framework 2010 – Section 3.4.2

⁸ Financial Management Act 2004 – Section 28.1 (a)

The Force was allocated a sum of \$800,000 for upgrade and replacement of Living Quarters during the 2017 – 2018 financial year while \$1,000,000 was allocated during the 2016-2017 financial year. However, the budgetary provision was revised to nil during the year as the funds were vired for other projects.

Root Cause/Implication

The findings indicate the lack of periodic maintenance of stations and quarters due to lack of prioritisation as the funds in 2016/2017 and 2017/2018 was not used for the intended purpose.

Delay and untimely repairs would further deteriorate the condition of the building, which will be more costly to repair it in future, create negative public image of the Force and also it affects the welfare issues for tenants (officers) occupying those quarters.

Recommendations

The Force should:

- review the status/condition of all its stations/quarters and prioritise its maintenance/repairs in next budget in accordance to the police modernisation plan;
- moving forward ensure the maintenance and repairs are carried out by the Building and Maintenance Unit on a timely manner;
- inspections of quarters and stations are strictly carried out by the Station Officer on a regular basis; and
- take necessary action is instituted against officers who damage or do not maintain the quarters in good condition.

Agreed Management Action

\$1.0 Million not utilised – in order to utilise the allocated funds FPF had made a submission to outsource the maintenance works; however, this was not approved by CIU. As a result a submission amounting to \$52.8m for periodic maintenance to be phased out for a period of 4 years has been submitted to the Cabinet through Ministry of Defence and we are waiting for approval. All works in phases will be carried out by CIU through engagement of their consultants and contractors.

Officer Responsible

- Manager Procurement
- Director Corporate Services
- Chief Administration Officer

20.13 Variance in Revenue Records

Within five working days of the Ministry of Economy issuing the monthly General Ledger Reports, the Assistant Accounts Officer Revenue shall reconcile the revenue figures in the report to the Revenue Statement.⁹

The Force major source of the revenue is through the issue of the Police Clearance report. From the analytical review performed using the FMIS (GL) data and the data obtained from the Police

⁹ Fiji Police Force Finance Manual 2015 – Section 5.5.12

Clearance Register revealed the variance of \$133,519 between two records. The details are as follows:

Table 20.3: Details of Variance between GL and Force Records

Description	Amount (\$)
Total Revenue as per GL (FMIS)	2,418,841
Convert to VIP	2,636,537
Revenue as per Report (Police Clearance Register)	2,503,018
Variance	133,519
Percentage Variance	5%

Root Cause/Implication

As the internal control mechanism the records from the Force Criminal Record Unit was not analysed and reconciled with the FMIS (GL). In the absence of reconciliation between the revenue posted in general ledger (FMIS) and Police clearance register, error and omission will not be detected on a timely manner.

Recommendations

The Force should:

- regularly reconcile the Police Clearance issued data from the Criminal Record Unit with the revenue records submitted from the division on a monthly basis; and
- investigate and rectify the variance noted between the two records.

Agreed Management Action

The Criminal Records Office have provided amount from their Police clearance register for the number of Police clearance applications were received and processed. There were some transferring errors into the register that has been rectified. However, we have noted your recommendations and way forward accordingly had advised the CRO and Deputy Force Accountant to regularly verify and reconcile the two records.

Officer Responsible

Manager Finance

20.14 Police Trust Fund

Each year the Deputy Force Accountant shall prepare an annual trust receipts & payments statement within two weeks of the end of the year.¹⁰

The audited financial statement of trust balances shall be included in the agency's annual report.¹¹

¹⁰ Fiji Police Force Finance Manual 2015 – Section 14.4.5

¹¹ Fiji Police Force Finance Manual 2015 – Section 14.4.8

Financial transactions shall be posted into the automated information system (General Ledger System) using journal entry input forms or directly from source documents such as journal vouchers or payment vouchers.¹²

The Force maintains a Band Trust Fund account which had a closing cashbook balance of \$156,221 as at 31 July 2018. This account records the receipts and payments incurred for the band entertainment provided to general public on request.

We noted that the transactions were not recorded in the FMIS general ledger (FMIS) and also not reflected in the Force's agency financial statement.

Root Cause/Implication

The findings indicate that Force Accountant did not recognise that the Band Trust Fund account should be included as part for the Force Financial Statements. As a result the Band Trust Fund account has been excluded from been disclosed in the Force Financial Statements.

