



OFFICE of the AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

**Remaining 2018 Audit Report on
General Administration, Social Services
and Economic Services Sectors**



PARLIAMENT OF FIJI
PARLIAMENTARY PAPER NO. 187 OF 2020



OFFICE of the AUDITOR GENERAL
Republic of Fiji



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File: 102

31 August 2020

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

Dear Sir

REMAINING 2018 AUDIT REPORT ON GENERAL ADMINISTRATION, SOCIAL SERVICES AND ECONOMIC SERVICES SECTORS

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 Remaining 2018 Audit Report on General Administration, Social Services and Economic Services Sector.

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 horizontal line underneath.

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 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 but its customers, the general public as well.

TABLE OF CONTENTS

1.0 INTRODUCTION.....	3
2.0 TYPES OF AUDIT OPINIONS ISSUED	5
3.0 CURRENT APPROACH ON REPORTING TO PARLIAMENT	6
4.0 AUDIT OPINION RESULTS	7
Modified opinions	7
Quality of draft agency financial statements	10
Timeliness of financial reporting.....	10
Year-end closing process	10
APPENDIX A: ASSESSMENT OF FINANCIAL GOVERNANCE	12
Internal control framework.....	12
Internal controls	12
Preparation of draft 2017-2018 agency financial statements.....	13
Quality of draft financial statements by entities.....	14
Timeliness of draft financial statements for entities	14
Timeliness of Provision of Management Comments and Signing of Financial Statements.....	14
Result summary	15
APPENDIX B: AUDIT OPINION RESULTS	16

1.0 INTRODUCTION

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 the *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.

This report includes the audit results of the remaining ten (10) agency financial statements, for the financial year ended 31 July 2018, for the following:

General Administration Sector includes	
Head 14	Ministry of Disaster Management and Meteorological Services
Social Services Sector includes	
Head 21 & 26	Ministry of Education, Heritage & Arts Higher Education Institutions
Head 22	Ministry of Health & Medical Services
Head 23	Department of Housing
Economic Services Sector includes	
Head 31	Ministry of Fisheries
Head 32	Ministry of Forests
Head 33	Ministry of Lands and Mineral Resources
Head 36	Ministry of Public Enterprise
Head 37	Ministry of Local Government
Head 38	Ministry of Environment

With the exception of the Ministry of Economy, which is reported together with Whole of Government, the audit results of the other Ministries and Departments for the year ended 2018 have already been reported and tabled in Parliament on 22/11/2019 as follows:

1. Parliamentary Paper No.147 of 2019 – 2018 Audit Report on Economic Services Sector
2. Parliamentary Paper No. 148 of 2019 – 2018 Audit Report on General Administration Sector
3. Parliamentary Paper No.149 of 2019 – 2018 Audit Report on Social Services Sector
4. Parliamentary Paper No. 150 of 2019 - 2018 Audit Report on Infrastructure Sector

As previously reported, the delays in audits were primarily due to the following:

- Late submission of acceptable draft accounts for audits and as a result assigned resources were diverted to other audits for which draft accounts were received on time.
- Relevant information/records not provided for audit on a timely basis.
- Entities decision to address issues raised in draft Auditors' Reports and resubmission of financial statements for audit.

It is important to note that the deficiencies highlighted in this report were identified at the time of the audit and may have been subsequently resolved. However, 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 - Quality and Timeliness of Financial statements

Of the ten agencies reported in this report, the audit resulted in the Auditor-General issuing four unmodified audit opinions and six modified audit opinions. The details are contained in Section 4.0.

The submission of acceptable draft financial statements for audit were generally delayed impacting the timeliness of financial statements.

2.0 TYPES OF AUDIT OPINIONS ISSUED

In accordance with International Standards on Auditing, an **Unmodified Opinion** is expressed when the financial statements are prepared in accordance with the relevant financial reporting framework and 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.

Modified Opinion

A **Qualified Opinion** is issued 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.

An **Emphasis of Matter** paragraph is included in the auditor's report to highlight an issue that will help the user better understand the financial statements. And an **Other Matter** paragraph highlights a matter that is relevant to users' understanding of the audit report.

The reporting framework on which the agency financial statements of Ministries and Departments are prepared are based on the Financial Management Act 2004, Financial Management (Amendment) Act 2016, Finance Instructions 2010, and Finance (Amendment) Instructions 2016.

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 August 2020 have been included in this report.

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 the *Finance Instructions 2010* throughout the year, the agencies should be able to prepare high quality financial statements in a timely manner.

We assessed the quality and timeliness of financial statements prepared by the 10 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.

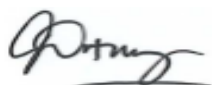
Our assessment criteria and the result of our assessment for each Ministry/Department is included in Appendix A.

Conclusion

These remaining ten (10) Ministries and Departments were audited as at 31 August 2020. Of these, unmodified audit reports were issued on 4 financial statements while audit reports for 6 financial statements were modified (qualified).

It is evident from the audit that more concerted efforts needed to be taken to streamline year-end account closing process, improve on the timeliness of submission and quality 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: 31 August 2020

4.0 AUDIT OPINION RESULTS

The main outcome of the audits are independent auditors' reports on the agency financial statements that were produced and submitted to the Auditor-General. Of the 10 Ministries and Departments reported, four (4) were issued with unmodified audit opinions and six (6) with modified audit opinions.

Modified opinions

The modified audit opinions on six of the ten agency financial statements resulted from the following:

Ministry of Education, Heritage and Arts

- Expenditures amounting to \$42,126,680 and \$1,366,541 for Established Staff and Wage Earners respectively have not been included in the Statement of Receipts and Expenditures. These expenditures have been included in the Ministry of Economy's Miscellaneous Services Appropriation Head 50 financial statements. As a result, Established Staff and Government Wage Earners expenditures have been understated by the amounts stated above.
- There was an unreconciled variance of \$5,655,806 between the Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, the accuracy of the Established Staff and Government and Wage Earners balances as recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018, could not be established.
- Included in Operating Grants and Transfers is the bus fare assistance program for \$27,620,275. The Ministry was not able to provide the detailed breakdown of payments made to suppliers amounting to \$3,834,322. As such, the accuracy and completeness of the Operating Grants and Transfers account balance reflected in the Statement of Receipts and Expenditure, could not be confirmed.

Ministry of Health & Medical Services

- The Ministry recorded Purchase of Goods and Services of \$62,647,164 and Capital Construction of \$17,335,118 in the Statement of Receipts and Expenditure for the year ended 31 July 2018. The Ministry was unable to provide appropriate documents such as payment and journal vouchers to support expenditures totalling \$2,034,466. As a result, the completeness and accuracy of the balances could not be verified.
- The Ministry recorded total receipts of \$6,233,916 in the Statements of Receipts and Expenditure. The Ministry was unable to provide receipts to support revenue amounting to \$143,286. In addition, internal controls over receipting of revenue were generally found to be weak. This relate to the submission of incomplete revenue report from Divisions and Subdivisions. As a result, the accuracy and completeness of total revenue reflected in the Statement of Receipts and Expenditure could not be substantiated.
- Unreconciled variances of \$928,833 and \$340,521 existed between the Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for Established Staff and Government Wage Earner, respectively. Consequently, the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018 could not be confirmed.

- The Ministry recorded a closing balance of \$20,609 for the Sahyadri Trust Fund Account Statements of Receipts and Payments. The Ministry was unable to provide me with payment and journal vouchers and revenue receipts to support total receipts and payments of \$1,190,999 and \$1,509,315, respectively. In addition, internal controls over account reconciliations were generally found to be weak. This relates to delay in preparation of reconciliations of the main trust fund accounts. As a result, the accuracy and completeness of total receipts of \$1,190,999 and total payments of \$1,509,315 reflected in the Sahyadri Trust Fund Account Statements of Receipts and Payments, could not be substantiated.
- Purchases in the Bulk Purchase Trading and Manufacturing Account was overstated by \$6,064. As a result, the Trading and Manufacturing Account net profit for the year ended 31 July 2018 was understated by the same amount. In addition, internal controls over receipting and payments were generally found to be weak. This relate to price charged not in accordance with the approved price list and the understatement of utility costs which was not paid by the Bulk Purchase Trading and Manufacturing Account.

Ministry of Fisheries

- The Ministry recorded Capital Construction of \$4,756,332 and Capital Purchase of \$653,185 in the Statement of Receipts and Expenditure for the year ended 31 July 2018. The Ministry was unable to provide for audit payment and journal vouchers totalling \$954,252 to support the above balances. The completeness and accuracy of the balances could not be verified and also unable to determine whether any adjustments might have been necessary in respect of Capital Construction and Capital Purchase at the end of the financial year.
- An unreconciled variance of \$1,727,621 existed between Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earner. In addition, internal controls over payroll were generally found to be weak. This relates to the incorrect preparation of salary reconciliations. Consequently, I was unable to establish the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.
- The Ministry did not maintain a detailed listing of beneficiaries of the Trust Fund Account. Consequently, the completeness of the closing balance of \$261,684 reflected in the Statement of Receipts and Payments of the Trust Fund Account could not be substantiated.

Ministry of Forests

- Expenditures amounting to \$351,097 was not recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018. This relate to unrecorded expenditures which were paid as accountable advances but were not cleared from the Revolving Fund Account as at 31 July 2018. Consequently, the expenditure balance of \$13,300,906 for the year ended 31 July 2018 was understated by \$351,097.
- There was an unreconciled variance of \$850,831 between the Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, the accuracy of the Established Staff and Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018, could not be confirmed.
- There is an unreconciled variance of \$247,733 between the REDD Plus expenditure in the Financial Management Information System (FMIS) general ledger and the total amount

reflected in the s financial statements. Consequently, the accuracy and completeness of the SEG 7 Special Expenditure recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018, could not be substantiated.

- A variance of \$105,769 existed between the TMA bank reconciliation and the Cash at Bank general ledger balance. Consequently, the accuracy and completeness of the Cash at Bank balance of \$1,567,496 recorded in the TMA Balance Sheet as at 31 July 2018, could not be confirmed.
- The Ministry with the approval of the Ministry of Economy transferred a sum of \$2.5 million in 2016 to the Trading and Manufacturing Activity (TMA) account from its operating budget for the purpose of salvaging logs after Tropical Cyclone Winston. Although an amount of \$569,014 was utilised for this purpose in 2018, deferred income account was not adjusted accordingly. Deferred income balance for 2017 of \$2,198,548 remained the same in 2018. In addition, the cash at bank balance of \$1,567,496 recorded in the TMA Balance Sheet was not sufficient to support the remaining deferred income balance of \$2,198,548.

Ministry of Lands and Mineral Resources

- Trust Fund Account balance for Department of Lands amounting to \$6,614,870 was not supported with detailed listing of claimants of the monies held in trust. As such, the accuracy and completeness of the Trust Fund Account balance as at 31 July 2018, could not be confirmed.

Ministry of Environment

- An unreconciled variance of \$2,401,404 existed between the Trust balance sheet cash at bank balance of \$7,742,954 recorded in the general ledger and bank reconciliation balance of \$10,144,358 as at 31 July 2018. Consequently, the accuracy and completeness of the Trust Fund Account balance of \$7,048,380 stated in the Environment Trust Fund Account Statement of Revenue and Expenditure as at 31 July 2018, could not be confirmed.
- An unreconciled variance of \$469,718 existed between the Established staff payroll report balance of \$631,121 and Established staff general ledger balance of \$1,100,840 as at 31 July 2018. Consequently, the accuracy and completeness of the Established staff expenditure balance of \$1,194,293 stated in the Statement of Revenue and Expenditure as at 31 July 2018, could not be substantiated.
- An unreconciled variance of \$366,321 existed between the Government Wage Earners payroll report balance of \$402,266 and Government Wage Earners general ledger balance of \$48,376 as at 31 July 2018. Consequently, the accuracy and completeness of the government wage earners expenditure balance of \$48,376 stated in the Statement of Revenue and Expenditure as at 31 July 2018, could not be confirmed.

Quality of draft agency financial statements

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

Three (3) Ministries and Departments prepared good quality draft financial statements that did not require any adjustments.

Adjustments passed on draft financial statements for two (2) Ministries and Departments were not material. While material adjustments were made for financial statements of five (5) 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 A – Meeting agreed timeline for submission of draft financial statements

Timeline Met	Timeline not Met
1. Ministry of Public Enterprises and Government Printing	1. Ministry of Disaster Management and Meteorological Office 2. Ministry of Education Heritage and Arts & Higher Education Institutions 3. Ministry of Health & Medical Services 4. Department of Housing 5. Ministry of Fisheries 6. Ministry of Forestry 7. Ministry of Lands & Minerals 8. Ministry of Local Government and Town Country Planning 9. Ministry of Environment

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.

Only one or 10% of the Ministries and Departments achieved all the key focus areas for closing of accounts set by the Ministry of Economy , 3 or 30% achieved five of the nine key processes while six or 60% achieved less than five 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 10 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, the 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 the 2018 accounts and timelines were detailed.

The key focus areas in the circular were:

1. Processing of payments by 31 July 2018 and virements by 20 July 2018
2. Retirement of imprests by 20 July 2018
3. Cancellation of unprocessed purchase orders by 27 July 2018
4. Clearance of inter-departmental clearance accounts by 3 August 2018
5. Closing date for journal adjustments by 10 August 2018
6. Clearance of stale cheques by 22 August 2018
7. Annual Board of Survey on Drawings Account cheques by 22 August 2018
8. Completion of reconciliations by 29 August 2018
9. 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 on or before 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 in providing 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 the agencies 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 2017-2018 financial statements preparing processes and responses to the Office of the Auditor-General across the ten Ministries and Departments.

Ministry or Department	Internal controls					Financial statements Preparation			Responses to OAG	
	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS
General Administration Sector										
14. Ministry of Disaster Management and Meteorological Services	●	●	●	●	●	●	●	●	●	●
Social Services Sector										
21. Ministry of Education, Heritage & Arts	●	●	●	●	●	●	●	●	●	●
22. Ministry of Health & Medical Services	●	●	●	●	●	●	●	●	●	●
23. Department of Housing	●	●	●	●	●	●	●	●	●	●
Economic Services Sector										
31. Ministry of Fisheries	●	●	●	●	●	●	●	●	●	●
34. Ministry of Forests	●	●	●	●	●	●	●	●	●	●
35. Ministry of Lands and Mineral Resources	●	●	●	●	●	●	●	●	●	●
36. Ministry of Public Enterprises and Government Printing	●	●	●	●	●	●	●	●	●	●
37. Ministry of Local Government	●	●	●	●	●	●	●	●	●	●
38. Ministry of Environment	●	●	●	●	●	●	●	●	●	●

CE – Control Environment statements	RA – Risk Assessment	Q – Quality of draft financial statements
IC – Information & communication control	CA – Control Activities	YE – Year end closing process
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 financial statements for 2017-2018 and 2016-2017 for the ten Ministries and Departments.

Ministry/Department	2017-2018 Financial Year		2016-2017 Financial Year
	Audit Report Signed	Audit Opinion	Audit Opinion
General Administration Sector			
14. Ministry of Disaster Management and Meteorological Services	18/11/2019	Unmodified with Emphasis of Matter and Other Matter	- ¹
Social Services Sector			
21. Ministry of Education, Heritage & Arts	01/06/2020	Modified with Other Matter	Unmodified
22. Ministry of Health & Medical Services	05/06/2020	Modified	Modified with Emphasis of Matter
23. Department of Housing	20/08/2020	Unmodified	Unmodified
Economics Services Sector			
31. Ministry of Fisheries	27/04/2020	Modified with Other Matter	Modified with Emphasis of Matter ²
32. Ministry of Forestry	06/02/2020	Modified with Emphasis of Matter	
33. Ministry of Lands and Mineral Resources	20/12/2019	Modified	Modified
36. Ministry of Public Enterprises and Government Printing	03/07/2020	Unmodified with Other Matters	Unmodified
37. Ministry of Local Government	23/01/2020	Unmodified with Emphasis of Matters	Modified with Emphasis of Matter ³
38. Ministry of Environment	25/03/2020	Modified with Other Matter	

¹ Previously with Ministry of Rural & Maritime Development

² Ministries were previously merged

³ Ministries were previously merged

Head 14

**Ministry of Disaster Management and
Meteorological Services****Roles and Responsibilities**

The Ministry of Disaster Management and Meteorological Services is responsible for the implementation of the National Disaster Management Strategy as required by the 1995 National Disaster Management Plan and the National Disaster Management Act 1998, covering disaster prevention, mitigation, preparedness, response, emergency operations, relief and rehabilitation. Correspondingly, the Ministry implements climate change mitigation programmes.

The Ministry is also responsible for providing timely and reliable weather, hydrology and climate information directly to the public to improve Fijian's overall preparedness before a natural disaster strikes.

Table of Contents

14.1	Audit Opinion.....	2
14.2	Statement of Receipts and Expenditure.....	2
14.3	Appropriation Statement.....	4
14.4	Main Trust Fund Account.....	5
14.5	Internal Controls.....	7
14.6	Submission of FY 2017-2018 Draft Agency Financial statements	8
14.7	Quality of Draft Financial statements by entities	9
14.8	Timeliness of draft financial statements	9
14.9	Timeliness of Provision of Management Comments and Signing of Financial statements.....	9
14.10	Absence of adequate organisational plans, policies and guidelines	10
14.11	Provisional Tax not retained	11
14.12	Absence and Untimely Preparation of Underline Accounts Reconciliation.....	12
14.13	Procurement to Payment Cycle Anomalies	13
14.14	Board of Survey report not submitted.....	15
14.15	Anomalies in Revolving Fund Account.....	16
14.16	Non-Disclosure of Donor Fund Account.....	17
14.17	Resignation without clearing or serving bond	18
14.18	Expired Performance Security	19

PART A: FINANCIAL STATEMENTS

14.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Disaster Management and Meteorological Office resulted in an unqualified audit report. However, attention was drawn to the Statement of Losses in the financial statements which relates to loss of assets. The Ministry did not carry out an annual Board of Survey for assets other than money at the end of the financial year. Therefore, any losses of assets other than money could not be determined.

In addition, Other Matters which were raised in the audit report for the Ministry were as follows:

1. Internal controls over the reconciliation of salary payments between the general ledger and the pay summary were noted to be weak. Reconciliations for underline accounts which include Revolving Fund, Inter Departmental Clearance, Bank Lodgement Clearance and Drawings Accounts were not prepared in a timely manner during the financial year.
2. Cabinet decision (05) 310 of 2005 states that Civil Aviation Authority of Fiji and Fiji Airports Limited reimburse the 50% cost to Fiji Meteorological Services relating to the Nadi and Nausori Terminal. The Ministry was yet to enter into a contract agreement for the provision of weather services to the aviation industry due to the lack of suitable consultants to undertake a review to determine the costs related to the aviation centre which is to be reimbursed by Fiji Airports Limited to the Ministry. As a result, Fiji Airports Limited is only paying \$50,000 annually.

14.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$501,006 and incurred a total expenditure of \$10,200,539 for the year ended 31 July 2018. Details are provided in Table 14.1.

Table 14.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	501,006	541,303
Agency Revenue	---	---
Total Revenue	501,006	541,303
Established Staff	3,544,738	3,096,283
Government Wage Earners	222,176	123,541
Travel & Communications	537,692	455,291
Maintenance & Operations	1,079,527	1,032,474
Purchase of Goods & Services	819,983	597,102
Operating Grants and Transfers	30,000	211
Special Expenditures	147,307	243,313
Total Operating Expenditure	6,381,423	5,548,215
Capital Construction	278,616	346,227
Capital Purchase	1,222,969	1,041,302
Capital Grants and Transfers	1,858,871	1,157,502
Total Capital Expenditure	3,360,456	2,545,031
Value Added Tax	458,660	322,500
Total Expenditure	10,200,539	8,415,746

The Ministry of Disaster Management and Meteorological Services is a newly established Ministry which was formally introduced when the 2017 – 2018 National Budget was announced. This Ministry is made up of the two Departments below:

1. Head 40: Programme 2: Fiji Meteorological Service
2. Head 18: Programme 5: National Disaster Management

The Meteorological Services Department of the Ministry collects government revenue for aviation services it provides to Airports Fiji Limited. This alone is the significant revenue stream for the Ministry as all other services are provided free of charge to the public. The State revenue decreased by \$40,297 or 7% in 2018 compared to 2017. The decrease is a result of an outstanding amount owed to the Ministry by Airports Fiji Limited which was not collected in the financial year.

Established Staff expenses increased by \$448,455 or 14% in 2018 compared to 2017 due to Job Evaluation Exercise (JEE) carried out in 2017 and increase in positions which were approved in the 2017/2018 national budget.

Government Wage Earners expenses increased by \$98,635 or 80% in 2018 compared to 2017 due to Job Evaluation Exercise (JEE) carried out in 2017 and new positions created for drivers.

Travel & Communication costs increased by \$82,401 or 18% in 2018 compared to 2017 due to increase in meal allowance from \$9 to \$20 per meal.

Purchase of Goods & Services increased by \$222,881 or 37% in 2018 compared to 2017 due to purchase of equipment for Meteorological Services.

Operating Grants & Transfers increased by \$29,789 in 2018 due to World Meteorological Organisation (WMO) fee for 2016/2017 financial year which was not paid as the invoice from WMO was not provided on time.

Special Expenditure decreased by \$96,006 or 39% in 2018 compared to 2017 due to underutilization of the National Disaster Database expenditure which was introduced for the design and implementation of an automated database system capturing disaster related information. A Technical Committee was set up for this project. However, most of the plans were not carried out as networking and infrastructure and process mapping were undertaken first before the set-up of the National Disaster Database that will allow real time access by divisional and district offices.

Capital Construction decreased by \$67,611 or 20% in 2018 compared to 2017 due to less number of projects executed in 2018 financial year compared to the 2017 financial year.

Capital Purchases increased by \$181,667 or 17% in 2018 compared to 2017 due to the projects implemented in 2017 financial year which were rolled over and completed in the 2018 financial year.

Capital Grants & Transfers increased by \$701,369 in 2018 compared to 2017 due to increase in budget for the Disaster Risk and Climate Change Adaption program which resulted in increase in consequent expenditure.

VAT increased by \$136,160 or 42% in 2018 compared to 2017 due to increase in expenditure.

14.3 Appropriation Statement

The Ministry incurred expenditure totalling \$10.2 million in 2018 against a revised budget of \$15.2 million in accordance with section 19 of the Financial Management Act 2004, resulting in a saving of \$5 million or 33%.

Savings of \$1,104,086 under the Established Staff (SEG 1) allocation resulted from 15 new positions for Meteorological Services being approved in the 2017/2018 national budget. However, these positions were not filled during the 2018 financial year. Also, a few management positions remained vacant during the year.

Savings of \$68,699 under the Government Wage Earners (SEG 2) allocation resulted from six vacancies (new drivers and cleaners) which remained unfilled during the financial year end. Out of this, three positions related to the new Labasa Meteorological Service Office which was opened towards the end of 2018 financial year.

Savings of \$163,346 under the Maintenance & Operations (SEG 4) allocation resulted from underutilisation of funds in operations as Tropical Cyclone Gita/Josie/Keni and Tropical Depressions response operations covered approximately 3 – 4 months where most of the costs were sourced from PM's Relief and Rehabilitation Trust Fund

Savings of \$191,495 under the Special Expenditure (SEG 7) allocation resulted from underutilisation/non-utilisation of funds appropriated for:

- National Disaster Database: underutilisation was due to delay in design of the database automated system.
- Multimedia Awareness Publication: budget was not utilised due to delay in Government Tender Board (GTB) processes.
- Water Resource Investigation: budget was also not utilised due to delay in Government Tender Board (GTB) processes.