Recommendations

The Force should liaise with Ministry of Economy on reflecting the Police Band Trust Fund account in the FMIS General Ledger and consequently in the Force Financial Statements.

Agreed Management Action

The Police Band Fund Trust account has been operating under separate Bank account after obtaining approval from the Ministry of Economy on 27/01/2004. The money received arising from the paid Band engagement is deposited into this account and this money is used to pay for repairs and maintenance of Band equipment, transportation of Band officials, accommodations, subsistence, etc. There is no budgetary provision for repairs and maintenance of Band equipment.

Officer Responsible

- Manager Finance
- Director Corporate Services
- Chief Administration Officer

20.15 Significant Outstanding Operating Trust Fund Balance

Operating Trust Fund Accounts facilitate transactions relating to the Ministry's administrative role as an employer. These transactions include deductions from employees' salaries/wages with regards to the superannuation contributions, housing loan, repayments, insurance premiums and other deductions for onward payment to the respective payees.

Within 3 days of receiving the monthly general ledger reports from the Ministry of Finance, the Assistant Accounts Officer Ledgers shall reconcile the ledger balances to the general ledger reports

¹² Fiji Police Force Finance Manual 2015 – Section 15.2.1

and prepare a ledger reconciliation statement.¹³ Any errors or misallocations must be immediately adjusted by way of journal vouchers.¹⁴

Our review of the Operating Trust Fund account noted that the account had a credit balance of \$2,410,759 as at 31/07/18. This included significant outstanding balances amounting \$2,303,499.64 carried forward from prior years. Details are as follows:

Table 20.4: Details of Outstanding Operating Trust Fund Balance

Allocation	Description	Amount (\$)
1-20101-20101-861210	Police Welfare Scheme	212,241.43
1-20101-20101-861517	Police Service Credit Union	654,416.76
1-20101-20101-861917	Improved Forestry	285,440.60
1-20101-20101-861920	Employees FNPF	155,720.76
1-20101-20101-863201	VAT from provision of goods and services	995,680.09
Total		2,303,499.64

Root Cause/Implication

The above finding is a result of mispostings and non - clearance of charges in the operating trust fund on a timely manner. As a result, significant balance is appearing in the operating trust fund general ledger.

Recommendations

- The Force should ensure timely clearance of the operating trust balance;
- Force should set up a task force unit with a specified timeframe to speed up the review of the postings made in the general ledger (FMIS) and clearance of outstanding balances carried forward;
- Alternatively, the Force may consider liaising directly with the relevant authorities FNPF, FRCS, Welfare Scheme and Credit Union and seek confirmation that all dues were cleared for the period in concern.

Agreed Management Action

Police Welfare

- Misallocation of allocations in previous year's payments. The Police Welfare payments were made from Operating Fund account - SEG 1 instead of Police Welfare Trust Fund account.
- Reversals were not made to the respective Personal Emolument allocations – SEG 1.
- The Force is liaising with Ministry of Economy for way forward to clear these previous years' accumulated figures.

Police Credit Union

- Misallocation of allocations in previous year's payments. The Police Credit Union payments were made from Operating Fund account - SEG 1 instead of Police Credit Union Trust Fund account.
- Reversals were not made to the respective Personal Emolument allocations – SEG 1.

¹³ Fiji Police Force Finance Manual 2015 – Section 15.3.3

¹⁴ Fiji Police Force Finance Manual 2015 – Section 15.3.4

- After verification we have noted that few payments are pending to the Police Credit Union. However, awaiting confirmation from Manager Police Credit Union for members whose contributions has not been received that are still in the trust fund account.
- The Force is liaising with Ministry of Economy for way forward to clear these previous years' accumulated figures.

Improved Forestry

- This allocation is used to hold the 10% retention money for capital projects.
- The allocation will be cleared once the payment is made for the release of the retention money on expiry of defects liability period.
- The description for the allocation will be changed to Retention Fund for Capital Projects and a request has been submitted to FMIS/MoE

FNPF

- All payments have been done to FNPF, except for some mis-postings that are to be rectified and corrected.

AR VAT

- Necessary write up was made to MOE on the clearance of \$479,065.90 but till to-date no response is received from them.