Savings of \$661,381 under the Capital Construction (SEG 8) allocation resulted from underutilisation or non-utilisation of funds appropriated for:

- Funds for construction of Labasa Office was underutilised due to high prices charged in initial quotation during budget submission than the actual charged and the scope of works included in the construction of access road which was done free of charge
- Upgrade of Outer Island Stations – non-utilisation of budget was due to delay in Government Tender Board (GTB) processes.

Savings of \$1,152,569 under the Capital Purchase (SEG 9) allocation resulted from underutilisation of funds appropriated for:

- Replacement of Automatic Weather Observation System (AWOS) at Nadi Airport - underutilisation was due to AWOS project not being implemented at the Nadi Airport runway because the project Lead Officer resigned when the project preparations were still underway for which proper handing over was not done.
- Installation of Water Level Rainfall - underutilisation was due to the delay in Government Tender Board processes.
- Upgrade of Nadi Radar Antenna - underutilisation was due to non-completion of the project for the financial year end 31 July 2018.

Savings of 1,501,129 under the Capital Grants & Transfers (SEG 10) allocation resulted from underutilisation of funds appropriate for:

- Disaster Risk and Climate Adaptation: underutilisation was due to delay in finalisation and confirmation in tender processes for the hardware materials for construction of 18 evacuation centres.

Details of expenditure against the revised budget are provided in Table 14.2.

Table 14.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	4,647,824	1,000	4,648,824	3,544,738	(1,104,086)
2	Government Wage Earners	291,875	(1,000)	290,875	222,176	(68,699)
3	Travel & Communication	509,055	46,239	555,294	537,692	(17,602)
4	Maintenance & Operations	1,094,394	148,479	1,242,873	1,079,527	(163,346)
5	Purchase of Goods & Services	734,480	107,880	842,360	819,983	(22,377)
6	Operating Grants & Transfers	30,000	---	30,000	30,000	---
7	Special expenditure	351,400	(12,598)	338,802	147,307	(191,495)
	Total Operating Expenditure`	7,659,028	290,000	7,949,028	6,381,423	(1,567,605)
8	Capital Construction	1,089,997	(150,000)	939,997	278,616	(661,381)
9	Capital Purchase	2,375,538	---	2,375,538	1,222,969	(1,152,569)
10	Capital Grants & Transfers	3,500,000	(140,000)	3,360,000	1,858,871	(1,501,129)
	Total Capital Expenditure	6,965,535	(290,000)	6,675,535	3,360,456	(3,315,079)
13	Value Added Tax	554,000	---	554,000	458,660	(95,340)
	TOTAL	15,178,563	---	15,178,563	10,200,539	(4,978,024)

14.4 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 Disaster Management and Meteorological Services operates and maintains the PM's Office Disaster and Rehabilitation Trust Fund Account.

The Trust Fund Account Statement of Receipts and Payments is presented separately in the current year for transparency purposes and to correctly reflect the trust monies received and paid out of the account.

The Trust Fund comprise of money from the Ministry's annual budget (usually \$1 m) and donations from the public or other countries during times of disasters.

Table 14.3: Prime Minister's Office Disaster and Rehabilitation Trust Fund Account – Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts		
Budget transfer	1,000,000	1,000,000
Donations	223,181	904,345
Bank interest	2,700	1,329
Total Receipts	1,225,881	1,905,674
Payments		
Tropical Cyclone Gita DISMAC operations	100,000	---
Tropical Cyclone Keni DISMAC operations	420,860	---
Tropical Cyclone Winston DISMAC operations	---	40,693
Qamea Island TD04F landslide	---	170,950
Bank fees	310	173
Total Payments	521,170	211,816
Net Surplus	704,711	1,693,858
Opening balance as at 1 August	2,810,236	1,116,378
Closing Balance as at 31 July	3,514,947	2,810,236

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

14.5 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 that 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 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 Ministry as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls

14.6 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
- Monitoring of Unpresented 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:

Rating	Year-end close process assessment
● Effective	All of the key processes completed within the due date

14.7 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	Adjustments on operating results/net assets were not required

14.8 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

14.9 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 the entity and the date management comments and signed accounts were received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
● Ineffective	Management response received after 21 days

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

PART C: 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.

14.10 Absence of adequate organisational plans, policies and guidelines

Review of the Ministry's Corporate Governance revealed that there was lack of adequate organizational plan and policies in place to provide direction on the Ministry's operations.

We noted that the Ministry does not have the following in place:

- Strategic Plan
- Operational Plan
- Organization Structure at Ministerial Level
- Fraud Control policy
- Risk Management policy
- Disaster Recovery policy
- Defined roles and responsibilities for each IT function/role player
- Formally documented and tested emergency procedure

Discussion with Senior Accounts Officer revealed that this is due to the new formation of Ministry in the 2018 financial year as announced in the Budget.

Recommendation

The Ministry should ensure that it develops and implements the governance policies as soon as possible to ensure good governance is practiced in the Ministry.

Agreed Management Action

The Ministry is a new formation in 2018 and prior to that was with Ministry of Infrastructure and Transport. All the departments were included in the Ministry strategic plan for the five years which is from 2019-2022.

Officer Responsible

Management

14.11 Provisional Tax not retained

A business making a commission payment or payment under a formal contract for services is required to withhold 5% withholding tax (also known a provisional tax). The payer (person withholding the tax) is required to pay the tax collected.¹

We noted that the Ministry did not deduct and retain provisional tax from contractual payments, as shown in table below.

Table 14.4: Details of Provisional Tax not retained

Date	Cheque/EFT No.	Vendor	Amount VEP (\$)	Provisional Tax Not Deducted (\$)
15/11/17	5646	Sambhu Lal Construction Limited	90,274.62	4,513.73
02/05/18	6430	Sambhu Lal Construction Limited	28,761.19	1,438.06
28/12/17	5713	Rentokil Initial Fiji	2,433.01	121.65
Total				6,073.44

Root Cause/Implication

It appears that Ministry's Accounts Section do not have adequate knowledge on tax requirements.

The Ministry is not complying with statutory requirement and is exposed to penalties or fines from FRCS. In addition, there is a risk of loss of Government revenue in form of taxes which may not be recoverable.

Recommendation

The Ministry should:

- recover the provisional tax from the contractor if not already done so and remit to FRCS accordingly; and
- ensure that adequate training is provided to the Accounts Section to enhance their knowledge in tax relating matters

Agreed Management Action

The Ministry will liaise with the respective Contractors for the recovery of Provisional Tax. Responsible officers have also attended training sessions provided by FRCS twice.

Officer Responsible

Senior Accounts Officer

¹ Fiji Revenue and Customs Services – Fiji Tax and Customs Summary – No 19

14.12 Absence and Untimely Preparation of Underline Accounts Reconciliation

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the accounts supervisor shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.²

A ledger reconciliation statement shall be signed and dated by the accounts supervisor.³

We noted untimely preparation of reconciliations, non-preparation of reconciliations and non-authorization of reconciliations of Underline Accounts. Refer to table below for details

Table 14.5: Details of Underline Accounts with absence of reconciliations

Account ID	Account Description	Absence of Reconciliation	Untimely Preparation	Un - Authorized
1-14101-81101-570301	Revolving Fund Account	August 2017, September 2017, February 2018, March 2018 and June 2018	October 2017 – December 2017, April 2018 - May 2018 and July 2018	
1-14000-00000-860000	Deposits & Retention Money	October and November	August 2017 – July 2018	
1-14101-69108-840102	Accounts Payable	January 2018	February 2018 – July 2018	
1-14101-81101-536101	IDC	January 2018 – March 2018 and June 2018	September 2018 – November 2018	Not endorsed by PS - June 2018
1-14201-81101-538101	BLC		August 2018 – July 2018	PS endorsement was not in place from August 2017 – December 2017
1-14101-81101-530301	Drawings		August 2017 – July 2018	Not endorsed by PS - August 2017 – November 2017 and January 2017 Not Certified by SAO – December 2017

Root Cause/Implication

The anomaly indicates inadequate supervision by the responsible officer.

Untimely, non-preparation and non-verification of reconciliations may lead to errors and omissions not being detected and corrected in a timely manner. In addition, this deficiency in internal controls can increase the risk of fraudulent activities.

² Pro Forma Finance Manual 2011 section 16.3.3

³ Pro Forma Finance Manual 2011 section 16.3.5

Recommendations

The Ministry should:

- **implement strict monitoring system to oversee completion of the reconciliations in a timely manner; and**
- **ensure all reconciliations are signed and dated prepared, checked and approved by in a timely manner which is prescribed in the Ministry's Finance Manual.**

Agreed Management Action

The Ledgers section for the Ministry, which, should be responsible for reconciliation has not been fully established. There is currently only one Clerical Officer Ledgers position who handle bulk of the reconciliations work amongst other roles she performs currently. The rest of the reconciliation reports are prepared by operation officers who have to add this role to their normal desk work.

Way Forward:

The Ministry has created two additional positions of Accounts Officer and Assistant Accounts Officer for NDMO and these should be filled this year. They will handle reconciliations proper.

Officer Responsible

Senior Accounts Officer

14.13 Procurement to Payment Cycle Anomalies

All payment must be processed through payment vouchers prepared by the accounts officer. Separate vouchers are to be used for separate payees and for the payment of different services.⁴

The accounts officer 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 Accounting Head of accounts supervisor for certification.⁵

Immediately after payment has been effected, the accounts officer must stamp "paid" on all vouchers and supporting documentation to avoid double payments.

The audit of payments relating to procurements noted following anomalies:

- Payment vouchers and supporting documents were not always stamped paid.
- Payment voucher was not always prepared for items purchased for which payments were processed.
- Missing payment vouchers and supporting documents.
- VAT was not recorded in correct segmented expenditure group.

⁴ Pro-forma Finance Manual 2011 – s2.8.2

⁵ Pro-forma Finance Manual 2011 – s2.8.3

Table 14.6: Payment Voucher anomalies

Date	Cheque/EFT No.	Vendor	Amount VIP (\$)	Audit Comments
11/12/17	22714	PS Rural & Maritime Development	259,006.00	Payment voucher not prepared
29/01/18	22783	BSP	27,178.42	Payment voucher and supporting documents could not be located
30/01/18	5847	Neritak Equipment Ltd	24,633.03	Payment voucher and supporting documents could not be located
19/07/18	6927	Telecom Fiji Limited	7,867.43	Payment voucher and supporting documents could not be located
29/03/18	6344	FEA	4,327.36	VAT amounting \$357.30 not recorded in SEG 13
19/02/18	1449	Professional Electronics Ltd	14,066.00	Passed for payment not signed and PV and supporting documents not stamped "paid"
28/09/17	5279	Innovation Technologies	1,445.49	Payment voucher not prepared, hence no verification and supporting documents authorization of payments done and also not stamped "paid"

Root Cause/Implication

Above anomalies indicates that appropriate procurement and payment procedures were not applied consistently.

Failure to apply control procedures consistently will increase risk of double payments and fraudulent activities relating to payments.

Recommendation:

The Ministry should discipline staffs for any non-compliance to procurement procedures.

Agreed Management Action

So far, the Ministry has been relying on the pro-forma Finance Manual 2011.

Way Forward

The Ministry, will issue its first Finance Manual this year, by October 2019. Additionally, it is our intention that SOP's for both departments under the Ministry be developed speedily once the Finance Manual is confirmed and this is set to be implemented no later than November 2019. Training on the same will be provided to the Accounts team as part of the plan in Point 2 raised above.

Officer Responsible

Senior Accounts Officer

14.14 Board of Survey report not submitted

All Permanent Secretaries shall appoint a Board of Survey (BOS) annually to determine whether government plant, equipment and inventories under his or her control are in working condition or serviceable; unserviceable or obsolete; or surplus to the requirements of that agency.⁶

The Ministry on 24/09/18 appointed a team to carry out the annual BOS for Northern, Western, Central and Eastern Division, However, it was noted that Ministry's BOS for the year ended 31 July 2018 was not completed and signed off.

Root Cause/ Implication

The non-completion of the BOS indicated that appropriate monitoring of the survey was not carried out.

In the absence of the BOS, there is high risk that any items of fixed assets which are not in a working condition or do not exist will not be detected in a timely manner. In addition, there is risk of possible misuse of assets which will not be detected.

Recommendation

The Ministry should ensure that the Board of Survey for all Divisions are carried out annually in accordance with Section 49 of the Finance Instruction and Section 24 of the Procurement Regulations 2010 and its progress and completion should be monitored.

Agreed Management Action

This role which Accounts is tasked to coordinate but the actual activities are carried out by officers from other departments. Engaging officers for this role has been a significant contributing factor to the delay in reports because of their availability.

Additionally, the geographical area to cover in this exercise is too vast and cannot be visited during the closing of Accounts period. This is evident in the fact that at the time this audit was carried out, the officers still had not completed their site visits to outer stations.

Way Forward

The BOS this financial year 2018/2019 is almost completed now and we hope to have the BOS submitted for endorsement and further submission to MOE once completed. This is great improvement from last financial year. It should therefore be ready for scrutiny when Auditors commence auditing of our books for 2018/2019.

Officer Responsible

Senior Accounts Officer

⁶ Procurement Regulation – Clause 24 (1)

14.15 Anomalies in Revolving Fund Account

A travelling officer shall recoup the travel advance within seven days of completing travel by submission of an acquittal report with supporting documents.⁷ If an advance has not been fully expended, the travelling officer must repay the balance within seven days of completing travel.⁸

Where an advance has not been acquitted within seven days of travel, the Accounting Head shall effect recovery through a salary deduction from the concerned officer's salary within six (6) fortnights after having obtained the approval of the Deputy Permanent Secretary.⁹ Upon clearance of the advance, the Accounts Clerk shall update the debtors register, offset the advance account and debit the appropriate expenditure account.¹⁰

The audit of Revolving Fund Account revealed the following anomalies:

- Accountable advance are not retired within seven days of completing travel.
- Accountable advance register is not maintained by the Ministry.
- Retirement of accountable advance could not be substantiated due to unavailability of the supporting documents.

Root Cause/Implication

Discussion with Senior Accounts Officer revealed that this was due to movement of payment files to and from Meteorological Office Nadi and movement of the Headquarters to Ministry of Infrastructure and Transport (MOIT) which resulted in some files being misplaced.

There is a risk that advances which are not cleared in a timely manner will not be retired at all and any potential fraudulent activities relating to it may not be discovered. In addition, absence of accountable advance register will prevent the Ministry to track movement of accountable advance which can impact on timely retirement of the advance.

Recommendations

The Ministry should ensure that:

- **officers retire their accountable advances within seven days from return from trips and recoveries are made from salaries for those that do not retire on time;**
- **the Accountable Advance register is maintained and reviewed by Senior Accounts Officer; and**
- **payment vouchers, acquittals and relevant supporting documents are properly maintained to support transactions and also made available for audit purposes.**

Agreed Management Action

A significant part of those highlighted as being overdue are related to project costs paid to officers engaged from other Agencies to carry out project related works for the EU GIZ Relocation project. The Project Manager is based at NDMO but the technical expertise are with Mineral Resources Department, Rural Housing Unit. Obtaining the necessary timely acquittals from officers have not been easy on the part of the Project Manager.

⁷ Pro-Forma Finance Manual s10.1.11

⁸ Pro-Forma Finance Manual s10.1.12

⁹ Pro-Forma Finance Manual s10.1.14

¹⁰ Pro-Forma Finance Manual s10.1.15

Secondly, while we have no register for RFA, we had been constantly tracking retirements as evident in the attached emails.

Way Forward

- Recovery will be done from all defaulting accountable advance payees.
- We will start by training and refresher trainings as highlighted in Point 2 above and we will definitely improve on this, once we have SOP's, Finance Manual etc in place.
- We have already created a RFA register to utilize from now on

Officer Responsible

Senior Accounts Officer

14.16 Non-Disclosure of Donor Fund Account

Development assistance is received by Government in various ways – Aid in Kind, cash grants, technical assistance and loans. For cash, it has become imperative to reiterate the need for all cash grants as required by law to be deposited into Consolidated Revenue at the Ministry of Economy.

¹¹

Moreover, a new guideline in the form of an ODA Checklist has been created for all Ministries and Departments to use when accessing ad-hoc donor funding. From time to time, the Ministry of Economy receives ad hoc funding from donors to assist with workshops/seminars, procurement of equipment/materials, payments of salaries/wages, programs and projects, etc. Ad hoc donor funding refers to unplanned funding received during the year from donors which are not captured in the government annual budget documents.¹²

All grant monies should be disbursed to the implementing agency by Ministry of Economy since funding from Non-Government Organisations are considered Official Development Assistance (ODA).

The Ministry of Disaster Management and Meteorological Services signed an agreement with Secretariat of the Pacific Community (SPC) amounting \$622,991 for Building Safety and Resilience in the Pacific Project (BSRP). We noted that BSRP grant was not facilitated through MOE's ODA unit and thus not being recorded in the Financial Management Information System (FMIS). A separate cheque account was maintained for which authority to incur expenditure was with the Permanent Secretary for Ministry of Disaster Management and Meteorological Services.

¹¹ Finance Circular No. 12/2009

¹² Finance Circular No. 12/2009

Root Cause/Implication

Discussion with the Senior Accounts Officer and verification of trail of emails revealed that recognition of grant through proper channels was communicated to higher authorities within the Ministry. However, necessary actions were not taken.

Non - recording of the grant shows that utilization have not been monitored through the Financial Management Information System (FMIS) for the financial year end 31 July 2018 which creates high risk of misappropriation, fraud and error of the grant money.

Recommendations

The Ministry should:

- ensure all monies received during the financial year is recorded in the Financial Management Information System (FMIS) for ease of monitoring, accountability and supervisory checks; and
- ensure proper procedures are followed in recording grant monies.

Agreed Management Action

The Ministry agrees to the findings. All Donor Funds from now shall follow the correct channel. All officers concerned have been made aware of the ODA circular.

Officer Responsible

Senior Accounts Officer

14.17 Resignation without clearing or serving bond

Resignation of an Officer serving a bond shall not be accepted by the Permanent Secretary and Heads of Departments until the bond obligations are fulfilled.¹³

We noted that employee EDP # 94876 signed a bond on 21/11/17 amounting \$59,506 or one year of service in the Ministry for attending a training in Australia at Bureau of Meteorology. The officer resigned on 29/07/18 without abiding to the bond obligations of remaining 157 days in service or payment to the Ministry amounting \$25,595.73.

Root Cause/Implication

The Ministry revealed that this was an oversight on the part of the Officer responsible.

The Ministry may not have realized benefits or created value from this training. In addition, knowledge gained by the officer may not have been transferred back to the Ministry adequately.

Recommendations

The Ministry should:

- ensure resignations are only accepted after proper handover process; and
- follow up with the Officer for clearance of liability owing to the Ministry.

¹³ General Order 2011 – s214(A)

Agreed Management Action*Way Forward*

The Ministry will ensure to carry out a proper follow up with the individual concerned to secure the recovery of bond as per initial arrangement with the individual.

Necessary instructions have been issued to officers responsible to ensure bonds are met in future.

Officer Responsible

Administrative Officer and Senior Accounts Officer

14.18 Expired Performance Security

The Contractor shall provide a performance security issued by a headquarters or a branch of a first class, internationally recognized bank, which secures the proper execution of all the Contractor's obligations during the period from the date of signing of the contract to the date of issue of all Certificates of Completion of the Installation Work and the Operation Training Work, Ministry of Economy shall have the custody of the performance security.¹⁴

The performance security shall be released immediately after the signing of the Site Acceptance Test Certificate (SAT) Certificate.¹⁵

We noted that the SAT Certificate was issued on 31/08/18. The performance bond should have been effective till 31/08/18. However, it was noted that the performance bond amounting to \$161,700 had expired on 31/12/17 which is 243 days after the issuance of SAT Certificate

Root Cause/Implication

The findings indicate that the Ministry did not monitor the validity of the performance bond.

In absence of valid performance bond, the Ministry may not be able to recover any sum in case of unsatisfactory performance.

Recommendation

The Ministry should ensure the performance bonds submitted are monitored for its validity until the signing of SAT Certificate.

Agreed Management Action:

The officer who had implemented this project has left and the incoming officer has not much idea about the performance bond. Apart from the fact that FMS has signed the completion later after FMS were happy about the Radar having sighted the SAT.

Also the Radar warranty started from 01.01.2019, so we have been covered from the years after 1/1/2019. SAT has nothing to do with performance bond.

¹⁴ Contract Agreement between Ministry and Supplier – Clause 14.1

¹⁵ Contract Agreement between Ministry and Supplier – Clause 14.3

Way Forward

The Ministry will do its best to improve on this and be more vigilant in such matters in the future.

Officer Responsible

Project Officer and Senior Accounts Officer

Head 21 & 26 Ministry of Education, Heritage and Arts

Roles and Responsibilities

The Fijian Government upholds education as a key pillar of sustainable development and the most effective pathway to improve the nation's social capital and create a more level playing field in Fijian society. The Ministry of Education is responsible for ensuring that Fiji's young people have equitable access to high quality education at all levels of the Fijian education system.

Over the past decade, consistent and targeted investment in the education of Fijian students has led to the achievement of universal primary education and given an unprecedented number of Fijian children access to secondary and tertiary education. The Ministry of Education will continue to formulate policy solutions to improve outcomes for Fijian students, with the aim of developing a capable workforce for Fiji with skills that are relevant in the global marketplace.

The Ministry of Education will also continue to carry out work to rehabilitate and reconstruct schools that were damaged in TC Winston. All rehabilitation work will be executed to a standard that boosts the resilience of Fiji's schools to extreme weather events, given the projections that such events are expected to become more frequent and more severe.

Table of Contents

PART A: FINANCIAL STATEMENTS	2
21.1 Audit Opinion.....	2
21.2 Statement of Receipts and Expenditure – Head 21	2
21.3 Statement of Receipts and Expenditure – Head 26	4
21.4 Appropriation Statement – Head 21	4
21.5 Appropriation Statement – Head 26	5
PART B: ASSESSMENT OF FINANCIAL GOVERNANCE.....	6
21.6 Internal Controls.....	6
21.7 Submission of FY 2017-2018 Draft Agency Financial statements	7
21.8 Quality of Draft Financial Statements by Entities.....	8
21.9 Timeliness of Draft Financial Statements.....	8
21.10 Timeliness of Management Comments.....	8
21.11 Timeliness of Signed Financial statements Received	8
PART C: OTHER SIGNIFICANT MATTERS.....	9
21.12 Overpayment to Early Childhood Education (ECE) Teachers.....	9
21.13 Anomalies in Recruitment Process.....	10
21.14 Variance between FMIS and Payroll Report	12
21.15 Number of Teachers Registered with the Fiji Teacher Registrations Authority (FTRA)....	13
21.16 Regularisation of Payroll	14
21.17 Bus Fare Assistance	15
21.18 Free Education Grant Year 1 – 8 and Year 9 -13	17
21.19 Aid in Kind	19
21.20 Arrears of Revenue.....	19
21.21 Fiji Higher Education Commission (FHEC) Revenue Misposted and Short Posted.....	20
21.22 Anomalies in Accountable Advance – Recurring Issue.....	21
21.23 Administration of Free Education Grant (FEG) – Recurring Issue	22
21.24 Delay in Finalisation of Financial statements– Reoccurring Issue	23

PART A: FINANCIAL STATEMENTS

21.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Education, Heritage and Arts resulted in a qualified audit opinion. The qualifications were based on the following:

- Expenditures amounting to \$42,126,680 and \$1,366,541 of the Ministry's Established Staff and Wage Earners expenditures, respectively have not been included in the Ministry's Statement of Receipts and Expenditure. These amounts are included in Miscellaneous Services Appropriation Head 50 financial statements. As a result, the Established Staff amount of \$315,048,371 and Government Wage Earners expenditures of \$5,029,106 for the Ministry are understated by the amounts stated above.
- There is an unreconciled variance of \$5,655,806 between the Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, I was unable to establish the accuracy of the Established Staff and Government and Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.
- Included in Operating Grants and Transfers account balance of \$107,025,634 is bus fare assistance program amounting to \$27,620,275. The Ministry was not able to provide me with detailed breakdown of payments made to the supplier amounting to \$3,834,322. As such, I cannot confirm the accuracy and completeness of the Operating Grants and Transfers account balance reflected in the Statement of Receipts and Expenditure.

Other Matter

Internal controls over payroll, revenue and Free Education Grant were generally found to be weak. These relate to salary overpayments, maintenance of recruitment documents, misallocation of revenue and the utilisation of Free Education Grant in accordance with prescribed allocation. If not addressed promptly these weak controls may result in material misstatements and financial implications in future.

21.2 Statement of Receipts and Expenditure – Head 21

The Ministry of Education, Heritage and Arts collected revenue totalling \$6,439,465 and incurred a total expenditure of \$460,081,244 for the year ended 31 July 2018. Refer to Table 21.1 for details.

Table 21.1: Statement of Receipts and Expenditure for 2018 – Head 21

Description	31 July 2018 (\$)	31 July 2017 (\$)
Fees Examination	48,666	59,695
Tuition Fees – Technical College	26,630	30,409
Fees Government Boarding Schools	431,378	387,927
Registration	836,845	215,281
Commission	134,322	116,981
OPR in Previous Years	33,849	10,325
Sale of School Farm Produce	1,143	4,319
Sale of Items from Technical College	11,583	15,108
Technical College Recovery	4,709,006	4,947,011
Total State Revenue	6,233,422	5,787,056

Description	31 July 2018 (\$)	31 July 2017 (\$)
Miscellaneous Revenue	206,043	76,162
Total Agency Revenue	206,043	76,162
Total Revenue	6,439,465	5,863,218
Established Staff	315,048,371	287,146,044
Government Wage Earners	5,029,106	5,701,305
Travel & Communications	1,495,515	1,728,767
Maintenance & Operations	2,302,627	2,355,133
Purchase of Goods & Services	16,134,591	19,849,477
Operating Grants & Transfers	107,025,634	103,854,737
Special Expenditure	2,509,337	4,770,176
Total Operating Expenditure	449,545,181	425,405,639
Construction	1,252,731	1,098,930
Purchases	1,961,279	1,240,795
Grants & Transfers	5,872,545	3,975,977
Total Capital Expenditure	9,086,555	6,315,702
Value Added Tax	1,449,508	3,023,199
Total Expenditure	460,081,244	434,744,540

The Ministry recorded significant increases in revenues and expenditures in 2018. Total revenue increased by \$576,247 or 10% and total expenditure increased by \$25,336,704 or 6% in 2018 compared to 2017.

Teacher Registration Fee increased by \$621,564 or 289% in 2018 compared to 2017. The increase was mainly due to the renewal of the registration for the next three years.

Technical college student fee decreased by \$238,005 or 5% in 2018 compared to 2017. The decrease in fee is due to the decrease in the number of enrolments for Technical College of Fiji (TCF) in 2018.

Agency Revenue increased by \$129,881 or 171% in 2018 compared to 2017. Agency revenue comprises of the examination re-counts, re-checks and printing of certified copies of exam results. The increase in the number of re-counts, re-checks and printing of certificates led to the increase in agency revenue.

Established staff costs increased by \$27,902,327 or 10% in 2018 compared to 2017. The increase was due to increase in salary of teachers, salary upgrades paid out, acting allowances paid to teachers during the holiday and the Job Evaluation increments paid.

There was also an increase in SEG 6, Operating Grants and Transfers by \$3,170,897 or 3% in 2018 compared to 2017. The increase was due to increase in the number of students assisted for Bus Fare Assistance.

SEG 10 increased by \$1,896,568 or 48% in 2018 compared to 2017. The increase was due to continuing cyclone rehabilitation works for schools and also grants were given for further development of primary and secondary schools.

21.3 Statement of Receipts and Expenditure – Head 26

The Higher Education Institutions incurred expenditure totalling \$99,961,415 for the year ended 31 July 2018. Refer to Table 21.2 for details.

Table 21.2: Statement of Receipts and Expenditure – Head 26

Description	31 July 2018 (\$)	31 July 2017 (\$)
State Revenue	---	---
Total Revenue	---	---
Operating Grants & Transfers	92,692,610	79,605,374
Total Operating Expenditure	92,692,610	79,605,374
Grants & Transfers	7,268,805	486,339
Total Capital Expenditure	7,268,805	486,339
Total Expenditure	99,961,415	80,091,713

21.4 Appropriation Statement – Head 21

The Ministry incurred expenditure totalling \$460,081,244 in 2018 against a revised budget of \$481,856,725 resulting in savings of \$21,775,481 or 5% which was mostly from capital expenditures.

The Ministry confirmed that the significant savings were a result of strategic decision whereby it had anticipated an over expenditure in SEG 1 and SEG2 and savings was applied so that the Ministry was able to cushion the over expenditure. Specific reasons for over expenditures in individual allocations was not provided.

Details of expenditures against the budget estimates are provided in Table 21.3.

Table 21.3: Appropriation Statement for 2018 – Head 21

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	321,439,667	3,875,054	325,314,721	315,048,371	10,266,350
2	Government Wage Earners	5,442,636	---	5,442,636	5,029,106	413,530
3	Travel & Communications	2,025,880	79,294	2,105,174	1,495,515	609,659
4	Maintenance & Operations	2,962,773	(64,891)	2,897,882	2,302,627	595,255
5	Purchase of Goods & Services	21,434,553	(3,156,269)	18,278,284	16,134,591	2,143,693
6	Operating Grants & Transfers	105,850,782	2,681,728	108,532,510	107,025,634	1,506,876
7	Special Expenditures	3,089,000	(73,079)	3,015,921	2,509,337	506,584
	Total Operating Costs	462,245,291	3,341,837	465,587,128	449,545,181	16,041,947

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
8	Capital Construction	3,875,261	(1,300,000)	2,575,261	1,252,731	1,322,530
9	Capital Purchases	2,299,716	---	2,299,716	1,961,279	338,437
10	Grants & Transfers	18,486,107	(9,987,047)	8,499,060	5,872,545	2,626,515
	Total Capital Expenditure	24,661,084	(11,287,047)	13,374,037	9,086,555	4,287,482
13	Value Added Tax	3,209,300	(313,740)	2,895,560	1,449,508	1,446,052
	TOTAL	490,115,675	(8,258,950)	481,856,725	460,081,244	21,775,481

21.5 Appropriation Statement – Head 26

The Higher Education Institution incurred expenditure totalling \$99,961,415 in 2018 against a revised budget of \$103,499,610 resulting in savings of \$3,538,195 or 3%.

The funds were budgeted for Fiji National University Labasa and Nasinu Campus, Veterinary laboratory and Fiji Maritime Academy. The savings were due to changes in drawings, extensive planning, re-tender of construction works and delay in compliance issues.

Details of expenditures against the budget estimates are provided in Table 21.4.

Table 21.4: Appropriation Statement for 2017 – Head 26

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	92,692,610	---	92,692,610	92,692,610	----
	Total Operating Costs	92,692,610	---	92,692,610	92,692,610	----
	Capital Expenditure					
10	Grants & Transfers	13,807,000	(3,000,000)	10,807,000	7,268,805	3,538,195
	Total Capital Expenditure	13,807,000	(3,000,000)	10,807,000	7,268,805	3,538,195
	TOTAL	106,499,610	(3,000,000)	103,499,610	99,961,415	3,538,195

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

21.6 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 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 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 the 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 as:

Rating	Internal control assessment
 Ineffective	Deficiencies identified in internal controls

21.7 Submission of FY 2017-2018 Draft Agency Financial statements


On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed. The final day for closing the 2018 accounts was 31 October 2018.

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- 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
 Ineffective	6 of 10 key processes completed after due date

21.8 Quality of Draft Financial Statements by Entities


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

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

Rating	Quality of draft financial statements assessment
 Ineffective	No adjustments were required but the issues raised resulted in the qualified audit opinion.


21.9 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


21.10 Timeliness of Management Comments

To assess the timeliness of provision of management comments, we have compared the date the draft management letter (DML) was issued to entity and the date management comments was received. Accordingly, we have assessed timeliness as:

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

21.11 Timeliness of Signed Financial statements Received

To assess the timeliness of signed accounts received, we have compared the date financial statements was sent to Ministry for signing and the date signed financial statements was received. Accordingly, we have assessed timeliness as:

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.

21.12 Overpayment to Early Childhood Education (ECE) Teachers

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorized payments, inaccurate payroll reports and invalid pay rates.¹

On 17/05/18, the Permanent Secretary for Education, Heritage and Arts approved an hourly rate of \$7.50 and the Director of Civil Service Reform Management Unit on 22/09/17 approved the hourly rate of \$9.90 to be paid to the Early Childhood Education (ECE).

On 22/09/17, the Director of Civil Service Reform Management Unit approved the hourly rate of \$9.90 to be paid to the Early Childhood Education (ECE) and on 17/05/18, the Permanent Secretary for Education, Heritage and Arts approved an hourly rate of \$7.50.

We noted instances where the (ECE) teachers were paid in excess of the approved rates. In addition, a teacher was underpaid. Refer to Table 21.5 below for examples.

Table 21.5: Overpayment of Hourly Rates

TPF No.	Approved Hourly Rate	Hourly Rates as per Payroll Report	(Overpayment)/ Underpayment per hour
111202	7.50	11.10	(3.60)
111108	7.50	11.10	(3.60)
110427	7.50	11.10	(3.60)
12132	7.50	11.10	(3.60)
110548	9.90	11.10	(1.20)
110105	9.90	11.10	(1.20)
111309	9.90	7.50	2.40

¹ Ministry of Education Finance Manual 2013, Part 4 - Introductory Paragraph

Root Cause/Implication

The findings indicate inadequate supervisory checks which increases risks of inconsistency in salary payment rates.

Recommendation

The Ministry should further investigate this matter and consider recovering any amount overpaid to teachers and ensure that teachers are paid at correct rates.

Agreed Management Action

Since 2007 until 2018 the ECE teachers were engaged on general wage earner type contracts and were paid only for contact hours. They were not paid for school holidays, sick leave and did not have other entitlements of civil service contracts. In 2018 it was determined that they be moved to Civil Service Contracts and have the same terms and conditions as other teachers, but payments be made for 4 contact hours and 1 hour preparation time each day, with a total of 25 hours per week.

Unfortunately an error was made in calculation of the hourly rate by using the full-time rate (based on 74 hours per fortnight) of \$11.10 per hour and work hours of 5 hours per day.

Advice was sought from the Solicitor General's Office regarding the appropriate approach for managing this situation and advice was that the Ministry was obligated to honour the signed contracts and pay at the rate specified, however, at the end of the contract period any future contracts should be issued at the correct salary rate.

This exercise is being carried out by the Contracting Unit as the contracts expire and teachers are now being placed on correct rate of pay.

Officer Responsible

Not stated

21.13 Anomalies in Recruitment Process

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorized payments, inaccurate payroll reports and invalid pay rates.²

The Ministry follows the Open Merit Recruitment and Selection (OMRS) system for staff appointments. The following documents were not provided for audit reviews. Refer to Table 21.6 below for details.

Table 21.6: Anomalies in Recruitment Process

Vacancy No.	Date of Appointment	EDP No.	Anomalies
72/2017	10/01/18	11000	<ul style="list-style-type: none"> Panel decision on appointment was not provided; and Certificate for Bachelor of Education (Secondary) was not provided.
72/2017	10/01/18	11054	<ul style="list-style-type: none"> Panel decision on appointment was not provided.

² Ministry of Education Finance Manual 2013, Part 4 - Introductory Paragraph

Vacancy No.	Date of Appointment	EDP No.	Anomalies
No vacancy reference	13/08/17	43907	• Minimum qualification requirement details for the position and panel decision on appointment was not provided.
72/2017	10/01/18	110231	• Panel decision on appointment was not provided.
72/2017	27/2/18	110255	• Panel decision on appointment was not provided.
31-32/2018	03/05/18	111309	• No copy of resume provided; and • No copy of application for graduate and entry teacher pool.
No Vacancy details	10/01/18	110105	• No vacancy recruitment details provided; • No copy of application for graduate and entry teacher pool; • No certification of original copy, rather copy of certified copy of certificate submitted;
No vacancy details	03/02/18	111108	• No vacancy advertisement details; • No application form in personal file; • No copies of certificates in file to justify qualification; • No resume provided

Root Cause/Implication

Due to the non-submission of required records for audit verification, there is a high risk that that the OMRS system was not applied in processing of the vacant positions.

Recommendations

The Ministry should ensure that:

- all documentation relating to the processing of vacancies are adequately maintained for transparency, accountability and audit purposes; and
- OMRS Guidelines are followed for all appointments.

Agreed Management Action

2017 was the beginning of the OMRS system which coincided with the restructure of HR Department and JE transition. On an annual basis the Ministry carries out close to 150 recruitments with many of these vacancies being for multiple appointments which are over 3-400 for teachers, 100+ for HoDs, etc.

The recruitment for vacancy 72/2017 was for teacher positions whereby hundreds had applied. A spreadsheet was prepared to register the details of all the applicants, their job test scores and to determine the order of merit. The same spreadsheet was used to appoint teachers from and contracts were issued accordingly. We do not have any of the managers from 2017 who were involved in recruitment, hence unable to locate the report (not sure if a report was done).

We now have a system in place to ensure that all documentation in relation to recruitment and appointments are maintained and approval is obtained from the PS on the selection report which is also endorsed by the Minister. For pool recruitments, like that for teachers require separate submission by completing the New Appointment Form and approval is sought from the PS and the Minister.

Contracting Unit is restricted from issuing contracts without signed approval of the PS and endorsement of the Minister on selection reports (for individual appointments) and selection report together with a New Appointment Form (for pool recruitment).

At the same time, HR is carrying out qualifications audit of all staff prior to renewing their contracts. This is a major exercise which includes implementation of a new qualifications module on FESA. This is critical as teachers' salary bands are determined based on their qualifications.

The contracts issued on 13/08/2017 were the JE contracts and not based on new recruitment.

Officer Responsible

Not stated

21.14 Variance between FMIS and Payroll Report

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.³

A variance (net) of \$5,655,806 was noted between the Financial Management Information System (FMIS) and the Ministry's payroll report balance for the Established staff and government wage earners.

Refer to the Table 21.7 below for details of the variances:

Table 21.7: Variance between FMIS and payroll report

	Established Staff	Government Wage Earners	Consolidated
	(\$)	(\$)	(\$)
FMIS Personal Emoluments as at 31/07/18	280,173,579	4,562,406	284,735,985
Add Allowances	6,934,325	---	6,934,325
Add Relieving Staff	198,655	3,719	202,374
Total	287,306,559	4,566,125	291,872,684
Add: Salaries and wages posted to Head 50, MOE following regularization of expenditure in SEG 1 and 2 via JV 233/12/18	42,126,680	1,366,541	43,493,221
Add: staff paid from SEG 5,6 and 7	325,684	---	325,684
Total FMIS General Ledger Balance	329,758,923	5,932,666	335,691,589
Less: Payroll Summary Report and manual payments as at 31/07/18	323,484,067	6,551,716	330,035,783
Variance	6,274,856	(619,050)	5,655,806

Root Cause/Implication

Lack of timely reconciliation between the FMIS and payroll reports has resulted in the variances. Variances between critical records may indicate the existence of errors and omissions.

Recommendation

The Ministry should ensure that reconciliations between FMIS general ledger and Payroll Report are accurately carried out and any variance noted should be investigated and adjusted accordingly.

³ Ministry of Education Finance Manual 2013, Part 4 - Introductory Paragraph

Agreed Management Action

Management comments that staff were also paid from SEGs 3, 4 and 5 have been incorporated in the table above.

Officer Responsible

Not stated.

21.15 Number of Teachers Registered with the Fiji Teacher Registrations Authority (FTRA)

We noted that there were variances in the records of the Ministry on the number of teachers employed by the Ministry and the number of teachers registered with Fiji Teacher Registration Authority (FTRA).

The person to post report⁴ (P2P), which included early childhood teachers, primary and secondary school teachers, recorded a total of 12,986 teachers.

The Fiji Education Staffing Appointment System (FESA) report⁵ on all current and all active teachers showed a total of 13,126 teachers, which excluded vocational, Technical College, re-deployee and cleaner/watchmen.

However only 12,566 teachers⁶ were registered with Fiji Teacher Registration Authority.

Root Cause/Implication

Between the registered teachers and the all current and active teachers' record, there is a difference of 560 teachers not registered.

When comparing with the Person to Post with the registered teacher record (FESA), there is a difference of 420 teachers which means there are 420 unregistered teachers in the P2P.

Given the three varying records on the number of teachers, there is a very high risk of payments made to persons who are not registered teachers.

Recommendations

The Ministry should:

- carry out a review of the teachers registration process with Fiji Teacher Registration Authority;
- carry out a review of the information database on teachers; and
- ensure that records of the Ministry are reconciled with FTRA and with the number of teachers on the ground.

Agreed Management Action

Audit is noted. The variance highlighted in the number of active teachers registered with Fiji Teachers Registration Authority (FTRA) in FESA records and the P2P is due to the following reasons:

⁴ Person to Post report provided by the Ministry on 03/02/2020

⁵ extracted on 27 February 2020

⁶ Provided by the Ministry of Education on 27 February 2020

- Teachers lodge their FTRA registration in the Education Office located in nine districts. In the event where documentation does not reach FTRA office for processing, these are not registered by FTRA and thus not reflected in FESA records.
- FTRA may have received the documentation and due to oversight in filing/administration work some renewals may not have processed and not reflected in FESA;
- Incomplete applications received in other Centres including FTRA office in some cases; thus applications were put on hold without any follow-ups leading to the non-processing of these applications in FESA by FTRA.
- Due to the volume of teacher contract renewals and all efforts not to cause disruptions in teacher's salary, contracts for teachers with expired FTRA registration are renewed and teachers are advised to renew registration with FTRA.

Ministry is currently working closely with FTRA and reconciliation process is in place. Upon request from FTRA report on active registered teachers is generated by MEHA IT and FTRA carries out a follow-up process with all the respective Principals/Head Teachers via emails.

Contracting Unit ensures that details of teachers whose contract has been renewed with expired FTRA registration is forwarded to FTRA for follow up. To ensure the teachers FTRA registration records are updated a follow up reminder will be sent to all District Education to submit all the documentation received for FTRA registration. Officers responsible are CEO FTRA and Manager Establishment.

Officer Responsible

Manager Establishment
CEO FTRA

21.16 Regularisation of Payroll

Proper planning is necessary for utilization of funds as approved by Parliament. The responsible authority for a budget sector agency is responsible for the effective, efficient and economical management of the agency. ⁷

Journal voucher number 233/12/18 was passed on 20/09/18 to regularise over expenditure in SEG 1 of \$42,126,680 and SEG 2 \$1,366,541. The following adjusting journal entries were passed. Refer to Table 21.8 for details.

Table 21.8: Journal Voucher Passed to Regularise over expenditure

Allocation	Debit (\$)	Credit (\$)
1-50101-50999-019901	43,493,221	
Ministry of Education SEG 1 & SEG 2 General Ledger		43,493,221

We noted the following anomalies:

- Payroll expenditure amounting to \$43,493,221 is not included in the Ministry's Statement of Receipts and Expenditure; and

⁷ Financial Management Act 2004, Part 5, Section 28

- As at 31 July 2018, the Ministry had a total savings of \$21,775,481 which was not utilised.

Root Cause/Implication

The above may have been caused by the non-compliance of the Ministry to the close of accounts circular No. 03/2018 which requires that journal adjustments to be posted by 10 August 2018 and processing of payments and virements by 20 July 2018.

The Ministry's expenditure is understated by \$43,493,221.

Recommendations

The Ministry should:

- obtain approval to utilise savings within its appropriation head before requesting for additional funds from Head 50; and
- accurately reflect its expenditures in the financial statements

Agreed Management Action

Due to timing differences in the regularisation process and closing of accounts process – MEHA was not in a position to accurately identify internal savings.

Officer Responsible

Not stated.

21.17 Bus Fare Assistance

The Ministry engaged Company A to facilitate transport assistance scheme for school students through electronic ticketing.

The Ministry paid a total of \$18,522,478.45 to the company during the financial year ended 31 July 2018. We noted the following anomalies:

- The agreement between the Ministry and Company A was not provided;
- Bus fare assistance FMIS general ledger allocation (Allocation No. 1-21101-91012-060201) had a balance of \$27,620,274.68. However, the balance was understated by an amount of \$2,000,285 since this amount was posted to free education grant year 1 – 8 FMIS general ledger allocation (Allocation No. 1-21201-91015-060219).
- Payment vouchers and detailed breakdown of amounts disbursed were also not provided. Refer to Table 21.9 below for details.

Table 21.9: Sample Payments Details of Bus Fare Assistance

Voucher ID	Amount (\$)	Vouchers Provided	Detailed Breakdown of Amount Disbursed Provided
Payments to Company A			
515671	3,218,778.87	Yes	Yes
516697	1,110,403.32	Yes	Yes
533058	149,000.00	Yes	No
536513	2,053,453.64	Yes	Yes
551643	2,918,160.64	Yes	Yes

Voucher ID	Amount (\$)	Vouchers Provided	Detailed Breakdown of Amount Disbursed Provided
494528	3,457,279.52	No	No
519417	35,928.48	No	No
531292	149,000.00	No	No
536950	4,000,000.00	No	Yes
Other Payments for Bus Fare Assistance			
499664	24,743.88	No	N/A
535090	10,453.60	No	N/A
509019	7,916.42	No	N/A

Root-Cause/ implication

In the absence of the agreement, the interest of government is not protected and the Ministry may not be able to hold “Company A” responsible for not meeting deliverables of the bus fare assistance program.

The findings indicate that the Ministry did not implement stringent monitoring of the amounts disbursed.

The misallocation indicates that the Ministry did not regularise the expenditure during the closing of accounts process. These situations can arise when budget is not available in a particular allocation and payments made are charged to other allocations.

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

Recommendations**The Ministry should:**

- ensure that an agreement is drawn up between Ministry and Company A for the facilitation of transport assistance scheme for school students through electronic ticketing;
- strengthen its monitoring for all the amounts disbursed and utilised;
- put in place control to ensure that accurate amounts are posted to respective allocation in the FMIS ledger; and
- ensure that all accounting records properly kept and provided for audit verification upon request

Agreed Management Action

All the recommendations are noted. Ministry has started with the preparatory work on the agreement with Vodafone. Ministry will ensure that the agreement is in place before 2021. Ministry is currently working on realigning, restructuring, enhancing, reviewing and re-implementing the Transport Assistance Policy, Standard Operating Procedures and the reconciliations processes to curb the gaps and strengthen the internal controls in transport assistance. Ministry assures audit that this will be in place by the end of 2020.

Ministry has access to data including student ID with card number and amount being redeemed. Funds were credit back to Education M-Paisa Account at the end of 2019 for cards not redeemed. Moving forward, as from April 2019, the process used by Vodafone were changed where fund were only debited from the Ministry M-Paisa account if student redeemed the card.