Officer Responsible

Manager Finance

APPENDIX 20.1 QUARTERS CONDITIONS

Nausori Police Station Quarters



Figure 20.1: Single men quarters door damaged



Figure 20.2: Torn mosquito screen missing louvre blades

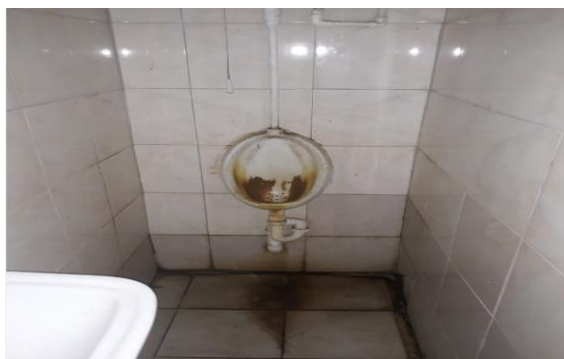


Figure 20.3: Single men quarters Urinary bowl



Figure 20.4: Single men quarters toilet



Figure 20.5: Single men quarters broken cistern



Figure 20.6: Married quarters' broken windows

Nausori Police Station Quarters



Figure 20.7: Married quarters' broken windows



Figure 20.8: Loose power-point



Figure 20.9: Cracks in ceiling



Figure 20.10: Old guttering



Figure 20.11: Married quarters old guttering



Figure 20.12: Leaking roof



Figure 20.13: Damaged quarters currently vacated



Figure 20.14: Damaged windows for married quarters

Valelevu Police Station Quarters



Figure 20.15: Broken taps and wash bowl

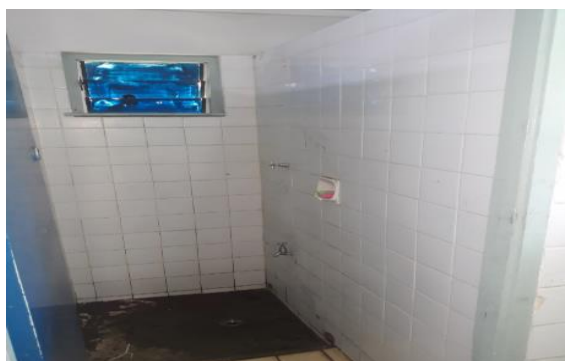


Figure 20.16: No shower in bathroom



Figure 20.17: Roof/guttering needs replacement



Figure 20.18: Damaged drainage for sink



Figure 20.19: No bathroom door/old painting



Figure 20.20: Old guttering needs replacement



Figure 20.21: Missing louvre blades



Figure 20.22: Missing louvre blades

Nasova Police Station Quarters



Figure 20.23: Worn out paint



Figure 20.24: Rusted roofing iron

Head 49**Peacekeeping Missions****Roles and Responsibilities**

For more than three decades, Fiji has responded to the call of the United Nations [UN] to serve in some of the most difficult circumstances around the world. Fiji has proudly contributed troops to successive peacekeeping operations in Lebanon, Sinai, Iraq, Syria, Timor Leste, South Sudan, Darfur, Liberia, Bosnia, Kosovo, Kuwait, Namibia, Cambodia and the Solomon Islands.

The UN Security Council mandate for peacekeeping operations calls for security personnel deployed to conflict zones under UN authority to maintain or restore international peace and security, exclusively in the common interest of the international community; disengage the conflict parties; create conditions for peaceful settlement of a conflict; monitor cease-fire peace agreements; and render humanitarian assistance to civilian populations in the area of deployment.

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PART A: FINANCIAL STATEMENTS

49.1 Audit Opinion

Audit of the 2018 accounts of the Peacekeeping Missions resulted in an unqualified audit opinion. However, attention was drawn to the following matter:

The Peacekeeping Missions did not carry out a complete board of survey to verify the existence and condition of the assets under its authority except for Black Rock training camp contrary to Section 49(2) of the Finance Instructions 2010.

49.2 Statement of Receipts and Expenditure

The Peacekeeping Mission incurred expenditure totalling \$75,824,535 for the year ended 31 July 2018. Refer to Table 21.1 for details.