An additional funding of \$7m was requested to PSE to cater for the e-Transport Initiative that was effective on 1st October 2017. The request was approved by PSE but the process of virement was very late. Due to the urgency

of this payment and the long process in line to load of fund to each student's card, students to redeem before the 1st of October, there was no other option but to use the primary grant allocation as they still had enough fund in their allocation to pay Vodafone. The approved amount of \$5m was vired to TAU allocation at the end of September 2017. The amount of \$3,457,279.52 that was paid from FEG primary allocation to pay Vodafone on 7th September 2017 was journalised back to Primary Grant Allocation on the following month (October).

Officer Responsible

Director Finance, Manager Grants and Senior Accountant Transport

21.18 Free Education Grant Year 1 – 8 and Year 9 -13

Primary school grant

We noted a variance of \$9,897,109 in free education grant year 1 – 8 between FMIS general ledger and estimated grant. The estimated grant was calculated by obtaining primary school roll from Fiji Education Management Information System (FEMIS) and multiplying by grant per student and adding baseline grant as per the school management handbook 2017. Refer to Table 21.10 below for details.

Table 21.10: Variance in Free Education Grant Year 1 – 8 School Grant

	Amount (\$)	Amount (\$)
Amount as per general ledger	33,317,133.17	
Add: Primary Centralised Grant	1,655,013.65	
Less: Misposting of Bus fare assistance, secondary school grant and other expenditure	8,695,952.00	
Revised General Ledger		26,276,194.82
Estimated grant		36,173,303.67
Variance		9,897,108.85

In addition, a variance of \$8,735,331.89 was noted between FMIS general ledger and total amount of primary school grant paid by the Ministry. Refer to Table 21.11 below for details.

Table 21.11: Variance in Free Education Grant Year 1 – 8 School Grant

	Amount (\$)
Amount as per General ledger	26,276,479.68
Grant Paid to Primary Schools as per MEHA Grant Section records (Term 3 2017, Term 1 and 2 2018)	35,011,811.57
Variance	(8,735,331.89)

Secondary school grant

Moreover, we noted a variance of \$3,920,487.52 between FMIS general ledger and total amount of secondary school grant paid by the Ministry. Refer to Table 21.12 below for details.

Table 21.12: Variance in Free Education Grant Year 9 – 13 School Grant

	Amount (\$)
Amount as per General ledger	26,104,996.48
Grant Paid to Secondary Schools as per MEHA Secondary Section records (Term 3 2017, Term 1 and 2 2018)	30,025,484.00
Variance	(3,920,487.52)

Root-Cause/ implication

The absence of reconciliation between the total grant paid calculated from the two records prevented the Ministry from identifying the variance

Variances between critical records may indicate the existence of errors and omissions.

Recommendations

The Ministry should ensure that:

- **FMIS general ledger and amounts for school grant are reconciled with amounts calculated from FEMIS; and**
- **any variance noted should be investigated and adjusted accordingly.**

Agreed Management Action

All the recommendations are noted. Ministry has started with effect from 2020 with its restructure of the grant management processes. Ministry wishes to inform audit that the School Management Handbook has been reviewed to strengthen the accountability requirements for schools to achieve increased efficiencies and effectiveness with grant funds and the Financial Management Arrangement Policy has been implemented to further enforce this. The FEMIS system is currently been reviewed and realigned to meet the requirements as stated in the School Management Handbook. One of this requirement is to have the grant payment schedule generated directly from FEMIS whereby grant for each school per term is calculated through FEMIS after verifying the class roll and removing non-eligible students. This will ensure a transparent process. As of Term 1, 2020, Ministry is now using the Grant Payment Schedule generated from FEMIS for each school grant releases. Reconciliations of amounts paid out from FMIS general ledger against amounts of grants calculated from FEMIS are also carried out as of Term 1, 2020 for each school to ensure that the correct amount of grant is paid out.

The underutilisation of Primary FEG allocations was mainly due to the non-payment of Term 2 Free Education Grant for schools that failed to comply with the following requirements for release of FEG:

1. Submission of AFR & AGM Minutes (Due on the 31st of March)
2. Non-compliance to FEMIS Policy which includes updating of Class Audits (week 5 of Term 1 & week 4 of Term 2 & 3) and updating of Voucher entries (within 3 days after the goods & services are received in school).
3. Centralizing of Grants due to Audit issues.

Therefore, grants are committed in the Term 3, which falls in the new Financial Year and the payments depends on submission of the above from the school.

The Primary schools has a total of 736 and mostly are very remote and maritime schools for which its Term 2 grants are paid out in the next financial year due to late submission of AFR & AGM.

The underutilization of Secondary FEG allocations was mainly due to the non-payment of Term 2 FEGS for schools that failed to comply with the following requirements for release of FEG:

1. Submission of AFR & AGM Minutes (Due on the 31st of March).

2. Non-compliance to FEMIS Policy which includes updating of Class Audits (week 5 of Term 1 & week 4 of Term 2 & 3) and updating of Voucher entries (within 3 days after the goods & services are received in school).
3. Centralizing of Grants due to Audit issues.

Therefore, grants are committed in the Term 3 which falls in the new Financial Year and the payments depends on submission of the above from the school.

Officers Responsible

Director Finance, Manager Grants and Accountant Grants.

21.19 Aid in Kind

The Ministry received aid in kind from National Disaster Management Office (NDMO) and overseas donor agencies. The items received included radio, mattresses, desks, chairs, first aid kits, water tanks, tarpaulins, paper files and temporary learning spaces (TLS). There were distributed to schools in the central, eastern, northern and western divisions.

We noted that the Ministry has not disclosed in the Notes to the financial statements, aid in kind received from various donor agencies.

Root-Cause/implication

The accounts team needs to coordinate with Asset Management Unit of the Ministry for details of aid in kind received.

Recommendation

The Ministry should ensure that aid in kind received is disclosed in the Notes to the financial statements

Agreed Management Action

No comments were received from the Ministry.

Officers Responsible

Not stated

21.20 Arrears of Revenue

Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the finance manual.⁸

It was noted that the Ministry had an arrears of revenue of \$131,265 as at 31 July 2018. This was an increase by \$118,609 or 937% from \$12,656 as at 31 July 2017. Refer to the Table 21.13 below for ageing of arrears of revenue.

⁸ Finance Instructions 2010, Section 41

Table 21.13: Arrears of Revenue Ageing

Age of Debtors	Amount (\$)
Less than 1 year	81,299
1 - 2 years	36,048
2 – 5 years	13,743
More than 5 years	175
Total	131,265

Root Cause/Implication

There is high risk of revenue in arrears becoming irrecoverable and written off resulting in loss of government revenue.

Recommendation

The Ministry should take appropriate steps to reduce Arrears of Revenue.

Agreed Management Action

The Ministry reminded all revenue collectors to be vigilant while collecting revenue and the recovery measures to be undertaken by each institution for example, collection of boarding fees from Government Schools. In 2017 most parents cannot afford to pay fees on time during their difficult times, Tropical Cyclone Winston being one of the major drawbacks.

Tuition fees for Technical College of Fiji contributed to the increase of arrears of revenue as most of the students are sponsored by TELS. The Ministry collected the fees in September, 2019 of \$1.5m to clear the arrears of revenue from 2017 to 2019.

Officer Responsible

Not stated

21.21 Fiji Higher Education Commission (FHEC) Revenue Mispsted and Short Posted

The Assistant Accounts Officer (AAO) Revenue shall prepare a journal voucher or journal entry input form before posting revenue transactions into the general ledger. The journal voucher for an adjustment should outline:

- i. reason for raising adjustments;
- ii. the accounts that should be debited and credited;
- iii. the amount debited and credited to each account.⁹

FHEC collected a total of \$50,620 registration fees as at 31/07/18.

In 2018, the Ministry incorrectly posted FHEC registration fees of \$32,120, into examination result fees allocation (Allocation No. 1-21101-21999-279999). The registration allocation had nil balance in 2018. (Allocation number 1-21101-91012-230319)

Moreover, out of \$50,620 registration fees received by FHEC, only \$32,120 was posted to FMIS general ledger and remaining \$18,500 was not posted FMIS general ledger.

⁹ Ministry of Education Finance Manual 2013, Section 5.5.5

Root Cause/Implication

Human error has resulted in the misallocation and short posting of revenue in the FMIS general ledger. Thus registration fee was understated by \$32,120 and examination result fee was overstated by \$32,120. The Ministry's revenue is understated by \$18,500.

Recommendation

The Ministry should ensure that all revenue are correctly posted in the in the FMIS general ledger.

Agreed Management Action

Comments received from the Ministry that FHEC revenue is correctly posted to the revenue allocation could not be verified.

Officer Responsible

Not stated

21.22 Anomalies in Accountable Advance – Recurring Issue

Where an advance has not been acquitted within seven days of travel, the Principal Accounts Officer (PAO) shall effect recovery through a salary deduction from the concerned officer's salary with six (6) fortnights.¹⁰ Upon clearance of the advance, the Accounts Officer (AO) Payments/Clerical Officer (CO) Claims shall update the debtors register, offset the advance account and debit the appropriate expenditure account.¹¹

As at 31 July 2018, accountable advances totalling \$220,416 were yet to be retired.

Root Cause/Implication

Non-retirement of advances on timely basis has resulted in the understatement of expenditure in the statement of Receipts and Expenditure for the year.

Recommendation

The Ministry should ensure that staff retire accountable advance on timely basis or effect recovery through salary deductions as stipulated in the Ministry's Finance Manual.

Agreed Management Action

Significant portion of the balance is from previous years for which MEHA has requested Ministry of Economy for write off.

Officer Responsible

Not stated

¹⁰ Ministry of Education Finance Manual 2013, Section 10.1.14

¹¹ Ministry of Education Finance Manual 2013, Section 10.1.16

21.23 Administration of Free Education Grant (FEG) – Recurring Issue

A review of the schools audited financial statements for FEG for the 2015 financial period revealed that the grants were not always utilised in accordance with the percentage allocations prescribed in the FEG Policy.

In January 2020, the Ministry provided 14 primary schools and seven secondary schools audited financial statements for our review. We noted that grants were not utilised in accordance with the percentage allocations prescribed in the FEG Policy. Schools had exceeded the percentage allocations. Refer to Table 21.14 and 21.15 below for details.

Table 21.14: Primary schools that have not utilised grant as per the percentage allocations prescribed in the FEG Policy

School Registration Number	Administration/ Management & Office Operations 30%	Building and Compound Maintenance 20%	IT, Computer 15%	Library & Textbooks 10%	PEMAC & Science Equipment 10%	Stationeries 15%
1636	39%	22%	4%	7%	9%	20%
2054	24%	17%	35%	7%	6%	11%
9061	39%	19%	4%	10%	9%	19%
1001	20%	50%	8%	8%	5%	9%
2334	42%	22%	8%	6%	14%	8%
2398	34%	35%	16%	5%	5%	5%
3032	36%	21%	13%	10%	7%	12%
1756	23%	48%	10%	4%	5%	10%
1017	33%	27%	13%	9%	6%	13%
3024	32%	21%	19%	4%	12%	11%
1889	26%	20%	7%	12%	21%	13%

Table 21.15: Secondary schools that have not utilised grant as per the percentage allocations prescribed in the FEG Policy

School Registration Number	Administration & Office Operations 30%	Building and Compound Maintenance 20%	IT, Computer and TEST-Materials 15%	Library Books & Textbooks 10%	Physical Education, Arts, Music and Science Equipment 10%	Stationery 15%
9028	32%	21%	14%	10%	9%	13%
9395	35%	31%	10%	9%	5%	11%
9020	24%	27%	5%	8%	16%	20%
9256	36%	23%	11%	8%	6%	17%
3053	37%	18%	12%	9%	12%	12%

Root Cause/Implication

Grants utilised in excess of the prescribed percentages results in insufficient funds available to meet expenses for other expenditure allocations.

Recommendations

The Ministry should:

- regularly monitor the utilisation of the grant to ensure that they are utilised in accordance with the FEG Policy; and
- ensure that approvals are obtained from Permanent Secretary for Education for utilisation of funds above the allocated percentage as stipulated in the FEG Policy.

Agreed Management Action

There are a number of significant initiatives undertaken to address issues raised including:

1. Revision of School Management handbook and FEG Policy
2. Under MEHA restructure there would be a separate Grant Management function as well as audit function. Manage grants has been appointed and we in process to recruit SFO Grants and Audit.
3. Upgrade FEMIS to incorporate monthly reporting and reconciliation

Officer Responsible

Not stated

21.24 Delay in Finalisation of Financial statements– Reoccurring Issue

Each agency must prepare an annual report for submission to its Minister by 31 December in the following year.¹² Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.¹³

The audit of the financial statements of the Ministry of Education, Heritage and Arts for the year ended 31 July 2018 was finalised after the deadline.

Root Cause/Implication

The delay in the finalisation of the audit was due to the late amendments made to the financial statements.

Recommendations

The Ministry should ensure that:

¹² Finance (Amendment) Instructions 2016 – Section 69

¹³ Finance Instruction 2010 – Section 70 (2)

- **accurate financial statements are submitted by the due date; and**
- **approved additional spending are regularised in a timely basis.**

Agreed Management Action

There are activities that happen after the deadline that affects ministry to make amendments to financial statements particularly in notes to accounts and that's something to be addressed with Economy.

Officer Responsible

Not stated

Head 22**Ministry of Health & Medical Services****Role and Responsibilities**

The Ministry of Health is responsible for ensuring that all Fijian have access to reliable, high quality health and medical services, regardless of where they reside in Fiji, and have the knowledge to be proactive about their own health and wellbeing. This mandate covers the primary, secondary and tertiary levels of healthcare service delivery.

A healthy population is both a powerful driver and key outcome of sustainable development. The health of a population is also a key indicator that people-oriented, rights-based, inclusive and equitable development is being achieved. Investment in health, on the prevention side, is critical to supporting Fiji's development, and the Ministry is working to raise awareness of healthy lifestyle choices alongside its efforts to expand access to reliable medical services.

TABLE OF CONTENTS

PART A: FINANCIAL STATEMENTS.....	3
22.1 Audit Opinion	3
22.2 Statement of Receipts and Expenditure	4
22.3 Appropriation Statement	5
22.4 Trading and Manufacturing Account (TMA)	6
22.5 Trust Fund Account - CWM Hospital Staff Amenities	8
22.6 Trust Fund Account - Cardiac Taskforce Trust Account	8
22.7 Trust Fund Account - Fiji Children Overseas Treatment Fund	8
22.8 Cardiology Services Fund - Statement of Receipts and Payments.....	9
22.9 Sahyadri Trust Fund - Statement of Receipts and Payments	9
PART B: ASSESSMENT OF FINANCIAL GOVERNANCE	10
22.10 Internal Controls	10
22.11 Submission of FY 2017-2018 Draft Agency Financial statements.....	12
22.12 Quality of Draft Financial Statements by Entities	12
22.13 Timeliness of Draft Financial Statements	12
22.14 Timeliness of Provision of Management Comments	13
22.15 Timeliness of Signed Financial Statements Received	13
PART C: OTHER SIGNIFICANT MATTERS	13
22.16 Records Not Provided.....	13
22.17 Significant Payment of Overtime	14
22.18 Anomalies noted in Free Medicine Program	15
22.19 Anomalies in Main Trust Fund Accounts	17
22.20 Significant Savings in Capital Purchases and Capital Construction.....	19
22.21 Use of Global Fund for Purpose Other Than Intended	20
22.22 Fiji Pharmaceutical and Biomedical Services (FPBS).....	21
22.23 Bulk Purchase Scheme (BPS) Trading and Manufacturing Account (TMA)	23
22.24 Operating Trust Fund Accounts Balances cleared to OPR in Previous Year Revenue Allocation	24
22.25 Revenue Reports	25
22.26 Finalisation of Financial statements – Recurring issue	27
22.27 Arrears of Revenue – Recurring issue.....	27
22.28 Non-clearance of balances in Revolving Fund Account (RFA) – Recurring issue.....	28
22.29 Variance between FMIS and Person to Post Listing – Recurring issue	29
22.30 Expenditure Charged to Wrong Allocation – Recurring issue	31
22.31 Variance in Pharmaceutical Stock – Recurring issue.....	32

22.32	Fixed Assets Register not updated – Recurring issue.....	33
22.33	Lack of monitoring in the Administration of Grant– Recurring issue	34
22.34	Anomalies of Sahyadri Trust Account– Recurring issue	35
22.35	Purchases made without Tender Board approval – Recurring issue	36
22.36	Board of Survey Report not completed – Recurring issue.....	36
APPENDIX 1: PAYMENT AND JOURNAL VOUCHERS NOT PROVIDED.....		38
APPENDIX 2: REVENUE RECEIPTS NOT PROVIDED.....		38
APPENDIX 3 –INAPPROPRIATE UTILISATION OF GLOBAL FUND MONIES		39
APPENDIX 4 – PHARMECUTICAL STOCK WITHOUT COST PRICE AND STOCKS THAT WERE BELOW MINIMUM STOCK LEVEL		40
APPENDIX 5 – PHARMACEUTICALS STORAGE		43
APPENDIX 6 – OVER AND UNDER STATED REVENUE IN BULK PURCHASE SCHEME.....		43
APPENDIX 7 – ITEM WITH DIFFERENT CODE AND DIFFERENT SELLING PRICE IN BULK PURCHASE SCHEME		45
APPENDIX 8 – ITEM WITH ZERO UNIT COST		47

PART A: FINANCIAL STATEMENTS**22.1 Audit Opinion**

The audit of the 2018 accounts of the Ministry of Health & Medical Services resulted in the issue of a qualified audit opinion. The basis of the qualification is as follows:

1. The Ministry recorded Purchase of Goods and Services of \$62,647,164 and Capital Construction of \$17,335,118 in the Statement of Receipts and Expenditure for the year ended 31 July 2018. The Ministry was unable to provide me with appropriate documents such as payment and journal vouchers to support expenditures totalling \$2,034,466 of the above balances. As a result, I was unable to verify the completeness and accuracy of the balances and also unable to determine whether any adjustments might have been necessary in respect of Purchase of Goods and Services and Capital Construction at the end of the financial year
2. The Ministry recorded total receipts of \$6,233,916 in the Statements of Receipts and Expenditure. The Ministry was unable to provide me with revenue receipts to support revenue amounting to \$143,286. In addition, internal controls over receipting were generally found to be weak. This relates to the submission of incomplete revenue report from Divisions and Subdivisions. As a result, I was not able to substantiate the accuracy and completeness of total revenue of \$6,233,916 reflected in the Statement of Receipts and Expenditure.
3. An unreconciled variance of \$928,833 and \$340,521 exists between Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for Established Staff and Government Wage Earner, respectively. Consequently, I was unable to establish the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.
4. The Ministry recorded a closing balance of \$20,609 in the Sahyadri Trust Fund Account Statements of Receipts and Payments. The Ministry was unable to provide me with payment and journal vouchers and revenue receipts to support total receipts and payments of \$1,190,999 and \$1,509,315, respectively. In addition, internal controls over account reconciliations were generally found to be weak. This relates to delay in preparation of reconciliations of the main trust fund accounts. As a result, I was not able to substantiate the accuracy and completeness of total receipts of \$1,190,999 and total payments of \$1,509,315 reflected in the Sahyadri Trust Fund Account Statements of Receipts and Payments.
5. Purchases in the Bulk Purchase Trading and Manufacturing Account is overstated by \$6,064. As a result, the Trading and Manufacturing Account net profit for the year ended 31 July 2018 is understated by \$6,064. In addition, internal controls over receipting and payments were generally found to be weak. This related to price charged not in accordance with the approved price list and the understatement of utility costs which is not paid by the Bulk Purchase Trading and Manufacturing Account.

22.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$6,233,916 and incurred a total expenditure of \$253,932,368 for the year ended 31 July 2018. Details are provided in Table 22.1.

Table 22.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
OPR in Previous Years	233,364	---
Rental for Quarters	15,138	15,261
Commission	100,948	67,930
Health Levy	692,936	1,075,980
Miscellaneous	4,033	---
Total State Revenue	1,046,419	1,159,171
Health Fumigation & Quarantine	1,490,901	1,537,992
Hospital Fees	1,838,901	2,153,874
License & Others	1,605,495	1,624,862
Miscellaneous Revenue	252,200	541,791
Total Agency Revenue	5,187,497	5,858,519
TOTAL REVENUE	6,233,916	7,017,690
Established Staff	109,319,784	90,048,506
Government Wage Earners	23,205,168	17,814,252
Travel and Communications	5,227,672	5,156,722
Maintenance and Operations	15,720,028	14,245,501
Purchase of Goods and Services	62,647,164	47,206,269
Operating Grants and Transfers	959,424	1,055,165
Special Expenditure	6,116,039	8,061,130
Total Operating Expenditure	223,195,279	183,587,545
Capital Construction	17,335,118	20,890,579
Capital Purchases	7,118,112	5,423,459
Total Capital Expenditure	24,453,230	26,314,038
Value Added Tax	6,283,859	8,221,975
TOTAL EXPENDITURE	253,932,368	218,123,558

Total State revenue decreased by \$112,752 or 10% in 2018 compared to 2017. Previously, miscellaneous revenue which consisted of OPR and Health Levy are now reported separately in 2018.

Salaries for established staff increased by \$19,271,278 or 21% in 2018 compared to 2017. This was due to the full implementation of the Job Evaluation Review and confirmation of acting appointments.

Government Wage Earners' expenditure increased by \$5,390,916 or 30% in 2018 compared to 2017. The increase was mainly due to increase services due to extended opening hours for Central Health Centres until 10pm whilst Valelevu Health Centre provided 24 hour services resulting in overtime payments to staff.

Purchase of Goods and Services increased by \$15,440,895 or 33% in 2018 compared to 2017. This was due to increase in costs for minor improvements, cost of oxygen, outsourcing and purchase of meningococcal vaccines. The extended opening hours for health facilities had an impact on the oxygen consumption and ultimately increased expenditures. The increased cost of outsourcing was

due to new tender (rates) and increased number of security personnel in health facilities. Meningococcal was an epidemic outbreak which the Ministry did not budget for during the year.

Capital construction expenditure decreased by \$3,555,461 or 17% in 2018 compared to 2017. While funding was allocated to projects, as payments were made only on completed phase of projects. The slow supply of building materials from the suppliers and the adverse weather conditions during the period under review were challenges which affected the utilisation of the capital construction budget.

Capital purchases increased by \$1,694,653 or 31% in 2018 compared to 2017 due to increase in costs of equipment, ICT infrastructure and networking materials.

22.3 Appropriation Statement

The Ministry incurred expenditure totalling \$253.9 million in 2017-2018 against a revised budget of \$321.2 million, resulting in a saving of \$67.31 million or 21%.

Review of the FMIS general ledger revealed that significant amount of savings were in the following areas:

Savings in established staff was due to:

- vacant positions; and
- savings in consolidated nursing allowance due to mapping mismatch of budget and payroll

We noted that a total of 1,088 vacant positions costing \$26,659,965.49. The Ministry was not able to fill these positions because it was focused on the re-deployed positions. These were positions with more than 15% pay increase which had to be advertised and as such it was difficult for the HR team to fill in the substantively vacant positions.

Savings in Maintenance and Operations is due to:

- fuel consumptions fluctuations which was dependent on usage;
- receipt of new vehicles resulting in reduced maintenance cost of vehicles and old vehicles were returned due to expired leases;
- number of request for purchase of cooking gas cylinders and refrigeration; and
- delay in payment of biomedical equipment service fees and incomplete services thus underutilisation.