Table 49.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
RECEIPTS		
State Revenue	---	---
Total Revenue	---	---
EXPENDITURE		
Operating Expenditure		
Established staff	64,135,279	61,854,644
Travel & Communications	539,346	301,772
Maintenance & Operations	276,741	47,856
Purchase of Goods & Services	4,469,607	3,993,097
Special Expenditures	4,138,871	966,946
Total Operating Expenditure	73,559,844	67,164,315
Capital Expenditure		
Capital Purchase	969,494	6,878,905
Total Capital Expenditure	969,494	6,878,905
Value Added Tax	1,295,197	1,222,806
TOTAL EXPENDITURE	75,824,535	75,266,026

The total expenditure increased by \$558,509 or 1% in comparison to 2017. This was due to increase in operating expenditure by \$6,395,529 or 10%. This increase was offset by a decrease in capital expenditure by \$5,909,411 or 86%.

49.3 Appropriation Statement

The Mission incurred expenditure totaling \$75,824,535 in 2018 against a revised budget of \$79,207,702 resulting in a saving of \$3,383,167 or 4%.

Review of the FMIS General Ledger revealed that significant savings were on the following areas: Personal Emoluments (SEG 1) by \$935,300, Allowances (SEG 1) by \$1,057,798, Military Tech Equipment by \$145,882 (SEG 7), Standby for Rapid Deployment by \$202,000 (SEG 7), Winter Clothing by \$233,570 (SEG 7) and Standby Arrangement Rapid Deployment by \$250,000 (SEG 7).

Savings were due to the following reasons:

- There was a savings of \$2,145,986 or 3% in Established Staff budget due to fluctuations in the number of deployed troops on the ground.
- There was a savings of \$843,699 or 17% in Special Expenditure budget due to savings in Standby Arrangement for rapid deployment of manpower (RDPM) allocation of \$452,000 which was under requisition, winter clothing of \$233,570 and military tech equipment of \$145,882.

Details of expenditure against the revised budget are provided in Table 49.2.

Table 49.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	72,810,206	(6,528,941)	66,281,265	64,135,279	2,145,986
3	Travel & Communications	122,758	439,937	562,695	539,346	23,349
4	Maintenance & Operations	180,146	187,111	367,257	276,741	90,516
5	Purchase of Goods & Services	3,264,192	1,363,229	4,627,421	4,469,607	157,814
7	Special Expenditure	2,302,200	2,680,370	4,982,570	4,138,871	843,699
	Total Operating Expenditure	78,679,502	(1,858,294)	76,821,208	73,559,844	3,261,364
8	Capital Purchases	---	969,494	969,494	969,494	---
	Total Capital Expenditure	---	969,494	969,494	969,494	---
13	Value Added Tax	528,200	888,800	1,417,000	1,295,197	121,803
	Total Expenditure	79,207,702	---	79,207,702	75,824,535	3,383,167

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

49.4 Internal Controls

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

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

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

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

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

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

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

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

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

Examples of issues which would fall under this category are general controls relating to information technology, documentation of procedures which have in-built checks and balances which are aligned

to the policies of the entity. Specific control activities include those relating to authorisation, performance reviews, information processing, physical controls, and segregation of duties.






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

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


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

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

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

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

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

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

49.5 Preparation of Draft 2017-2018 Agency Financial Statements

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


The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- Monitoring of unrepresented cheques by 29 August 2018
- Clearance of stale cheques by 22 August 2018

- Annual Board of Survey on Drawings Account cheques by 22 August 2018
- Retirement of annual imprests by 20 July 2018
- Cancellation of unprocessed purchase orders by 27 July 2018
- Processing of payments and virements by 13 August 2018
- Completion of reconciliations by 29 August 2018

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


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

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

49.6 Quality of draft financial statements by entities


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

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

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


49.7 Timeliness of draft financial statements


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

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

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

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

Rating	Timeliness of Management Comments Received
 Ineffective	Management comments received after 21 days

Rating	Timeliness of Signed Financial Statements Received
 Generally effective	Signed financial statements received within 15 days

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

49.9 Splitting of contracts

Splitting of contracts - means dividing contracts in to smaller quantities and amounts, or dividing contract implementation into artificial phases or subcontracts, for the purpose of making it fall below the threshold requiring legislated procurement approval or circumvent the requirement of public bidding for procurement over \$50,000 VIP.¹

In order to differentiate and identify a split, the procurement would be classed under one of the following criteria; dividing contract implementation into artificial phases or sub-contracts for the purpose of evading or circumventing the requirements of the regulations.²

We noted that the following works were divided into two separate contracts which were carried out by one contractor. Refer to Table 49.3 for details.

Table 49.3: Works divided into 2 separate contracts

Scope of Works	Date of Signing the Contract	Duration	Amount (\$)
Construction of new driveway and carport (Area A) for DPSO (Directorate of Peace Support Operations, Berkeley Crescent, Suva)	18/06/18	2 weeks	39,875
Construction of new carport with cover and waiting area (Area C) for DPSO (Directorate of Peace Support Operations, Berkeley Crescent, Suva)	18/06/18	4 weeks	43,000
TOTAL			82,875

¹ Ministry of Economy Splitting of Contracts Policy 2014, Section. 5.1

² Ministry of Economy Splitting of Contracts Policy 2014, Section 6.1 (v)

Root Cause/Implication

Due to the urgency of the work towards the end of the financial year, the tender process was not followed. Hence inability to properly plan for projects resulted in splitting of contracts and not calling for tender for procurement above \$50,000.

Recommendation

The Mission should ensure that instructions stipulated in the Procurement Regulations are complied with and proper procurement procedures are followed at all times.

Agreed Management Action

Audit observations were noted.

The Force will comply with instructions stipulated in the Procurement Regulations.

Commanding Officers will also monitor all projects under their command to ensure completion within budget and compliance with regulations.

Officer Responsible

Director Peacekeeping Support Office

49.10 Breach of Government Tender Board Approval

As per Tender No. CTN 3/2016 for Supply of Vaccines for Republic of Fiji Military Forces, the Government Tender Board had approved to award the contract for supply of vaccines to Supplier X at the cost of \$383,250 VIP annually; totaling \$766,500 VIP for a period of 2 years. The approval was at a unit cost of \$FJ56.40 VIP for each Meningococcal Poly Vaccine. In addition the Board had advised the office that prior approval of Government Tender Board is required in the event there is a variation.³

The Mission purchased Meningococcal Poly Vaccine at \$122 per vaccine while the Government Tender Board (GTB), (CTN 3/2016) had approved to purchase at \$56.40 VIP per vaccine. This resulted in additional costs of \$65.60 per vaccine purchased which totaled \$17,588.20. In addition, unit cost of \$22 VIP was approved by Government Tender Board for purchase of Tetavax Vaccines.

We further noted that the Mission paid 9% VAT again on the purchase of the vaccines. Hence, an extra amount of \$1.98 per vaccine was paid in error. Refer to Appendix 49.1 for details.

Root Cause/Implication

Due to shortage of Meningococcal Poly vaccine namely Mencevax worldwide, the substitute, Nimenrix, was provided at higher price.

This resulted in the payment for the extra amount which was done without the Tender board approval.

³ CTN 3/2016 - Supply of Vaccines - Republic Fiji Military Forces (RFMF) of 20/5/2016

Recommendations**The Mission should ensure:**

- that prior approval of the GTB is obtained for variation in prices; and
- compliance with Government Tender Board decision at all times.

Agreed Management Action

Audit observations were noted. The increased price for Meningococcal Vaccine was due to a shortage of supply in the global market, forcing the price upwards. Due to the urgent and mandatory vaccination requirement for deployed soldiers, the procurement was made. The Force will ensure that prior approval is obtained in the event of a variation to a contract.

Officer Responsible

Director Finance Logistics and Acquisitions /Chief Staff Officer Acquisition.

49.11 Misposting not adjusted

The Senior Accounts Officer, Chief Staff Officer Finance or Staff Officer Trade must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.⁴ In addition, within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Staff Officer Ledgers shall reconcile ledger balances to the general ledger reports and prepare a ledger reconciliation statement.⁵ Any error or misallocations must be immediately adjusted by way of journal vouchers.⁶ Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts.⁷

We noted that the Mission misposted VAT Inclusive Price (VIP) amounting to \$45,024.76 to some expenditure allocations. Refer to Table 49.4 below for details.