Savings in Purchase of Goods and Services was due to:

- reduced number of patients that is transported using ambulance;
- low number of trainings for ambulance staff due to tight schedule of trainers;
- order for kitchen equipment was not processed due to the non-availability of items from supplier and lack of storage space in kitchen;
- payments for appliances and dressings were made after completion of deliveries
- the tender for female shoes and uniform were re-advertised due to numerous complaints on specifications;
- additional funds of \$7.2m were vired into vaccines allocation to urgently accommodate the payments for the meningococcal vaccines. Following the vaccination campaign the allocation had unutilised funds.

Savings in Capital Construction was due to the delay in tender process for maintenance of Fiji Pharmaceutical and Biomedical Services property.

Savings in Capital Purchases was due to:

- the delay in tender process for biomedical suppliers for urban hospitals and dental equipment: and
- the Logistic Management Information System Fiji Pharmaceutical and Biomedical Services (LMIS FPBS) project was on hold as advised by higher authorities

Details of expenditure against the revised budget are provided in Table 22.2.

Table 22.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	141,221,174	(4,011,641)	137,209,533	109,319,784	27,889,749
2	Government Wage Earners	19,348,012	4,011,641	23,359,653	23,205,168	154,485
3	Travel & Communication	5,757,200	381,000	6,138,200	5,227,672	910,528
4	Maintenance & Operations	16,844,763	364,353	17,209,116	15,720,028	1,489,088
5	Purchase of Goods & Services	59,355,200	11,948,125	71,303,325	62,647,164	8,656,161
6	Operating Grant & Transfers	1,472,520	---	1,472,520	959,424	513,096
7	Special Expenditure	7,573,859	---	7,573,859	6,116,039	1,457,820
	Total Operating Expenditure	251,572,728	12,693,478	264,266,206	223,195,279	41,070,927
8	Capital Construction	44,693,489	(11,000,000)	33,693,489	17,335,118	16,358,371
9	Capital Purchases	12,000,300	(1,693,478)	10,306,822	7,118,112	3,188,710
	Total Capital Expenditure	56,693,789	(12,693,478)	44,000,311	24,453,230	19,547,081
13	Value Added Tax	12,979,077	---	12,979,077	6,283,859	6,695,218
	Total Expenditure	321,245,594	---	321,245,594	253,932,368	67,313,226

22.4 Trading and Manufacturing Account (TMA)

The Bulk Purchase Scheme (BPS) is the commercial arm of the Fiji Pharmaceutical and Biomedical Supply Centre. The BPS started operations in 1981. It was set up by government to ensure customers are able to procure directly from Fiji Pharmaceutical & Biomedical Services (FPBS) Bulk Purchase Scheme and also enable greater access to a variety of medicines by the public at an affordable price.

BPS today remains the commercial arm of FPBS with a revolving fund of \$500,000 which it uses to buy and sell pharmaceutical products to more than 500 customers such as private practitioners, individual patients, retail chemists, government departments' tertiary institutes. Having the Ministry of Health and Medical Services prescribed medicine in private pharmacies through FPBS TMA assists patients in obtaining medication at affordable prices. BPS also allows patient care at home with diabetic kits and small dressings.

Table 22.3: TMA - Bulk Purchase Scheme Trading Account

Description	31 July 2018 (\$)	31 July 2017 (\$)
Sales	464,573	373,754
Total Revenue	464,573	375,754
Opening Stock of Finished Goods (01/08/17)	5,975	34,773
Add: Purchases	338,735	258,188
Goods available for sale	344,710	292,961
Less: Stock of Finished Goods (31/07/18)	34,785	5,975
Cost of Finished Goods Sold	309,925	286,986
Gross Profit Transferred to Profit and Loss Statement	154,648	86,768

Table 22.4 TMA - Bulk Purchase Scheme Profit and Loss Statement

Description	31 July 2018 (\$)	31 July 2017 (\$)
Income		
Gross Profit transferred from Trading Account	154,648	86,768
Expenses		
Salaries and Related Payments	54,076	43,737
Travel Domestic & Communication	1,912	1,934
Lease & Rental Payments	16,514	16,514
Office Up keep & Supplies	272	---
Power Supplies	---	399
Special Fees and Charges	396	601
Total Expenses	73,170	63,185
Net Profit	81,478	23,583

Table 22.5: TMA - Bulk Purchase Scheme Balance Sheet

Description	31 July 2018 (\$)	31 July 2017 (\$)
Assets		
Cash at Bank	550,479	563,089
Finished Goods	34,786	5,975
VAT Receivable	13,545	10,766
Total Assets	598,810	579,830
Net Assets	598,810	579,830
Equity		
Accumulated TMA Surplus	1,069,247	1,045,664
TMA Surplus Capital Retained to CFA	(551,915)	(489,417)
Net Profit	81,478	23,583
Total Equity	598,810	579,830

22.5 Trust Fund Account - CWM Hospital Staff Amenities

This fund was set up for the emergency purchase of medicines, consumables or other medical items that staff members urgently require activities for patient care.

Table 22.6: Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts	4,901	12,376
Total Receipts	4,901	12,376
Payments	13,198	3,799
Total Payments	13,198	3,799
Net (Deficit)/Surplus	(8,297)	8,577
Opening Balance as at 01/08/2017	33,893	25,316
Closing Balance as at 31/07/2018	25,596	33,893

22.6 Trust Fund Account - Cardiac Taskforce Trust Account

This Trust Account was set up to assist in the catering of annual visit by the SDA Open Heart Cardiac Surgery visits. Cash donations from sponsors and supporting companies are deposited into this account. The fund is used for registration fees for doctors and nurses and farewell functions for the team at the end of the visit.

Table 22.7: Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts	---	---
Total Receipts	---	---
Payments	66	96
Total Payments	66	96
Net (Deficit)	(66)	(96)
Opening Balance as at 01/08/2017	928	1,024
Closing Balance as at 31/07/2018	862	928

22.7 Trust Fund Account - Fiji Children Overseas Treatment Fund

The Children's Overseas Treatment Trust Fund was initially established in the 1990's to assist in sending children overseas for operations and treatments not available in Fiji before the Ministry of Health and Medical Services had established its overseas treatment funding and guidelines. The source of funds for this account has been donations from local and overseas donors, sponsors and supporting companies. Over the years, with the Ministry providing more overseas treatment plus other CSO/NGOs assisting, the fund has been used to procure medicines, consumables, assist families with passports/visa preparation. Funds are used to purchase treatments, medications and consumables related to treatment of children not available through government funding.

Table 22.8: Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts	20,774	117,479
Total Receipts	20,774	117,479
Payments	16,557	83,181
Total Payments	16,557	83,181
Net Surplus	4,217	34,298
Opening Balance as at 01/08/2017	262,732	228,434
Closing Balance as at 31/07/2018	266,949	262,732

22.8 Cardiology Services Fund - Statement of Receipts and Payments

The Trust Fund was set up for the purpose of purchase of expensive cardiology investigation consumables. These consumables are used for diagnostic and therapeutic angiography. The source of funds for this account is the fees charged for cardiology investigations offered.

Table 22.9: Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts	300,861	393,921
Total Receipts	300,861	393,921
Payments	531,149	466,631
Total Payments	531,149	466,631
Net (Deficit)	(230,288)	(72,710)
Opening Balance as at 01/08/2017	816,058	888,768
Closing Balance as at 31/07/2018	585,770	816,058

22.9 Sahyadri Trust Fund - Statement of Receipts and Payments

The Sahyadri Trust Fund was established following the Joint Venture agreement entered into between the Republic of Fiji through the Ministry of Health and Sahyadri Speciality Pacific Hospital Ltd (SSPHL) in July 2012 to provide various services in cardiology, neurology and joint replacements as well as providing expert doctors, trained paramedical staff, technicians and other health related speciality services to the general public of Fiji.

Receipts reflect contributions from patients and government assistance to approved patients and the payments are for the services to Sahyadri Speciality Pacific Hospital Ltd.

The Joint Venture agreement dated 12 July 2012 between the Government and Sahyadri Speciality Pacific Hospital Ltd expired on 16 September 2017 and has not been renewed.

Table 22.10: Statement of Receipts and Payments

Description	31 July 2018 (\$)	31 July 2017 (\$)
Receipts	1,190,999	2,133,771
Total Receipts	1,190,999	2,133,771
Payments	1,509,315	1,860,993
Total Payments	1,509,315	1,860,993
Net (Deficit)/Surplus	(318,316)	272,778
Opening Balance as at 01/08/2017	338,925	66,147
Closing Balance as at 31/07/2018	20,609	338,925

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE**22.10 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 that 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 Ministry as:

Rating	Internal control assessment
✖ Ineffective	Deficiencies identified in internal controls

22.11 Submission of FY 2017-2018 Draft Agency Financial statements


On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed. The final day for closing the 2018 accounts was 31 October 2018.

The key focus areas in the Circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- 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 virements by 20 July 201 and payments 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
 Ineffective	7 of 10 key processes completed after due date

22.12 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


22.13 Timeliness of Draft Financial Statements

To assess the timeliness of acceptable draft financial statements, we have compared the date 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


22.14 Timeliness of Provision of Management Comments

To assess the timeliness of management comments, we have compared the date draft management letter (DML) was issued and the date management comments was received. Accordingly, we have assessed timeliness as:

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

22.15 Timeliness of Signed Financial Statements Received

To assess the timeliness of signed accounts received, we have compared the date financial statements was sent to Ministry for signing and the date signed financial statements was received. Accordingly, we have assessed timeliness as:

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.

22.16 Records Not Provided

The Principal Accounts Officer is responsible for the safekeeping and proper maintenance of all accounting records or documents.¹

We were not provided with sufficient and appropriate supporting documents for payment and journal vouchers totalling \$2,034,466 and revenue receipts totalling \$143,286.

¹ Ministry of Health, Finance Manual 2014, Section 18.1.3

Refer **Appendix 1 & 2** for details.

In addition, the following records were not provided:

- Fixed asset register for 2018;
- Breakdown of miscellaneous revenue of \$252,200;
- Headquarters Drawings account reconciliation for the month of July 2018 and Drawings account board of survey for Headquarters, Western and Northern Division.

Root Cause/Implication

The failure to provide records is an indication of poor records management and lack of monitoring by supervisors.

Recommendation

The Ministry should ensure that records requested are provided for audit verifications.

Agreed Management Action

There had been issues with overstocking of the records room (due to delayed approval to destruct old records). This led to lack of space for filing of records which created challenges in locating the documents for payments, journal vouchers and revenue receipts.

The records for 2011 and prior years are now in the process of being destroyed upon approval from Ministry of Economy (MoE), National Archives and Public Accounts Committee (PAC). The destruction of old records will create adequate filing space and will also ensure that the supporting documents are all intact during filing.

The fixed asset register for 2018 was not provided since the procurement was updated at various divisions and health facility and there was no proper processes implemented.

The Ministry now has an updated Finance Manual with detailed responsibilities regarding recording and monitoring of the fixed asset register at health facility level, and also at headquarters level. This will be monitored going forward.

Officer Responsible

AMU - BOS Clerk and PAS AMU

22.17 Significant Payment of Overtime

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.²

We noted that significant overtime was paid to a radiographer, EDP No. 91110, from 2011 till July 2019. A total overtime allowance of \$65,270 was paid out in 2018 calendar year only.

In addition, for each year from 2014 to July 2019, overtime allowances paid amounted to more than 240% percent of annual salary amount. Refer to Table 22.11 below for details.

² Ministry of Health Finance Manual 2014, Part 4, Introductory paragraph

Table 22.11: Overtime allowances paid

Year	Annual Salary (\$)	Gross Pay (\$)	Total Overtime Allowance Paid (\$)	Percentage of Overtime Allowance over salary (%)
2019	26,284	85,216	67,843	258%
2018	26,284	90,452	65,270	248%
2017	21,032	74,986	53,818	256%
2016	21,032	84,543	63,249	301%
2015	19,948	44,358	23,189	116%
2014	18,863	75,120	52,876	280%
2013	15,336	38,378	22,939	150%
2012	15,336	35,980	16,779	109%
2011	14,889	29,090	12,971	87%

*Figures for annual salary, gross salary and total overtime allowance were extracted from payroll reports.

The Ministry was informed, through the Accounts Officer Salaries on 21 August 2019, about the significant overtime paid to the Officer. The Ministry has ceased processing of overtime claims by the officer.

Root Cause/Implication

The lack of due diligence checks on the overtime claims has resulted in the substantial payment of overtime over the years.

Excessive overtime hour worked by the officers can lead to fatigue and other health problems.

Recommendations

- The Ministry must strengthen internal mechanisms in the allocation of personnel to Health Centres, Nurses Stations and Divisional Hospitals with high occurrence of overtime allowance paid; and
- Supervisory functions need to be strengthened in ensuring overtime work is properly supported.

Agreed Management Action

In the last five (5) to ten (10) years, there were five (5) new clinical services introduced, placing extra pressure on radiology department, with the existing staffing numbers and hospital hours had been extended to 24/7.

The radiology department requires normal shift (8 -4.30pm), 4pm to 12am shifts, on call (12am - 8am) and weekend (paid when called in). Plus there are sick/ annual and other leave covers. The staffing establishment clearly needs review in order to cover the shift burden required at Labasa hospital so that overtime is not required on a regular basis due to staff having to take on shifts on top of normal hours of work.

Officer Responsible

Radiology Department, Salaries Unit at HQ and Accounts section at Labasa Hospital

22.18 Anomalies noted in Free Medicine Program

The Free Medicine Program aims to provide quality healthcare with easy access to price controlled medicines, including for non-communicable diseases, free of charge to all Fijians who earn less than

\$20,000 a year. The Ministry was allocated a budget of \$ \$10,000,000 for the Free Medicine Program for the financial year ended 31 July 2018. A total of \$9,414,058 was recorded as actual expenditure for the program at year end.

We noted the following anomalies in the free medicine program.

- (i) There was no requirement for pharmacies to submit reports to the Ministry at regular intervals on the stock of medicines dispensed and the balance at the end of that period. Therefore, the Ministry is unable to determine how much stock is available at each pharmacy at any point in time.
- (ii) The Ministry procured medicines valued at \$97,368.20 and posted to Free Medicine program expenditure allocation. However, these medicines were not included in the free medicine program list. Refer to the Table 22.12 below for details.

Table 22.12: Medicines not included in the free medicine program

Date	Cheque No.	Invoice No.	Description	Amount (\$)
01/05/18	42513	35523	Isopto Carpine Eye Drops 2% 15ml,	2,179.96
			Isopto Carpine Eye Drops 4% 15ml	3,247.50
		35643	Cyclophosphamide Tab 50mg	1,470.48
			Mercaptopurine Tab 50mg	8,859.76
		35617	Vinblastine Inj 10mg/10ml. Hospira, Aust	6,698.49
		35573	Chlorambucil Tabs (Leukeran) 2mg 25's	557.46
		35576	L-Asparaginsae (Leunase) Inj 10000iu (Single)	2,953.89
		35572	Lamivudine 30mg + Zidovudine 60mg + Neviraphine 50mg	2,295.45
		35571	Abacavir 300mg	2,169.35
			Atazanavir 300mg and Ritonavir 100mg	4,198.90
			Efavirenz 600mg	5,649.87
			Lamivudine 150mg	379.58
			Lamivudine 300mg + Tenofovir 300mg	2,781.96
			Lamivudine 300mg + Tenofovir 300mg + Efavirenze 600mg	28,033.14
			Lamivudine 150mg + Zidovudine 300mg	8,620.36
			Lamivudine 150mg + Zidovudine 300mg + Neviraphine	12,904.47
			Lopinavir 200mg + Ritonavir 50mg	3,278.76
			Neviraphine 200mg	825.55
			Tenofovir 300mg	263.27
			Total	97,368.20

- (iii) The Ministry does not have an agreement with the private pharmacies who were engaged in the free medicine scheme

In addition to the above, the Ministry has not disclosed in Notes to the financial statements, the monetary value of closing stock of medicines held by private pharmacies engaged in the free medicine scheme as at 31 July 2018.

Root Cause/Implication

In the absence of a reporting procedure from the pharmacies on the balance of medicines held, timely replenishment of medicine may not be done by the Ministry. As a result, the general public will not have access to free medicine when the pharmacy runs out of medicine.

This purchase of non-approved medicine under the free medicine program means funds were not utilised for the intended purpose and could have led to shortage of funds for purchasing the medicine that are part of the free medicine list.

In the absence of the agreement, the interest of Ministry is not protected and the Ministry may not be able to hold private pharmacies accountable for not meeting deliverables of the free medicine scheme or stock of medicines provided.

Recommendations

The Ministry should:

- consider creating a policy/guide which will require the pharmacies to update the Ministry at regular intervals on the stock level of free medicine stock available at their pharmacy and stock which needs to be replenished;
- ensure that funds allocated for free medicine expenditure are utilised for its intended purpose;
- ensure that an agreement is signed between the Ministry and the private pharmacies engaged in the free medicine scheme; and
- carry out stock take of medicines held by private pharmacies at the end of the financial year and disclose in the Notes to the financial statements the monetary value of closing stock of medicines held by private pharmacies.

Agreed Management Action

The process around the free medicine program are under review with a trial of a new system anticipated to be rolled in March 2020.

Officer Responsible

SAO FPBS and Head of FPBS

22.19 Anomalies in Main Trust Fund Accounts

The banking officer shall bank money received on a daily basis at least.³ Within 5 days after the end of each month, the trust officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.⁴ The Principal Accounts Officer is responsible for the safekeeping and proper maintenance of all accounting records or documents.⁵

We noted the following anomalies in main trust fund accounts.

- (i) Cardiology main trust fund account receipts were not banked daily. Refer to Table 22.13 below for details.

³ Ministry of Health, Finance Manual 2014, Section 5.4.2

⁴ Ministry of Health, Finance Manual 2014, Section 15.4.1

⁵ Ministry of Health, Finance Manual 2014, Section 18.1.3

Table 2.13: Receipts not banked on time

Receipt No.	Amount (\$)	Revenue Receipt Date	Banking Date	Lapse in Working Days
561185	545	17/10/17	24/11/17	28
561186	545	17/10/17		
561187	545	17/10/17		
561188	6,540	01/11/17		17
561189	545	08/11/17		12
561190	3,270	21/11/17		3
561215	545	01/12/17	08/12/17	5
561216	545	01/12/17		
561217	545	01/12/17		
561218	545	01/12/17		
561219	545	01/12/17		
561220	545	05/12/17		3
561221	545	05/12/17		
561222	545	05/12/17		
561223	545	05/12/17		

- (ii) Several months reconciliations were combined into one reconciliation indicating that reconciliations were not prepared on timely basis.
- (iii) Reconciliations for the month of July 2018 were not provided.
- (iv) Revenue receipts, cash analysis sheets, deposit books, payment vouchers and cash books were not provided for audit verification. Refer to the Table 22.14 below for details.

Table 22.14: Anomalies in Main Trust Fund Accounts

Main Trust Fund Account	Comments
Fiji Children Treatment Trust Account	<p>August 2017 - November 2017 reconciliation were combined and prepared on 29/12/17</p> <p>December 2017 and January 2018 reconciliation were combined and prepared on 28/02/18</p> <p>February and March 2018 reconciliation were combined and prepared on 02/05/18</p> <p>May and June 2018 were combined and prepared on 29/07/19</p> <p>Payment vouchers, receipt books, cash analysis sheets and cash book for 2017 was not provided despite requests made.</p> <p>The Children's Overseas Treatment Trust Fund was initially established in the 1990s to assist in sending children overseas for operations and treatments not available in Fiji before the Ministry of Health and Medical Services had established its overseas treatment funding and guidelines.</p> <p>The intended purpose has been resolved through Ministry's overseas treatment funding and guidelines. The Ministry has yet to review the purpose and use of this account</p>
CWM Hospital Staff Trust Account	<p>August 2017 - January 2018 reconciliation were combined and prepared on 28/02/18</p> <p>April 2018 reconciliation were combined and prepared on 02/08/18</p> <p>May – June 2018 reconciliation were combined and prepared on 19/07/18</p> <p>July 2018 reconciliation, payment vouchers, receipt books, cash analysis sheets, deposit books and cash book for 2017 was not provided despite requests made.</p>

Main Trust Fund Account	Comments
Cardiac Taskforce Trust Fund	List of patients who have made payments/contributions in 2017 - 2018, details of consumables purchases for patients and list of patients treated/diagnosed were not provided.
	August 2017 - November 2017 reconciliation were combined and prepared on 29/12/17.
	December 2017 and January 2018 reconciliation were combined and prepared on 28/02/18
	February and March 2018 reconciliation were combined and prepared on 02/05/18
	May and June 2018 reconciliation were combined and prepared on 31/07/18
Cardiology Trust Account	July 2018 reconciliation was not provided despite requests made
	August 2017 - November 2017 reconciliation were combined and prepared on 29/12/17.
	December 2017 and January 2018 reconciliation were combined and prepared on 28/02/18
	February – June 2018 reconciliation were combined and prepared on 31/07/18
	List of patients who have made payments/contributions in 2017 - 2018, details of consumables purchases for patients and list of patients treated/diagnosed were not provided.

Root Cause/Implication

Receipts not banked on time increases the risk of cash misappropriation or theft.

Despite follow ups, the Ministry have not provided the reasons for delays in banking.

Delay in preparation of reconciliations will result in the accumulation of errors and anomalies that will be identified later.

In the absence of accounting records and supporting documents, the accuracy and completeness of main Trust Fund Account could not be substantiated.

Recommendations

The Ministry should ensure that:

- funds received are banked intact daily;
- monthly reconciliations are prepared on a timely basis; and
- records requested are provided for audit verification are provided.

Agreed Management Action

The Ministry is now conducting banking daily. The Ministry is now improving the preparations and submissions of reconciliations on a monthly basis. The reconciliations have been updated until December 2019.

Officer Responsible

SAO CWMH

22.20 Significant Savings in Capital Purchases and Capital Construction

We noted that the Ministry had significant savings in capital construction and capital purchases allocations. Refer to the Table 22.15 below for details.

Table 22.15: Significant savings

Allocation	Account Description	Revised Budget (\$)	Actual (\$)	Savings (\$)	Savings (%)
Capital Construction					
12210122101080427	CONSTN LOW RISK MAKOI MAT UNIT	727,646.00	414,025.11	313,620.89	43
12210122101080429	CNSTN NEW BA HOSPITAL FINAL PAYMENTS	5,500,000.00	5,243,639.72	256,360.28	5
12210122101080437	CONSTRUCTION OF NAVOSA SUB DIVISIONAL HOSPITAL	4,000,000.00	220,957.06	3,779,042.94	94
12210122101080454	DIVISIONAL DEVELOPMENT PROJECTS	1,500,000.00	452,344.18	1,047,655.82	70
12210122101080426	EXTENSION OF CWM HOSP MATERNITY UNIT	6,000,000.00	1,964,532.48	4,035,467.52	67
12210122101080424	MAINTN OF HEALTH CENTRES & NURSING ST	3,579,996.00	996,928.92	2,583,067.08	72
12210122101080436	NATIONAL KIDNEY RESEARCH CENTER	1,000,000.00	8,330.52	991,669.48	99
12210122101080423	UPGRD & MNTC URBAN HSPTL & INS QTRS	1,689,988.00	71,806.94	1,618,181.06	96
12210122101080433	UPGRDG & EXTENSION OF ROTUMA	2,000,000.00	981,494.74	1,018,505.26	51
12240185101080999	MAINTENANCE FPBS PROPERTY	300,000.00	19,619.48	280,380.52	93
Capital Purchases					
1-22401-85101-090308	BIOMEDICAL SUPPLIES URBAN HOSP	5,817,022.00	3,907,423.65	1,909,598.35	33
1-22401-85101-090309	DENTAL EQUIP-URB HOSPITAL AND SUB DIVISI	500,000.00	83,745.77	416,254.23	83
1-22401-85101-090312	LMIS FPBS	500,000.00	0	500,000.00	100
Total		33,114,652	14,364,849	18,749,803	57

Root Cause/Implication

Intended benefits from the capital projects could not be realised due to under-utilisation of budget approved for capital expenditure.