Table 49.4: Examples of VIP Amounts Posted to Expenditure Allocations

Date	Cheque Number	Payment Details	Allocation Expensed	Amount VIP (\$)	Amount Expensed (\$)	VAT (\$)
12/07/2018	31274	Payment for renovation works to Peacekeeping Office	Building Maintenance 14910349103050501	14,700.00	14,700.00	1,213.76
11/07/2018	31248	Payment for purchase of 293 pieces of Duffle bag at \$165.00 VIP	Personnel Equipment 14910349103059102-\$47,513.42	92,295.00	47,513.42 831.58 43,950.00	3,991.79 3,628.90

⁴ Republic of Fiji Military Force, Finance Manual 2014, Section 2.8.4 (v)

⁵ Republic of Fiji Military Force, Finance Manual 2014, Section 16.3.3

⁶ Republic of Fiji Military Force, Finance Manual 2014, Section 16.3.4

⁷ Republic of Fiji Military Force, Finance Manual 2014, Section 16.1.1

Date	Cheque Number	Payment Details	Allocation Expensed	Amount VIP (\$)	Amount Expensed (\$)	VAT (\$)
		Payment for purchase of Runaway Pack	Winter Clothing 14910349103079904 - \$43,950 and \$831.58			
04/07/2018	30937	Payment for purchase of 3*20 men tent at \$13,950 VIP each for the Middle-East deployment training	Military Stores 14910349103059199	41,850.00	41,850.00	3,455.50
06/07/2018	31085	Payment for purchase of 586 Head Gear T-Shirts at \$85 VIP each for UNAMI, UNIFIL and Middle-East Issue	National Food Items 14910349103059904	49,810.00	49,810.00	4,112.75
13/07/2018	31328	Payment for purchase of 2 x 40 men tent at \$20,000 each	Military Technology 14910149101071118	40,000.00	40,000.00	3,302.75
		Purchase of 126 litre gun oil	Military Technology 14910149101071118	24,570.00	24,570.00	2,028.72
		Purchase of 60 one men tent at \$95 each	Other Stores 14910349103050156	5,700.00	5,700.00	470.64
		Purchase of 120 M16 Pouch (Mag) at \$55 each	Personnel Equipment 14910349103059102	6,600.00	6,600.00	544.95
11/07/2018	31242 A	Payment for purchase of 1,090 Long John at \$198 each	Winter Clothing 14910349103079904	215,820.00	215,820.00	17,820.00
11/07/2018	31242 B	Payment for supply of Military Equipment (545 pieces of scarf) at \$99 each)	Winter Clothing 14910349103079904	53,955.00	53,955.00	4,455.00
Total						45,024.76

In addition, it was noted the Mission was charging expenses to incorrect expenditure allocations. Refer to Table 49.5 below for examples.

Table 49.5: Examples of VIP Amounts Posted to Expenditure Allocations

Date	Cheque Number	Vendor	Payment Details	Amount (VEP) (\$)	Anomalies
16/11/2017	25568	JAD International Travel Services	Payment for airfare for Director Peace Keeping to accompany Minister for Defence on an official visit (Middle East Tour).	11,727.52	Misposting to SEG 5 (Departure Tax) instead of SEG 3 (Travel).
24/04/2018	29161	Priya's Laundry Services	Payment for laundry of uniform and beddings.	9,285.55	Misposting to SEG 5 (Departure Tax)
Total				21,013.07	

Root Cause/Implication

The Mission did not rectify the misallocation which indicates that proper supervisory checks were not carried by the Accounts team to identify and rectify the anomaly on a timely basis. .

Recommendation

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

Agreed Management Action**VAT mis-posting**

Audit observations are noted. A virement application for VAT was submitted by the Force but could not be processed before the end of the financial year. The Force will ensure that the VAT component for the acquisition of all goods and services are charged to the VAT account numbers.

Charging Expenses to incorrect Allocations.

Audit comments are noted. The Force will ensure that the correct expenditure allocations are charged. Any misposting will be adjusted to the correct allocation in the correct financial period.

Officer Responsible

Finance Officer Peacekeeping Support Office/Chief Staff Officer Finance.

APPENDIX 49.1: EXTRA PAYMENT FOR VACCINE

Date	Cheque No.	Type of Vaccine	Quantity of Vaccines Purchased	Tendered Cost Price (VIP)/ per Vaccine (\$)	Total Tendered Cost Price (VIP) (A) (\$)	Actual Price Paid (VIP) per Vaccine (\$)	Total Actual Price paid (VIP) (B) (\$)	Extra Paid (Variance) (B - A) (\$)
21/09/17	23494	Nimenrix (Meningococcal Vaccine)	120	56.40	6,768.00	122.00	14,640.00	7,872.00
23/11/17	25684	Nimenrix (Meningococcal Vaccine)	146	56.40	8,234.40	122.00	17,812.00	9,577.60
		Tetavax Vaccine	70	22.00	1,540.00	23.98	1,678.60	138.60
			Total					17,588.20



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