Recommendation

The Ministry should ensure that proper planning is carried out for the implementation of its capital projects.

Agreed Management Action

Budget requests for Capital projects are usually based on estimates which may not necessarily be the actual approved cost after the award of works. Some major works are not within the control of the Ministry as we do not oversee major capital works.

Utilization is based on the actual progress of a project which can be affected by the following:

- Preparation of necessary documents – scope, specifications, tender documentation
- Availability of specialised personnel for various tenders/projects
- Delays in obtaining approvals, signing of contracts, etc
- Availability of materials / contractors once approvals are obtained.
- Weather delays – mostly affects construction projects.
- Defect works not paid for until works are rectified.
- Other unforeseen delays.

Officer Responsible

PAS AMU, SAO FPBS and HFPBS

22.21 Use of Global Fund for Purpose Other Than Intended

The Global Fund was established in January 2002 as an innovative financing institution for the purpose of attracting and managing financial resources globally as well as providing such resources to

countries to support national and regional programs that prevent, treat and care for people with the diseases of HIV/AIDs, Tuberculosis and/or malaria.⁶

Review of Global Fund acquittals revealed that monies were utilised for purposes other than those intended above. Some of the payments, which totalled \$27, 353, included:

- hire of veranda, sound system and payment of cake for international women's day;
- purchase of hardware, sports apparel and polo shirts; and
- purchase of banners and stationery for nursing symposium

Refer to **Appendix 3** for details.

Root Cause/Implication

Lack of supervisory checks has resulted in the use of Global Fund for purposes other than intended. This may also affect the future allocation of Global Fund to Fiji.

Recommendation

The Ministry should strengthen the monitoring process on utilisation of funds.

Agreed Management Action

The Global Fund was classified in the Ministry's budget as a special expenditure.

The Grant Management Unit, which utilised and monitored the fund has now been closed.

Officer Responsible

SAO Operations (HQ)

22.22 Fiji Pharmaceutical and Biomedical Services (FPBS)

The storekeeper shall keep an inventory card for each inventory item to determine the value of items. Each card must provide the following details:

- i. date and description of each item purchased
- ii. quantity purchased and cost price;
- iii. quantity sold and at which price;
- iv. quantity remaining and price; and
- v. expiry date.⁷

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 a orderly manner allowing for safe access
- iv. stocks are handled with care and well stored so as to reduce the risk of damage; and
- v. quantity of stock is closely monitored to avoid excess holdings or shortages.⁸

⁶ The Framework Agreement dated as of 08 July 2015 is made between The Global Fund to fight AIDS, Tuberculosis and Malaria (the "Global Fund" and Republic of Fiji (the "Grantee")

⁷ Ministry of Health Finance Manual 2014, Section 8.1.6

⁸ Ministry of Health Finance Manual 2014, Section 8.2.1

We noted the following anomalies in Fiji Pharmaceutical and Biomedical Services:

- The value of stock balances after annual stock conducted was not disclosed as a Note to the financial statements for the year ended 31 July 2018.
- The Donations Register did not have any entry for donations between 10/05/13 to 29/05/19.
- Some stock held were without cost price. This resulted in the value recorded as Nil.
- Some stock held were below its minimum order level. Refer to **Appendix 4** for details.
- Pharmaceuticals were stored in the aisle, against the wall, up to ceiling, top of cold storage room and energy room due to the lack of storage space. Refer to **Appendix 5** for details.

Root Cause/Implication

Poor maintenance of records relating to donated items can result in theft which may go undetected.

The absence of cost price for the final stock balance would limit the Ministry from disclosing the correct value for closing stock in the financial statements.

There is a risk of shortage of pharmaceutical stock when orders are not placed on time.

Recommendations

The Ministry should:

- **disclose in the Notes to the financial statements the final stock balance of pharmaceuticals;**
- **ensure that the Donations Register is updated regularly;**
- **ensure that cost price is recorded for stock items purchased;**
- **maintain minimum stock levels at all times to avoid shortage of pharmaceutical supplies; and**
- **identify more storage space to store increasing stock of pharmaceuticals.**

Agreed Management Action

The Ministry acknowledges that the Pharmaceuticals supply chain system requires significant reform.

To that end, a comprehensive review has been undertaken and the report is being finalised, with a range of detailed recommendations that will make the system more robust and efficient, addressing many of the audit matters raised.

We also acknowledge the audit findings and will take actions in relation to the matters that are outside the scope of the supply chain review (disclosure of stock balances and donation register).

Officer Responsible

SAO FPBS and Head of FPBS

22.23 Bulk Purchase Scheme (BPS) Trading and Manufacturing Account (TMA)

Goods or services shall only be sold at the prices set out in the Schedule of Prices as recommended by the Commerce Commission.⁹

The storekeeper shall keep an inventory card for each inventory item to determine the value of items. Each card must provide the following details:

- i. date and description of each item purchased
- ii. quantity purchased and cost price;
- iii. quantity sold and at which price;
- iv. quantity remaining and price; and
- v. expiry date.¹⁰

Any errors or misallocations must be immediately adjusted by way of journal vouchers.¹¹

We noted the following anomalies in Bulk Purchase Scheme (BPS).

- (i) Bulk purchase scheme sales revenue were either over or under stated. Details are shown in **Appendix 6**.
- (ii) Review of BPS price list revealed that identical items were coded differently with different selling prices. Refer to **Appendix 7** for details.
- (iii) There were items with zero unit cost. Refer to **Appendix 8** for details.
- (iv) Purchases amount in the Trading account of Bulk Purchase Scheme (BPS) Trading and Manufacturing Account (TMA) was overstated by \$6,064.21. The total vat exclusive (VEP) amount for drug purchases as at 31 July 2018 was \$332,671.28. However, the amount posted to FMIS general ledger was \$338,735.49.
- (v) understatement of utility costs which was not paid by the Bulk Purchase Trading and Manufacturing Account but by the Fiji Pharmaceutical and Biomedical Services (FPBS)

Root Cause/Implication

Incorrect selling prices charged for products increases the risk of over or under charging customers. This is caused by the absence of unit cost for the items.

The overstated purchases amount has resulted in the understatement of net profit in the financial statements.

Recommendations

The Ministry should ensure:

- **that the selling prices of all items are correctly stated;**
- **investigate and rectify variances in coding and selling prices of identical items;**
- **assign unit costs for all items sold at BPS;**
- **that VAT exclusive price is posted in FMIS general ledger; and**

⁹ Ministry of Health Finance Manual 2014, Section 6.4.1

¹⁰ Ministry of Health Finance Manual 2014, Section 8.1.6

¹¹ Ministry of Health Finance Manual 2014, Section 16.3.4

- that BPS TMA pays its own utility costs and this should be reflected in the profit and loss statement.

Agreed Management Action

The Ministry will ensure that regular reviews are done in the current system to ensure that same items with different codes are rectified to one item having one code and with one selling price.

This will further ensure that all the items will have a correct unit costs assigned when items are sold at FPBS through BPS.

Operations of BPS has also been considered in the supply chain review. The audit recommendations will be taken in account when considering the reforms needed.

Officer Responsible

SAO FPBS and Head of FPBS

22.24 Operating Trust Fund Accounts Balances cleared to OPR in Previous Year Revenue Allocation

The Principal Accounts Officer or Senior Accounts Officer Ledgers must check that:

- All relevant details are included on the voucher
- Balances are adequately supported
- The correct accounts have been debited or credited¹²

Any errors or misallocations must be immediately adjusted by way of journal vouchers.¹³

We noted that the revenue allocation “OPR in previous year” [Allocation No. 1-22101-22999-281203] was overstated by \$97,252.11 as at 31 July 2018.

This was the result of the posting of seven (7) operating trust fund account balances, totalling \$97,252.11 as at 31 July 2018, to the revenue allocation. This was effected via JV 186/07/18 dated 17/08/18, 18/08/18, 19/08/18 and 23/08/18. Refer to Table 22.16 below for details.

Table 22.16: Postings made to OPR in Previous Year Revenue Allocation

Allocation No.	Allocation Description	Amount Debited (\$)	Amount Credited (\$)
1-22101-22999-861501	286 PD Fiji Public Service Association	52.51	
1-22101-22999-861103	207 PD Hostel fees	50.00	
1-22101-22999-861402	388 PD PSC scholarship loan	74,277.19	
1-22101-22999-861402	203 PD rent arrears	18,706.79	
1-22101-22999-861538	Ontime Finance Limited	43.39	
1-22101-22999-861532	YYY PD Public employee union	1,468.91	
1-22101-22999-861599	XXX PD others	2,653.32	

¹² Ministry of Health and Medical Services Finance Manual – Section 16.1.4

¹³ Ministry of Health and Medical Services Finance Manual – Section 16.3.2

Allocation No.	Allocation Description	Amount Debited (\$)	Amount Credited (\$)
1-22101-22999-281203	OPR in previous years		97,252.11

Root Cause/Implication

Information provided by the Ministry was that the journal voucher was processed under the instructions of former acting principal accounts officer.

Thus OPR in previous year revenue allocation was overstated by \$97,252.11.

There is a very high risk that amount deducted from officer's salaries and wages may not have been paid to the relevant stakeholders.

Recommendations**The Ministry should:**

- ensure that amounts deducted from officer's salaries and wages are made to relevant stakeholders; and
- clear the operating trust fund account in the proper manner.

Agreed Management Action

Ministry has not responded to this finding despite repeated reminders. Therefore, it is assumed that the Ministry has agreed to the recommendations made.

22.25 Revenue Reports

The Principal Accounts Officer is responsible for the safekeeping and proper maintenance of all accounting records or documents.¹⁴

We noted that the revenue report from divisional and sub divisional hospitals were incomplete. Refer to the Table 22.17 below for details.

Table 22.17: Incomplete revenue report

Centre	Comments	Centre	Comments
2017		2018	
Headquarters	No receipt details for months August – December	Rakiraki	No receipt details except from January till 22/03/18
Food Unit	No receipt details for months August – December	Lautoka Yasawa	No receipt details except from January till 29/03/18
FPBS	No receipt details for months August – December	Ba hospital	No receipt details except from January till 23/04/18

¹⁴ Ministry of Health, Finance Manual 2014, Section 18.1.3

Centre	Comments	Centre	Comments
BPS	No receipt details except for 25/07 – 31/07.	Tavua	No receipt details except from 01/01/18 – 19/01/18, 01/03/18 – 19/03/18 and 12/04/18 - 30/04/18
St. Giles	No receipt details from mid-July – December	Levuka hospital	No receipt details except for January and February only
Tamavua	No receipt details from mid-July – December		
CWM hospital	No receipt details for months June – December		
SDMO Suva	No receipt details for months 03/06/17 – December		
CEHS	No receipt details except for 03/07/17		
Navua (Namosi)	No receipt details for months July – December		
Nausori (Rewa)	No receipt details for months July – December		
No receipt details stations in western and northern division			

Root Cause/Implication

In the absence of complete revenue data it will be difficult to reconcile revenue collected from the centres against revenue posted to the FMIS general ledger.

Recommendations

The Ministry should:

- ensure that all centres complete their revenue report;
- reconcile revenue reports from centres to the FMIS general ledger; and
- provide the necessary training to staffs on revenue recording.

Agreed Management Action

The Ministry's headquarters accounts section will effectively monitor submission of revenue cash analysis, copies of receipts and revenue reports (received from divisions and health facilities).

Officer Responsible

Revenue Clerks (HQ) & AAO HQ

22.26 Finalisation of Financial statements – Recurring issue

Each agency must prepare an annual report for submission to its Minister by 31 December in the following year.¹⁵ Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.¹⁶

The audit of the financial statements of the Ministry of Health and Medical Services for the year ended 31 July 2018 was finalised after the deadline.

The Ministry of Health and Medical Services submitted its 2018 draft financial statements three times as follows. Refer to Table 22.18 below for details.

Table 22.18: Submission of Draft Financial statements

Date	Draft Financial statements
First Draft	02 November 2018
Second Draft	23 January 2019 (via email)
Third Draft	18 January 2019

Root Cause/Implication

This delay in submission of draft financial statements and delay in submission of documents required for audit purposes led to the delay in the finalisation of the audit.

Recommendation

The Ministry should ensure that documents are provided in a timely manner for audit review and financial statements are submitted by the due date.

Agreed Management Action

The Ministry will ensure that the documents are submitted in a timely manner for audit review and the financial statements are submitted on time.

Officer Responsible

PAO

22.27 Arrears of Revenue – Recurring issue

Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the finance manual.¹⁷

The Ministry recorded arrears of revenue amounting to \$484,381.07 as at 31 July 2018. This was an increase of \$79,929 or 17% from the previous year.

¹⁵ Finance (Amendment) Instructions 2016 – Section 69

¹⁶ Finance Instruction 2010 – Section 70 (2)

¹⁷ Finance Instructions 2010, Section 41

Refer to the Table 22.19 below for ageing of arrears of revenue.

Table 22.19: Arrears of Revenue Ageing

Age of Debtors	Amount (\$)
Less than 1 year	268,597
1 - 2 years	52,757
2 – 5 years	143,697
More than 5 years	19,330
Total	484,381

The arrears of revenue consists of fees due from:

- Freight companies;
- Company A and local and overseas airline companies;
- Local and overseas insurance companies;
- Quarantine fees;
- Hospital fees; and
- Taxi base fees

Root Cause/Implication

There is high risk of arrears becoming irrecoverable and written off resulting in loss of government revenue.

Recommendation

The Ministry should take appropriate steps to reduce the arrears of revenue.

Agreed Management Action

The Ministry had challenges in the recovery of the 40% of the arrears which are more than 2 years old. However, the Ministry is now taking appropriate steps to manage and reduce the arrears of revenue. The new processes established by the Ministry and communicated to respective divisions / health facilities with regards to arrears of revenue management and recovery:

- *The sending of formal reminder letters (1st & 2nd) and final demand letter (Annexure 1) to our debtors especially the shipping companies and various embassies.*
- *The proper identification and verification of long outstanding arrears & confirmation of those that can be submitted for write off where there is no possibility of recovery.*

Officer Responsible

AAO HQ

22.28 Non-clearance of balances in Revolving Fund Account (RFA) – Recurring issue

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Senior Accounts Officer Ledgers shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.¹⁸ Upon clearance of the advance, the Accounts Officer shall

¹⁸ Ministry of Health and Medical Services Finance Manual – Section 16.3.3

update the debtors register, offset the advance account and debit the appropriate expenditure account.¹⁹

As at 31 July 2018, the Ministry's Revolving Fund Account (RFA) had an outstanding balance of \$16,068. The advances not retired were from 2013 – 2018.

Root Cause/Implication

As a result, expenditures in the Statement of Receipts and Expenditures as at 31 July 2018 is understated by \$16,088 as payments made through the Revolving Fund account are yet to be recorded as expenditures in the financial statements.

Recommendations

The Ministry should:

- ensure that advance account balance is reconciled and recovery procedures instigated against officers that fail to retire advance; and
- provide adequate training, supervision and monitoring to accounts section staff.

Agreed Management Action

There were some clearances done for previous years. As at the end of July 2019, the balance had reduced again to \$8,672.70.

The Ministry has also implemented/tightened some controls with regards to managing the Accountable Advances:

- Advance is only approved in special circumstances with ceiling amount of \$2,000 only – it is rarely used now.
- Recovery procedures have been consistently instigated against officers who failed to retire within 7 days after travel.

Officer Responsible

AAO HQ

22.29 Variance between FMIS and Person to Post Listing – Recurring issue

The need to improve record management in all agencies is vital for promoting Good Governance, Transparency and Accountability in the Public Sector.²⁰

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.²¹

We noted variances between the Financial Management Information System (FMIS) and the Person to Post (P2P) listing for Established Staff and Government Wage Earners (GWE's). Refer to the Table 22.20 below for details.

¹⁹ Ministry of Health and Medical Services Finance Manual – Section 10.1.15

²⁰ Finance Instructions 2010 – Section 59

²¹ Ministry of Health and Medical Services Finance Manual 2014 Part 4, Introductory paragraph

Table 22.20: Variances in Payroll

Person to Post Analysis	Established Staff (\$)	Government Wage Earners (\$)	Total (\$)
FMIS Personal Emoluments as at 31/07/18	88,602,928	19,865,758	108,468,686
Add: Relieving Staff	1,326,042	179,462	1,505,504
FMIS Total	89,928,970	20,045,220	109,974,190
Less: Person to post as at 31/07/18	90,726,526	12,493,212	103,219,738
Variance between FMIS and Person to Post	(797,556)	7,552,008	6,754,452

In addition, variance was also noted between the amounts shown in the Financial Management Information System (FMIS) and the Payroll report for Established Staff. Refer to the Table 22.21 below for details.

Table 22.21: Variances in Payroll

Person to Post Analysis	Established Staff (\$)	Unestablished Staff (\$)	Variance (\$)
FMIS Personal Emoluments as at 31/07/18	88,602,928	19,865,758	108,468,686
Add: Overtime	5,750,611	902,105	6,652,716
Allowances	4,160,215	255,746	4,415,961
Relieving staff	1,326,042	179,462	1,505,504
Total FMIS	99,839,796	21,203,071	121,042,867
Less Payroll Report	98,910,963	21,543,592	120,454,555
Variance between FMIS and Payroll Report	928,833	(340,521)	588,312

Root Cause/Implication

Variances between critical records may indicate the existence of errors and omissions.

Recommendation

The Ministry should ensure variance noted are investigated and adjusted accordingly

Agreed Management Action

For Government Wage Earners, the main reason for a high variance is that Project officers were paid from this SEG and these payments were journalised to reflect the correct SEG from which the money was sourced.

For Established staff, the negative variance is due to the exit of officers through resignation, deemed resignation, retirement or termination which were not captured on the HRMIS.

The Ministry's Human Resource Unit has revised its business process with regards to updating the HRMIS and this is one area that they will improve on.

The Human Resource Unit and Salaries Unit had met in January 2020 (23.01.20) and have established a working group to meet every fortnight and to reconcile HRMIS and Payroll Data with FMIS.

Officer Responsible

Head of HR and Accountant Salaries

22.30 Expenditure Charged to Wrong Allocation – Recurring issue

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes –

- (a) the correct tax code;
- (b) the ledger account it is charged to.²²

Our review of payment vouchers noted that the Ministry had charged expenditures to wrong allocations. Refer to Table 22.22 below for details.

Table 22.22: Expenditures Charged to Wrong Allocations

Date	Cheque No.	Amount (\$)	Description	Posted To	Correct Allocation
1/06/2018	27651	11,801.96	Payment of fuel for CWM boiler tank.	SEG 5 Rations	SEG 4 – Boiler/Incinerator oil
25/07/2018	31014	4,556.99	Payment for providing bin pick up services at CWM.	SEG 5 Rations	SEG 5 - Outsourcing
	31034	4,782.06	Payment for purchase of fuel for boiler stand by tank for July 2018.	SEG 5 Rations	SEG 4 – Boiler/Incinerator oil
19/06/2018	43020	161,659.66	Payment for purchase of medicine.	SEG 5 – Beddings and Linen	SEG 5 – appropriate allocation for medicines
14/06/18	43011	67,782.35	Payment for ointment, cream, oral gel and tablets	SEG 5 – Beddings and Linen	SEG 5 – appropriate allocation for medicines
28/06/2018	28710	102,080.40	Payment for Dengue NSI Antigen Strip 25/pkt	SEG 5 – Free Medicine Program	SEG 5 - Consumables
25/07/2018	30684	29,600.00	Payment for construction of new generator house for Labasa Hospital	SEG 5 – Minor Improvements	SEG 8 - Capital Construction

Root Cause/Implication

The Ministry did not rectify the misallocation which indicates that proper supervisory checks were not carried by the accounts team.

Recommendation

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

Agreed Management Action

There was insufficient funding in some of the critical allocations and a late virement resulted in urgent payments being made from other allocations.

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

²² Financial Instruction 2010 s14 (1) part (e) and (g) p8

Officer Responsible

SAO CWMH & SAO Operations

22.31 Variance in Pharmaceutical Stock – Recurring issue

The PSHMS/DMO's shall appoint two stock take officers, one of whom is independent of the inventory function, to undertake a stock take of all inventories at least once a year. The *stock take officers* shall count the stock and verify it to the inventory register. The *stock take officers* shall prepare their stock take report noting any surplus, damaged, obsolete or unaccounted stock and their recommendations.²³

The stocktaking officers must ensure that:

- I. stocks are properly stored;
- II. actual stock corresponds to supporting records;
- III. records are properly maintained and up to date²⁴.

Fiji Pharmaceutical & Biomedical Services uses EPICOR system to record inventory movements.

Our review of Fiji Pharmaceutical & Bio- Medical Services stocktake report as at 31 July 2018 revealed variances in the stock value from the amount recorded in the EPICOR system and in the stocktake report following physical count. Refer to the Table 22.23 for details of the variance:

Table 22.23: Variance in stock figures

Item Code	Item Description	Item Category	Quantity as per System	Quantity as per Physical Verification	Deficit/ (Surplus)
00547	Calico u/b Material	Bedding	935	-	935
00560	Hand Towel	Bedding	7,214	6,568	646
07056	Inactivated Polio Vaccine (IPV) 5 mls	Vaccine	-	355	(355)
07460	2 ml Reconstitution Syringe For BCG	Vaccine	17,000	15,000	2,000
32573	Autodestruct syringes 0.5mL with integrated 23G cannula (For Hep B, MR, TT vaccines) box Of 100	Vaccine	203,839	304,662	(100,823)
06938	Griseofulvin 500mg (Free medicine Programme)	Drug	205,000	431,000	(226,000)
00382	Morphine Sulphate SR Tablets 10mg	Drug	13,000	12,568	432
00547	Calico u/b Material	Bedding	935	-	935

In addition, during physical verification on 22 October 2019, a drug (Code 06938) namely Griseofulvin 500mg (Free medicine Programme) had a stock of 231,000 tablets which expired in October 2019. The average cost of each tablet is \$0.12, thus the total value of these tablets was \$27,720.00. Refer to picture below.

²³ Ministry of Health and Medical Services Finance Manual 2014 – Section 8.3.1, 8.3.2 & 8.3.3

²⁴ Ministry of Health and Medical Services Finance Manual 2014 – Section 6.3.2

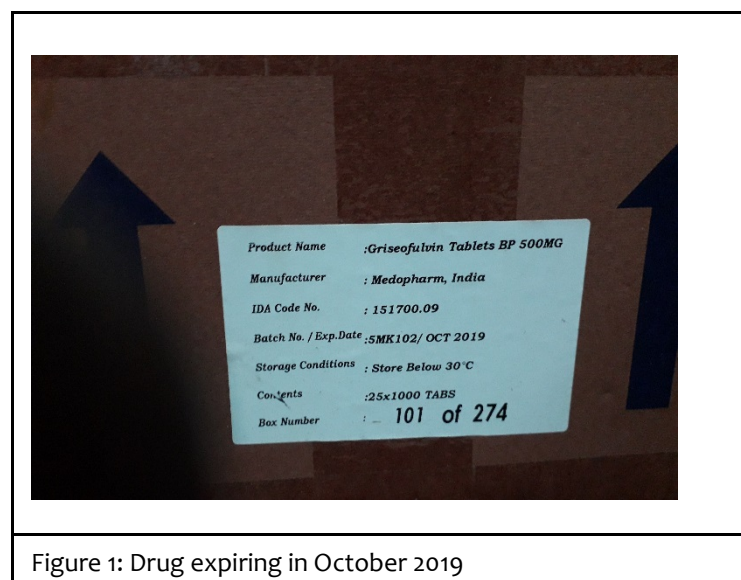


Figure 1: Drug expiring in October 2019

Root Cause/Implication

The failure to update the stock record in the EPICOR system in a timely manner may have contributed to the variances reported above.

Recommendations

The Ministry should:

- ensure internal controls involving stock are strengthened.
- ensure that the EPICOR system is updated as soon as stock is received and despatched.
- investigate the variance and take appropriate action.

Agreed Management Action

The Ministry will ensure that internal control (update/ recording of stock tally cards) is strengthened. The supply chain recommendations will also help strengthen controls.

Officer Responsible

SAO FBBS

22.32 Fixed Assets Register not updated – Recurring issue

All assets acquired with a cost in excess of \$2,000, shall be recorded in the assets module of the Financial Management Information System (FMIS) or a fixed assets register for those without the FMIS.²⁵

All agencies must maintain a Fixed Asset Register (FAR) until the asset module of the financial management information system is implemented. Details to be recorded in the asset register should include, at a minimum – description; cost or fair value; date of acquisition (where known); make, model and identification number, where applicable; and location.²⁶

The fixed asset register for 2018 was not provided when requested.

²⁵ Finance Instructions 2010 – Section 46 (1)

²⁶ Finance Instructions 2010 – Section 46 (2)

Root Cause/Implication

This is an indication of inadequate control over recording of fixed assets which could result in inability of the Ministry to identify items, which are unserviceable or missing.

In the absence of a Fixed Asset Register, the risk of theft and misappropriation of fixed assets is high.

Recommendation

The Ministry should ensure compliance with Section 46 of the Finance Instructions 2010.

Agreed Management Action

The Ministry had included in the 2019 reviewed finance manual certain processes on the responsibility of recording and monitoring of the fixed asset register update at health facility level, and also at headquarters level.

An internal circular will also be circulated to all divisions/ unit / health facilities to advise them on the details of the processes in the finance manual (Eg. who is responsible for updating the register, who is responsible for monitoring the update and the timeline of submission of the updated fixed asset register to headquarters).

The Ministry's Asset Management Unit (AMU) will also conduct fixed assets training at the divisions.

Officer Responsible

Manager at Asset Management Unit and Board of Survey Clerk (AMU)

22.33 Lack of monitoring in the Administration of Grant– Recurring issue

The recipient will provide to the Ministry an annual audit report in accordance with this clause, not later than five months after the period that is under the audit.^{27 28}

We noted that audited financial statements were not provided by the St. John Association of Fiji.

Root Cause/Implication

In the absence of the audited financial statements, the Ministry cannot substantiate whether grants were used for the intended purpose.

Recommendation

The Ministry should ensure that audited accounts are submitted to ensure grant monies are utilised for the purpose it was given.

Agreed Management Action

The Ministry will continue to ensure that the requirement of submission of the audited financial statements is adhered to. We had the audited financial statements for Empower Pacific and are only left with St. John Ambulance.

After the current financial year there will not be any grants issued to grant recipients until the audited financial statements are received.

²⁷ Grant Agreement between MOHMS and ST John Ambulance – Clause 6.5

²⁸ Grant Agreement between MOHMS and Home of Compassion - Clause 8.3

Officer Responsible

SAO Operations (HQ)

22.34 Anomalies of Sahyadri Trust Account– Recurring issue

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.²⁹

All revenue receipted to be updated at Hospital and Division Level in the FMIS on a daily basis for reporting and audit purposes.³⁰

That the parties mutually agree that for every patient treated by the Sahyadri Specialty Pacific Hospital Limited (SSPHL) team, a base figure \$1,350. (One Thousand Three Hundred and Fifty Dollars) of the total cost of the patient treatment cost will be directed to the Ministry.³¹

Our review of the Sahyadri Trust Account revealed the following anomalies:

- (i) Receipts books and cash analysis sheets were not provided for audit;
- (ii) The Ministry did not maintain a list of the patients who were treated by the Sahyadri Specialty Pacific Hospital Limited (SSPHL) team. As a result, we were not able to determine the total amount of government revenue to be received from the Sahyadri Trust Fund Account;
- (iii) The cashbook was not maintained for the year 2017 – 2018;
- (iv) August 2017 - July 2018 reconciliation was not provided;
- (v) Payment vouchers were not provided despite requests made;
- (vi) The Ministry has not advised on the selection of new vendors following the expiry of the joint venture with Sahyadri Trust Fund; and
- (vii) The breakdown for the closing balance of \$20,609 was not provided.

Root Cause/Implication

The above anomalies were due to poor records management and the lack of accurate and timely reconciliation of the Sahyadri Trust account.

Recommendations**The Ministry should:**

- maintain a listing of patients under the Sahyadri Trust;
- maintain a cash book to record receipts and payments for the main trust fund account;
- make available receipts books, cash analysis sheets, reconciliations and payments vouchers for the financial year ;
- advice on the selection of new vendors following expiry of joint venture; and
- provide a detailed breakdown of the closing balance.

²⁹ Finance Instructions 2011 Section 58 (3)

³⁰ Ministry of Health and Medical Services Finance Manual 2014 section 5.5.10

³¹ Supplementary Agreement between the Ministry and SSPHL Section 3 Fees and Charges – Clause b

Agreed Management Action

The Ministry had requested for approval to close the Sahyadri Trust account (since the agreement had expired on 16.09.2017) and is currently awaiting the approval from Ministry of Economy to close the account and transfer the remaining balance to the Consolidated Fund Account.

Officer Responsible

Accounts Officer Payments HQ

22.35 Purchases made without Tender Board approval – Recurring issue

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).³² The Board may approve that tenders procedures be waived where there is only one supplier capable of supplying the goods, services or works.³³

We noted that the Ministry made payment for supply of oxygen, medical air and refill of liquid oxygen amounting to \$285,865 from Company X. However there was no contract agreement with Company X.

Root Cause/Implication

Proper procurement procedures were not followed by the Ministry in procuring goods from the company. There is a high risk of unauthorised purchases being made without tender board approval.

The risk of unauthorised purchases and collusion with suppliers is high when proper procurement procedures are not complied with.

Recommendation

The Ministry should ensure that Tender Board approval is sought for the procurement of goods and services valued more than \$50,000 as required under Section 2.3.1 of the Department's Finance Manual.

Agreed Management Action

Company X is the sole supplier of medical air and oxygen to all hospitals in Fiji. The company is not contracted with Government.

Officer Responsible

SAO CWMH

22.36 Board of Survey Report not completed – Recurring issue

All Permanent Secretaries shall appoint a Board of Survey annually to determine whether government plant, equipment and inventories under his or her control are in working condition or serviceable; unserviceable or obsolete; or surplus to the requirements of that agency.³⁴

³² MOHMS Finance Manual 2014 Section 2.3.1

³³ Procurement Regulations Section 48(1)

³⁴ Procurement Regulations 2010 – Clause 24 (1)

Annual Boards of Survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets. A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it.³⁵

We could not verify all approved items boarded totalling \$1,423,353 for the year ended 31 July 2018 that was recorded in the Statement of Losses.

Root Cause/Implication

In the absence of a Board of Survey, there is high risk of theft and misuse of fixed assets without detection on a timely basis.

Recommendation

The Ministry should ensure that the Board of Survey Report for all Divisions are carried out annually in accordance with Section 49 of the Finance Instruction and Section 24 of the Procurement Regulations 2010.

Agreed Management Action

Management comments was not provided by the Ministry.

Officer Responsible

Not stated

³⁵ Finance Instructions 2010 – Section 49(2)

APPENDIX 1: PAYMENT AND JOURNAL VOUCHERS NOT PROVIDED

Date/Period	Cheque No./ Journal No.	Amount (\$)			Cheque No./ Journal No.	Amount (\$)
SEG 4 – Maintenance and Operations						
1/03/2018	23935	18,159.80			22511	22,645.27
Total SEG 4		18,159.80			29212	485,009.27
SEG 5 – Purchase of Goods and Services				Date/Period		
				18387		60,000.00
SEG 8 – Capital Construction						
5/07/2018					25534	151,051.60
29/12/2017	22/01/2018				22625	361,813.28
26/01/2018	5/07/2018				Total SEG 8	1,080,519.42
1/07/2018	9/10/2017					
23/05/2018	17/04/2018				28753	36,792.66
03/07/2018	24/04/2018				29052	34,495.41
6/07/2018					28072	27,209.44
SEG 9 – Capital Purchase						
9/07/2018					25221	13,930.00
18/07/2018	28/06/2018				25615	46,697.25
23/07/2018	04/07/2018			05/02/2018	23266	118,043.12
27/07/2018	15/06/2018				Total SEG 9	277,167.88
27/07/2018	06/04/2018					
31/07/2018	18/04/2018				Overall Total	2,034,465.82
6/07/2018	29183	43,451.01				
30/07/2018	43431	103,244.94				
01/11/2017	3440	14,450.00				
Total SEG 5		658,618.72				

APPENDIX 2: REVENUE RECEIPTS NOT PROVIDED

Period	Journal No.	Amount (\$)
Health Levy		
July 2018	222885 Reversal JV 185/07	43,817.97
Hospital Fees		
November 2017	TR8875	11,911.05
January 2018	TR1283	10,351.94
	TR8390	24,875.37
April 2018	TR9859	12,994.15
Health Fumigation		
September 2017	TR9109	23,356.31
October 2017	TR4912	15,978.97

Period	Journal No.	Amount (\$)
Overall Total		143,285.76

APPENDIX 3 –INAPPROPRIATE UTILISATION OF GLOBAL FUND MONIES

Date	Cheque No.	Invoice No.	Amount (\$)	Particulars
03/06/08	7119	7290	211.40	Payment for cake for international Women's Day on 08/03/18
03/06/18	7122	417	1,100.00	Payment for hiring of venue for international women's day celebration on 08/03/18
03/07/18	7123	45	865.00	Payment for hiring sound system for international women's day celebration on 08/03/18
14/3/18	7140	Not attached and no supporting documents attached to the payment voucher	6,496.30	Payment for hardware for community needs
26/03/18	7214	2260	5,505.00	Payment for Sports Apparel
28/03/19	7219	Not stated	175.35	Payment for purchase of pressure cooker for Bagasau Health centre. To be used for sterilising tools.
04/05/18	7241	50436	10,500.00	Payment for polo shirts. Sighted receipt number 24641 of 17/04/18 of \$10,500.
19/04/18	7262	Not clear	400.00	Payment for banners for nursing symposium
17/04/18	7263	40382	2,100.00	Payment for stationeries for Nursing Symposium 150 plastic assorted button files @\$0.80 = \$120.00 150 natraj ball pens @\$0.20 = \$30.00 150 USB 4 GB @ \$13.00 = \$1,950.00 Total \$2,100.00
			27,353.05	

APPENDIX 4 – PHARMECUTICAL STOCK WITHOUT COST PRICE AND STOCKS THAT WERE BELOW MINIMUM STOCK LEVEL

Item Code	Item Description	Minimum Stock	Maximum Stock	Quantity in Stock	Average Cost (\$)	Total Value of Stock On Hand Cost (\$)	No Cost Price	Stocks Below Minimum stock level
Consumables								
32512	Chest Drain Tubes, Size 16	66	200	33	0.00	0.00	✓	✓
02898	Nasal Tubing 100mm x 5, BC182 - 05 for Paediatric Ventilator	50	150	5,050	0.00	0.00	✓	
06530	Litmus paper book Red Packet of 10	200	1,000	236	0.00	0.00	✓	
00702	Connector Polythene Straight ID 6.0mm OD 8mm (Portex 700/170/671)	20	55	1,799	0.00	0.00	✓	
00665	Cannula Epidural Set (thoracic trochal) cannula 16G, Radio-opaque, 915mm	12	30	40	0.00	0.00	✓	
06243	Laryngeal Masks Each size 4 (Individually wrapped)	0	0	1,890	0.00	0.00	✓	
00750	Needle Spinal Barker (Lumber Puncture) 20GX 38mm	100	300	50	0.00	0.00	✓	✓
Laboratory								
07535	115-036571-00 Reaction cuvette BS 240	1	12	6	0.00	0.00	✓	
05047	Determine HepBsAntigen SP 100T	154	461	114	0.00	0.00	✓	✓
05364	Container 70ml sterile screw to pp labelled pink cap (Sputum Bottle)	10,000	30,000	12	0.00	0.00	✓	✓
03250	04402979001 HITACHI CUPS(1000)	72	217	5,011	0.00	0.00	✓	
03483	Coagulase Plasma, Rabbit with EDTA (10x3mls)	3	8	3	0.00	0.00	✓	
03404	384192-Gas Catridge Pack	13	40	6	0.00	0.00	✓	✓
07455	Probe Wiper Replacement Kit (cat. No 05905239)	6	12	8	0.00	0.00	✓	
07447	20 inch 5 um Activated Filter (Wire Wound / String Wound)	6	12	17	0.00	0.00	✓	
06014	Rinse 20L - BC 3000 Plus	65	194	12	0.00	0.00	✓	✓
03531	LBS60001-Dish Petri 90x15mm PS Manual Vented Box 500 with racking rim sleeves of 20 machines sterile (CRM) 500/box	117	351	15	0.00	0.00	✓	✓
04734	Coverslip No. 1 22x50mm 1oz (100/PK)	93	463	335	0.00	0.00	✓	
06139	Multi Control Sera P (10 x 5ml) - BS-800M1 Consumables	16	50	14	0.00	0.00	✓	✓
07136	BS 2000 Cuvettes	0	0	18	0.00	0.00	✓	

Item Code	Item Description	Minimum Stock	Maximum Stock	Quantity in Stock	Average Cost (\$)	Total Value of Stock On Hand Cost (\$)	No Cost Price	Stocks Below Minimum stock level
06179	Valve Module	0	2	11	0.00	0.00	✓	
06283	Serum Sample Tube (500 pieces, blue cap) - Spotchem EZ SP-4430	32	64	10	0.00	0.00	✓	✓
07047	BD Sharps Collector 1.4 Litres	0	0	63	0.00	0.00	✓	
04754	Glass Pipettes 10mls Bulb	1	5	29	0.00	0.00	✓	
03066	Powdered Free gloves Size - Medium	70	169	203	0.00	0.00	✓	
03521	Potassium Iodide Granular (J.T.Baker) 500g	6	30	23	0.00	0.00	✓	
05561	Clamps for NonHydraulic Press-Ainsworth 2 Flask Clamp	0	0	10	0.00	0.00	✓	
03323	Celestine Blue	1	6	11	0.00	0.00	✓	
06169	Phosphoric Acid 100g	0	6	9	0.00	0.00	✓	
Dental								
04900	Acrylic Teeth(Upper Anterior)-Acry-Rock-Mold A3 shade S68	300	1,000	123	0.00	0.00	✓	✓
04903	Acrylic Teeth(Upper Anterior)-Acry-Rock-Mold A3 shade S67	200	600	482	0.00	0.00	✓	
03677	Finishing Strips Full Length Fine Superfine	25	100	63	0.00	0.00	✓	
05513	Jet Carbide burs latch, regular round (slow) size 9	50	200	95	0.00	0.00	✓	
05666	FISSURE SLOW SPEED BURS-H23/012	50	200	293	0.00	0.00	✓	
07119	Burs Surgery Fissure Taper Cross Cut Tungsten Carbide 018	17	70	30	0.00	0.00	✓	
06456	Deciduous Lower Molar Forcep no. 22	23	90	20	0.00	0.00	✓	✓
04636	Gag Mouth small	5	20	385	0.00	0.00	✓	
X-Ray								
02742	(Sony)Colour Printing Pack for V10 Ultrasound Machine UP- C21L, GS-128 (PACK OF 4)	100	300	156	0.00	0.00	✓	
06616	MRI Contrast Medium (Gadodiamide omniscan)	0	100	80	0.00	0.00	✓	
02067	Ultrasound Probe Cover TUPS-100-RMH	117	350	99	0.00	0.00	✓	✓
05846	Thermal Paper (Mitsubishi KP 61B - 110mm x 21m)	0	0	331	0.00	0.00	✓	

Item Code	Item Description	Minimum Stock	Maximum Stock	Quantity in Stock	Average Cost (\$)	Total Value of Stock On Hand Cost (\$)	No Cost Price	Stocks Below Minimum stock level
32686	Connecting Tubes with Plastic Fittings Braided Polyethylene (SHPCT8.8-100-P-FM-R)	0	0	3,600	0.00	0.00	✓	
Dressing								
07235	Adhesive Plaster 5cm x 1cm (Skin Sensitive)	0	0	58	0.00	0.00	✓	
Appliance								
06762	Safety Eye Wear Glass	0	0	279	0.00	0.00	✓	
01148	Forceps Dissecting Plain 7"	16	300	12	0.00	0.00	✓	✓
02027	Speculum Sim Stainless Steel - Size Medium	100	300	10	0.00	0.00	✓	✓
00754	Redivac Apparatus Manometer Stopper 1800 (Coupling)	0	0	28	0.00	0.00	✓	
02907	BC309-05 Bonnet Midline 29-36cm	0	0	200	0.00	0.00	✓	
02911	Headgear Midline 35 x 40cm for Paediatric Ventilator	0	0	160	0.00	0.00	✓	
Bedding								
00532	Blankets adults 150cm x 200cm (60' x 80')	500	1,000	336	0.00	0.00	✓	✓
00547	Calico u/b Material	16,600	50,000	3,939	0.00	0.00	✓	✓
00560	Hand Towel	3,000	5,000	7,246	0.00	0.00	✓	
00580	Calico O.T Green Material (Cotton Material)	10,000	15,000	900	0.00	0.00	✓	✓
Vaccines								
07056	Inactivated Polio Vaccine (IPV) 5 mls	0	0	1,674	0.00	0.00	✓	
07460	2 ml Reconstitution Syringe For BCG	40	110	17,000	0.00	0.00	✓	
32573	Autodestruct syringes 0.5mL with integrated 23G cannula (For Hep B, MR, TT vaccines) box Of 100	796	2,389	204,070	0.00	0.00	✓	
Drugs								
02704	Oseltamivir (Tamiflu) 75mg Tablets	54,000	160,000	0	0.00	0.00	✓	✓
02937	Albendazole Tablets 400mg	98,000	140,000	0	0.00	0.00	✓	✓

APPENDIX 5 – PHARMACEUTICALS STORAGE

		
Figure 2: Pharmaceuticals stored in aisle	Figure 3: Pharmaceuticals stored in aisle	Figure 4: Pharmaceuticals stored on top of cold storage room
		
Figure 5: Pharmaceuticals stored up to ceiling	Figure 6: Pharmaceuticals stored in energy room due to lack of storage space	

APPENDIX 6 – OVER AND UNDER STATED REVENUE IN BULK PURCHASE SCHEME

Date	Receipt No.	Item Code	Item Price (VIP) per Unit (\$) [A]	Quantity Sold as per receipt [B]	Sub Total (\$) [A x B = C]	Total Amount (\$) Sum of [C = D]	Total Amount as per Revenue Receipt – VIP (\$) [E]	Variance Total Receipt Amount (Overstated)/ Understated (\$) [D – E = F]
6/2/2018	261801	1819	2.34	12.00	28.08	28.08	35.40	(7.32)
6/2/2018	261803	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
6/2/2018	261806	5622	41.26	1.00	41.26	41.26	44.00	(2.74)

Date	Receipt No.	Item Code	Item Price (VIP) per Unit (\$) [A]	Quantity Sold as per receipt [B]	Sub Total (\$) [A x B = C]	Total Amount (\$) Sum of [C = D]	Total Amount as per Revenue Receipt – VIP (\$) [E]	Variance Total Receipt Amount (Overstated)/ Understated (\$) [D – E = F]
6/2/2018	261807	811	13.26	3.00	39.78	106.86	104.52	2.34
		810	8.13	3.00	24.39			
		809	6.99	3.00	20.97			
		806	7.24	3.00	21.72			
6/2/2018	261808	6450	1.30	3.00	3.90	3.90	93.00	(89.10)
7/2/2018	261811	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
7/2/2018	261812	160	11.10	1.00	11.10	11.10	12.70	(1.60)
7/2/2018	261815	160	11.10	1.00	11.10	11.10	12.70	(1.60)
7/2/2018	261817	5621	22.87	1.00	22.87	22.87	21.80	1.07
7/2/2018	261818	6450	1.30	1.00	1.30	1.30	31.00	(29.70)
7/2/2018	261819	517	23.27	6.00	139.62	287.34	287.10	0.24
		514	24.62	6.00	147.72			
7/2/2018	216821	950	1.28	40.00	51.20	144.80	176.00	(31.20)
		1819	2.34	40.00	93.60			
7/2/2018	216822	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
7/2/2018	261826	160	11.10	3.00	33.30	33.30	38.10	(4.80)
8/2/2018	261827	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
8/2/2018	261828	464	2.82	1.00	2.82	2.82	7.00	(4.18)
8/2/2018	261830	160	11.10	1.00	11.10	11.10	12.70	(1.60)
8/2/2018	261831	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
8/2/2018	261832	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
8/2/2018	261833	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
8/2/2018	261834	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
8/2/2018	261835	374	42.89	1.00	42.89	42.89	40.00	2.89
Undated	261837	5622	41.26	1.00	41.26	64.13	65.80	(1.67)
8/2/2018		5621	22.87	1.00	22.87			
8/2/2018	261838	464	2.82	2.00	5.64	5.64	14.40	(8.76)
9/2/2018	261839	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
9/2/2018	261840	5621	22.87	1.00	22.87	22.87	21.80	1.07
9/2/2018	261841	160	11.10	1.00	11.10	11.10	12.70	(1.60)
9/2/2018	261842	741	4.40	2.00	8.80	8.80	9.30	(0.50)
9/2/2018	261843	432	4.67	4.00	18.68	18.68	19.80	(1.12)
9/2/2018	261844	724	10.49	1.00	10.49	53.38	51.05	2.33
		374	42.89	1.00	42.89			
9/2/2018	261845	6450	1.30	1.00	1.30	1.30	31.00	(29.70)
9/2/2018	261846	464	2.82	5.00	14.10	64.86	78.64	(13.78)
		174	0.33	2.00	0.66			
		322	16.70	3.00	50.10			
9/2/2018	261848	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
9/2/2018	261849	7012	3.70	20.00	74.00	96.20	259.40	(163.20)
		160	11.10	2.00	22.20			

Date	Receipt No.	Item Code	Item Price (VIP) per Unit (\$) [A]	Quantity Sold as per receipt [B]	Sub Total (\$) [A x B = C]	Total Amount (\$) Sum of [C = D]	Total Amount as per Revenue Receipt – VIP (\$) [E]	Variance Total Receipt Amount (Overstated)/ Understated (\$) [D – E = F]
9/2/2018	261851	451	1.37	5.00	6.85	12.49	13.07	(0.58)
		464	2.82	2.00	5.64			
9/2/2018	261857	374	42.89	1.00	42.89	42.89	40.00	2.89
9/2/2018	261858	6450	1.30	1.00	1.30	1.30	51.29	(49.99)
9/2/2018	261859	374	42.89	1.00	42.89	61.29	92.90	(31.61)
		888	18.40	1.00	18.40			
9/2/2018	261860	804	57.09	1.00	57.09	57.09	57.10	(0.01)
12/2/2018	261861	5622	41.26	1.00	41.26	41.26	44.00	(2.74)
12/2/2018	261864	197	0.75	30.00	22.50	177.18	179.17	(1.99)
		811	13.26	3.00	39.78			
		155	0.98	30.00	29.40			
		132	0.71	30.00	21.30			
		8	0.65	20.00	13.00			
		669	0.57	30.00	17.10			
		667	0.53	30.00	15.90			
		464	2.82	4.00	11.28			
		1298	1.73	4.00	6.92			
12/2/2018	261865	881	2.39	2.00	4.78	8.86	8.36	0.50
		950	1.28	2.00	2.56			
		668	0.76	2.00	1.52			

APPENDIX 7 – ITEM WITH DIFFERENT CODE AND DIFFERENT SELLING PRICE IN BULK PURCHASE SCHEME

Product Code	Description	Average Unit Cost	Unit Cost (\$)	Comments
Drugs				
00066	Chlorpromazine Tablets 25mg	0.088	0.115	Same item with different code and different selling price
05795	Chlorpromazine Tablets 25mg	0.000	0.000	
00073	Cloxacillin Injection 500mg	0.155	0.202	Same item with different code and different selling price
07412	Cloxacillin Injection 500mg	0.000	0.000	
00091	Prochlorperazine 12.5mg/ml	0.497	0.650	Same item with different code and different selling price
00267	Prochlorperazine 12.5mg/ml	1.427	1.867	
05944	Nuprep Skin Prep Gel	0.000	0.000	Same item with different code and different selling price
06854	Nuprep Skin Prep Gel	34.149	44.666	

Product Code	Description	Average Unit Cost	Unit Cost (\$)	Comments
07302	Sodium Chloride Injection 0.9% Ampule (20mL)	0.000	0.000	Same item with different code
00294	Sodium Chloride Injection 0.9% Ampule (20mL)	0.000	0.000	
Consumables				
06302	Sterile Shoe Covers	0.000	0.000	Same item with different code and different selling price
06400	Sterile Shoe Covers	15.599	20.403	
Appliances				
02075	Rubber Tips for Crutches Large 24mm Diameter	3.131	4.095	Same item with different code and different selling price
02573	Rubber Tips for Crutches Large 24mm Diameter	5.016	6.560	
03021	Infant limb elctrodes Mortara ELI ECG Machines	0.000	0.000	Same item with different code
03022	Infant limb elctrodes Mortara ELI ECG Machines	0.000	0.000	

APPENDIX 8 – ITEM WITH ZERO UNIT COST

Product	Description	Product	Description	Product	Description
Drugs		Drugs (Continued)		Drugs (Continued)	
32609	Abacavir Tablets 300mg	00423	Hydrocortisone Tablets 20mg	05902	Rifampicin 150mg/Isoniazid 150mg Tablets Film Coated
02937	Albendazole Tablets 400mg	06967	Ibuprofen Concentrated Drops 200mg/1.25mL 30mL	05900	Rifampicin 60mg / Isoniazid 30mg dispersible Tablet, 84 blister pack
06985	Amoxycillin/Clavulanic Acid Tablets 250mg/125mg	00162	Indomethacin Capsules 25mg	06612	Rifampicin 60mg+INH 30mg+Pyrazinamide 150mg Dispersible Tab
06880	Aurogel Plus 1.6 % W / V Solution Hyaluronate Ophthalmic Solution	07080	Isosordibe Mononitrate 60 MG	02257	Rifampicin Oral Solution 100mg/5mL - 60mls
05951	Azithromycin Tablet 250mg	06983	Kotex and Smooth Pad	04927	Risperidone 4mg Tablets
06684	Carboplatin Injection 150mg/15ml	02927	Lamivudine 150mg/Zidovudine 300mg + Efavirenz 600mg Tablets	06652	Sertraline Tabs 50mg
00059	Chlorambucil Tablets 2mg	06617	Lamivudine 300mg + Tenofovir 300mg Tabs	02258	Simvastatin Tablets 10mg
05795	Chlorpromazine Tablets 25mg	06002	Lamivudine/Tenofovir/Efavirenz 300mg/300mg/600mg	02412	Sodium Chloride 0.9% Injection 500ml Bag
00338	Ciprofloxacin Tablets 500mg	01879	Lamivudine/Zidovudine Tablets 150mg/300mg	07302	Sodium Chloride Injection 0.9% Ampule (20mL)
00075	Cisplatin Injection 10mg	02752	Lamivudine/Zidovudine/Nevirapine Tablets 150mg/300mg/200mg	00294	Sodium Chloride Injection 0.9% Ampule (20mL)
07412	Cloxacillin Injection 500mg	07086	Latanaprost Eye Drops 50 MCG	01174	Sodium citrate 1kg
00076	Coal Tar Ointment 100g	00180	Lignocaine Topical Solution 4%	06988	Sodium Hypochlorite 1% 20Litre

Product	Description	Product	Description	Product	Description
00086	Dapsone Tablets 100mg	32610	Lopinavir/Ritonavir Tablets 200mg/50mg	05943	Ten20 Conductive Gel
00085	Dapsone Tablets 50mg	00193	Methotrexate Tablets 2.5mg	02917	Tenofovir Tablets 300mg
05649	Didanosine Capsules 250mg	07092	Metoprolol CR Tabs 4705 mg	06982	Therapeutic Food [Plumpy Nut]
00094	Digoxin Tablet 62.5mcg	07101	MMT Suspension 100 mls	06981	Therapeutic Milk
32613	Efavirenz Tablets 200mg	07498	Multivitamin Syrup 100ml	00311	Thiamine HCl inj 100mg/2ml
01279	Emulsifying Wax pulv 500g	00214	Nitrofurantoin Capsules 100mg	00319	Trifluoperazine HCl Tablets 1mg
05942	Erythropoietin Injection 4,000IU	05944	Nuprep Skin Prep Gel	02741	Ultrasound Transmission Gel 5 Litre [X-RAY]
00116	Ethanolamine Oleate Injection 100mg/2ml	02704	Oseltamivir (Tamiflu) 75mg Tablets	06950	Vitamin A Capsules 60mg (Donation)
01139	Ether solvent BP 500ml	00220	Oxyphenbutazone ointment 10%	06979	Vitamin and Mineral Powder
00118	Ethosuximide Capsules 250mg	06889	Paclitaxel Injection 100mg /16.7ml	06951	Zinc Sulphate 20mg (Donation)
00123	Ferrous Gluconate Elixir 200mg/5ml	00241	Phenytoin Sodium Chewable Tablets 50mg	01143	Formalin BP - 500mls
00277	Pyridoxine Tablets 25mg	02246	Gentamicin Ear Drop 0.3% - 10ml	02187	Prostaglandin E1 Injection 500mcg/ml (Alprostadiol)
Consumables		Consumables (Continued)		Consumables (Continued)	
06707	Relief Valve Assembly	06703	Infant Nasal Circuit Kit, No: 0	05064	Respiration Mask - Disposable x 20 pieces
32712	Indoplas Pedi Leg Bag	06702	Infant Nasal Circuit Kit, No: 00	06314	Spill Kit (2)
06707	Relief Valve Assembly	06704	Infant Nasal Circuit Kit, No: 1	06302	Sterile Shoe Covers
02992	ADAPTOR FOR FAEC MASK DF22 resuscitation MASK ADULT 552076	06705	Infant Nasal Circuit Kit, No: 2	00978	Suture polyglycolic acid coated 0 90cm ,37mm taper pt half circle Box of 36
02995	Adult Anaesthetic Circuit-filter and airbag	06706	Infant Nasal Circuit Kit, No: 3	01077	Suture polypropylene monofilament 5/0 (prolene sutures) 90cm,16mm dbl arm rev .Box of 12

Product	Description	Product	Description	Product	Description
02990	Aneasthetic machines devices corrugated tubings 30mm-OBM 135/355	32710	K - Lube Tube	01089	Suture steele 54 x45cm ,48mm modified spatula half circle needle Box of 12
00640	Bag Colostomy (Stoma) drainable pouch(45mm) with Skin Barrier with flange(45mm - 50mm)	06637	Ligature Clip - Large	06403	Syringe Insulin 10ml
06709	Bubble Generator Bottle	06635	Ligature Clip - Medium	06402	Syringe Insulin 3ml
00665	Cannula Epidural Set (thoracic trochal) cannula 16G, Radio-opaque, 915mm	06636	Ligature Clip - Medium/Large	02989	T-- Adptors,Tubings, Masks (various sizes) A,R Harris Model 6026
00674	Catheter Foley Sillicon treated 18FG, Sterile, individually wrapped	06634	Ligature Clip - Small	04837	Tracheostomy tubes (LPC) Size 8 - Shiley Brand
02435	Chemosafety Gloves (Box of 100) - Small	06530	Litmus paper book Red Packet of 10	32536	Trachyostomy Gas Mask
00702	Connector Polythene Straight ID 6.0mm OD 8mm (Portex 700/170/671	03016	Mouth gags	32711	Trident 750mL Long Ster
04840	Cuff Less Fenestrated (CFN) Size 4 - Shiley Brand	32663	Mouth pieces Disposable for PEFR meters box 200 - 30mL	00849	Tube Levin D/Ryles (Duodenal Catheter/feeding tube) 16FG
03582	Disposable Apron White (810mm x 1320mm)	02898	Nasal Tubing 100mm x 5, BC182 - 05 for Paediatric Ventilator	834	Tube Suction Yankas
03584	Disposable Apron White (810mm x 1450mm)	02899	Nasal Tubing Universal 50mm x 5 for Paediatric Ventilator	01117	Twine post mortem
03583	Disposable Apron White (810mm x 1600mm)	00748	Needle scalpvein set 23G X 19mm	06745	YM812i ECG Paper-mediana
03552	Disposable Latex Gloves - Large - Box of 100	06307	Port Seals	06974	Gloves Disposable Polythene/Vinyl, [Latex Free and

Product	Description	Product	Description	Product	Description
00846	feeding tube 10FG-xray detectable	00759	Redivac Needle Curved for Apparatus	06708	Powder Free] Box of 100 - Medium Humidifier Cap with O-Ring
02999	Humidifiers Anaesthetic machines	00768	Redivac Tubes 1800G Perforated	32712	Indoplas Pedi Leg Bag
00762	Redivac Straight Needle 1800M	00766	Redivac Tubes 1800H	06707	Relief Valve Assembly
Dressing		Appliance		Appliance (Continued)	
07235	Adhesive Plaster 5cm x 1cm (Skin Sensitive)	03033	Steriliser drums Doomed top and bottom with sliding removal band stainlesssteel	03022	Infant limb elcetrodes Mortara ELI ECG Machines
03041	Apron - Full BIP	00719	Guedel Airway- adult	03023	Infant chest elcetrodes Mortara ELI ECG Machines
07236	Dressing Gauze 5cm x 5cm	00754	Redivac Apparatus Manometer Stopper 1800 (Coupling)	03028	Liston amputation saw Boc joint stainless steel 159mm/box joint with tundsten impregnate jaw
07237	Elastic Bandage 1m	00755	Redivac Bottle No. 1800B	03029	Amputation with hinged back 229mm 9 inches in blade
00458	Gauze Absorbent ribbon 7.5cm x 5m	00756	Redivac Bottle Srew Cap 1800cc	03030	Ring cutter with circular blade
06973	Gauze Pads 2"x2" Small	00761	Redivac Single Rubber Connection 1800kg	03032	Graves and blower varicose vein stripper 101cm with detachable heads nickel plated
06970	Gauze Sponges 4"x4" 12ply	00874	Wick for Spirit Lamp	05596	Cervical Collars Universal - 2.5' x 21'
06971	Gauze Sponges 4"x4" 8ply	01138	Galipots Stainless steel 5"	05597	Cervical Collars Universal - 3.25' x 21'
32713	Hypoallergenic microporous tape 1.25cm	01150	Scissors Mayo Straight 7"	05598	Cervical Collars Universal - 4.25' x 21'
06972	Non Stick Pads	01151	Towel Clips 5"	05692	Extracting Forcep No.150

Product	Description	Product	Description	Product	Description
Vaccines		02027	Speculum Sim Stainless Steel - Size Medium	05695	Extracting Forcep No.150
01291	PPD Human Tuberculin (Heaf) inj 10000units / 1ml 1	02300	Calibrated Stainless Steel Jug - 2L	06638	Multifire Clip Applicator 10MM
32573	Autodestruct syringes 0.5mL with integrated 23G cannula (For Hep B, MR, TT vaccines) box Of 100	02309	Stainless Steel Bucket (Calibrated) - 3L	06639	Clip Applicator 5MM
32637	UNICEF - NORM-JET 5ml with 21G needle for mixing of Measle/Rubella	02616	Sputum Mug Stainless Steel	32566	Spatula for Counting Tablets
01290	HBV Adult Injection 20mcg	03031	Needle holder mayo 159mm	32589	2 Section Variable Height Standard Hospital Bed With Folding Safety Rails
1294	Oral Polio Vaccine 10 dose (OPV)	00720	Guedel Airway (Oropharyngeal)- Child	32661	Aquaplast T Perforated (1.6mm) size:18' x 24'
07011	Influenza Vaccine	00729	Lamp spirit	32662	Viscose Sponge Size: 65mm diam x 20mm - Pack of 4
01299	tetanus Immunoglobulin Injection 250iu	00753	Redivac Apparatus Complete 1800 set	03020	Adult limb elctrodes Mortara ELI ECG Machines
32632	UNICEF - Thermometers- Long/Round	02003	Double Drill Sleeve 3.5/2.5mm	03021	Infant limb elctrodes Mortara ELI ECG Machines
32633	UNICEF - Vaccine Carriers 0.85litres	02012	1.0mm Cerclage Wire, Coil	00907	Handle for Surgical Blades BP No. 4
32634	UNICEF - Vaccine Carriers 1.6litres	02014	3 Piece Anti-Slip Titanium Adaptor	01087	Speculum Vaginal duckbill Stainless Steel - Size Medium
32635	UNICEF - Vaccine Carriers 30litres	02578	Isoflurane Vapour Fill Fitting		
01302	Varicella zoster immunoglobulin inj 125iu 1	02754	Foetal Doppler	00770	Scissors Dressing 7" blunt/sharp

Product	Description	Product	Description	Product	Description
Appliance (Continued)					
01136	Bowls Stainless steel 7"				
02617	Bed Pan Oval Stainless Steel - Adult Specs-13.75 L X 11.5 W X 4 H				
03033	Steriliser drums Doomed top and bottom with sliding removal band stainless steel				
00719	Guedel Airway-adult				
02908	Bonnet Midline (25 - 29 cm) for Paediatric Ventilator				

Head 23

Department of Housing**Role and Responsibilities**

The Department of Housing works to meet Government's responsibility to take reasonable measures within available resources to realise every Fijians' constitutional right to housing. The Department constructs and maintains basic housing infrastructure services and creates affordable housing opportunities for low-income earners and those with special needs. The Department is also responsible for providing forms of security tenure. The Department works with the Housing Authority, Public Rental Board, HART and NGOs to provide housing to low and middle-income earners in urban and peri-urban areas.

Table of Contents

PART A: FINANCIAL STATEMENTS	2
23.1 Audit Opinion	2
23.2 Statement of Receipts and Expenditure.....	2
23.3 Appropriation Statement.....	3
PART B: ASSESSMENT OF FINANCIAL GOVERNANCE.....	4
23.4 Internal Controls.....	4
23.5 Submission of FY 2017-2018 Draft Agency Financial statements	6
23.6 Quality of draft financial statements by entities	6
23.7 Timeliness of draft financial statements.....	7
23.8 Timeliness of Management Comments.....	7
23.9 Timeliness of Signed Financial statements Received	7
PART C: OTHER SIGNIFICANT MATTERS	7
23.10 Breach of Grant Agreement Simla Housing Project	8
23.11 Anomalies in Expenditure	9
23.12 Records not provided.....	10
23.13 Variance between FMIS and Payroll Report	11
23.14 Payroll reconciliations not performed on time.....	13
23.15 Revolving Fund Account	14
23.16 VAT overstatement	15
23.17 Incorrect posting of Expenditures – Recurring Issue.....	16
23.18 Late Submission of Draft Agency Financial statements – Recurring Issue	17
23.19 Absence of Underline Accounts Reconciliations – Recurring Issue	18

PART A: FINANCIAL STATEMENTS

23.1 Audit Opinion

The audit of the 2018 accounts of the Department of Housing resulted in an unqualified opinion with emphasis of matter and other matter paragraphs as follows:

Emphasis of Matter

Attention was drawn to Established Staff expenditure reflected in the Statement of Receipts and Expenditure, where there was an unreconciled variance of \$47,571 between the General Ledger (FMIS) balance and the Department's Payroll Report.

Other Matter

Internal controls over payment and payroll processes were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in future. The weak payment controls resulted in the lump sum payment of grant contrary to the grant agreement. Weak controls around payroll processes resulted in delays in preparation of payroll reconciliations and the variances in the payroll expenditure.

23.2 Statement of Receipts and Expenditure

The Department of Housing collected miscellaneous revenue totalling \$10,000 and incurred expenditures totalling \$18,853,826 for the year ended 31 July 2018. Details are provided in Table 23.1.

Table 23.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Miscellaneous Revenue	10,000	---
TOTAL REVENUE	10,000	---
Established Staff	535,799	336,167
Government Wage Earners	70,019	23,267
Travel & Communications	58,678	52,941
Maintenance & Operations	58,256	36,192
Purchase of Goods & Services	12,514	20,826
Operating Grants & Transfers	999,982	1,000,000
Special Expenditure	27,025	(8,275)
Total Operating Expenditure	1,762,273	1,461,118
Capital Construction	2,222,806	5,365,174
Capital Purchases	4,916	---
Capital Grants & Operations	14,594,538	8,355,155
Total Capital Expenditure	16,822,260	13,720,329
Value Added Tax	269,293	361,581
TOTAL EXPENDITURE	18,853,826	15,543,028

Miscellaneous revenue recorded in 2018 consisted of refunds for recipients of first home buyers grants by financial institutions.

Although there was a significant decrease in Capital Construction expenses by \$3.1 million or 59%, overall total expenditure increased by \$3.3 million or 18% which resulted mainly from the following:

- Established Staff cost increased by \$199,632 or 59% in 2018 compared to 2017. The increase was due to payments of Project Consultant fees and pending superannuation contribution to the FNPF.
- Capital grants and transfers increased by \$6,239,383 or 75% in 2018 compared to 2017. This was due to increase in expenditure for Public Rental Board Simla Development project. In addition, there were two new expenditure items in 2018 namely Housing Authority Land Development Subsidy of \$7,389,169 and Housing Authority Social Housing Policy of \$500,000.

23.3 Appropriation Statement

The Department incurred expenditures totalling \$18,853,826 in 2018 against a revised budget of \$21,954,498 resulting in a saving of \$3,100,672 or 14%.

Reasons for significant savings are detailed below:

- Savings in SEG 8 Capital Construction was due to the non-completion of the Cuvu Upgrading Project. In addition, civil works for the Caubati Upgrading Project did not progress as there were disagreements between landlord and tenant on the land. The contractor was not able to complete the land developments which led to payments being put on hold.
- Funds allocated for the relocation of residents of Nabua Muslim League Settlement were unutilised. Utility services were unavailable including proper drainage at the identified relocation site at Waidradra, Baulevu, Nausori.
- Not all applications (46%) met the full criteria for Housing Assistance for Fire Victims which resulted in allocated funds not being utilised.

Details of expenditure against the revised budget are provided in Table 23.2.

Table 23.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	402,541	226,766	629,307	535,799	93,508
2	Government Wage Earners	37,222	21,600	58,822	70,019	(11,197)
3	Travel & Communications	61,130	25,900	87,030	58,678	28,352
4	Maintenance & Operations	64,150	15,500	79,650	58,256	21,394
5	Purchase of Goods & Services	24,000	(1,800)	22,200	12,514	9,686
6	Operating Grants & Transfers	1,000,000	---	1,000,000	999,982	18
7	Special Expenditure	174,000	(28,216)	145,784	27,025	118,759

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Total Operating Expenditure	1,763,043	259,750	2,022,793	1,762,273	260,520
8	Capital Construction	8,772,587	(5,820,421)	2,952,166	2,222,806	729,360
9	Capital Purchase	---	4,916	4,916	4,916	---
10	Capital Grants & Transfers	23,282,930	(6,581,350)	16,701,580	14,594,538	2,107,042
	Total Capital Expenditure	32,055,517	(12,396,855)	19,658,662	16,822,260	2,836,402
13	Value Added Tax	818,600	(545,557)	273,043	269,293	3,750
	TOTAL EXPENDITURE	34,637,160	(12,682,662)	21,954,498	18,853,826	3,100,672

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

23.4 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 that 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 Department as:

Rating	Internal control assessment
 Ineffective	Significant deficiencies identified in internal controls

23.5 Submission of FY 2017-2018 Draft Agency Financial statements


On 12 June 2018, the Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed. The final day for closing the 2018 accounts was 31 October 2018.

The key focus areas in the circular were:

- Retirement of imprests by 20 July 2018
- Processing of payments and virements by 20 July 2018
- Cancellation of unprocessed purchase orders by 27 July 2018
- Monitoring of un-presented cheques by 31 July 2018
- Clearance of Inter-Departmental Clearance accounts by 3 August 2018
- Closing date for journal adjustments by 10 August 2018
- Clearance of stale cheques by 22 August 2018
- Annual Board of Survey on Drawings Account cheques by 22 August 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
 Ineffective	8 of 10 key processes were not completed on time

23.6 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 Department was:

Rating	Quality of draft financial statements assessment
 Ineffective	Although there were no adjustments, there were issues which resulted in Emphasis of Matter and Other Matter paragraphs in the audit report.


23.7 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 the timeliness as:

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


23.8 Timeliness of Management Comments

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

Rating	Timeliness of Management Comments Received
 Ineffective	Management responses received after 21 days

23.9 Timeliness of Signed Financial statements Received

To assess the timeliness of signed accounts received, we have compared the date financial statements was sent to the Department for signing and the date signed financial statements was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Signed Financial statements Received
 Ineffective	Signed financial statements were received after 15 days from the date it was issued 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 actions are 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.

23.10 Breach of Grant Agreement Simla Housing Project

The grant payment must be made in four equal amounts of \$586,940.25 each on 24/08/17, 23/11/17, 15/02/18 and 15/05/18.¹ The grant recipient must establish a dedicated bank account for the Government Grant and payments must be made to the bank account.²

We noted that the Permanent Secretary approved one lump sum payment totalling \$2,225,533 or 95% of the total amount on 16/07/18 instead of quarterly payments of \$586,940.25. According to the consulting engineer's progress report for the period ending July 2018 - January 2019, the contractor had mobilised onsite and had completed earthworks, which the grant recipient confirmed commenced on 15/06/18. This indicated that despite the delay in the completion of the first quarter's scope of works³, 95% of the project payment had already been made.

The grant recipient had project cash balance of \$3,414,014 as at 30/11/18. A total of \$2 million dollars was invested into short term deposits with commercial banks without the knowledge of the Department until enquiries were made during audit on 18/07/19. The grant recipient informed the Department on 19/07/19 that due to delays in construction works, funds were invested in short term deposit.

Root Cause/Implication

The finding indicated that the Department did not comply with the conditions of the Agreement by making payments that were not due while works were incomplete. Funds were only utilised during the last month of the financial year.

Recommendation

The Department should establish proper structures and processes to ensure compliance with the terms of the Grant Agreement.

Agreed Management Action

We have noted your comments. All Capital Grant are released on quarterly basis based on tranches. Completion certificate of the work needs to be provided.

The Ministry will ensure that capital grant will be released upon completion of the works subject to certification by lead consultant and clearance from Construction Implementation Unit (Ministry of Economy) followed by signed agreement.

A fully fledged accounting team is now with the Ministry and will ensure that all contractual payment and checked and verified with the contractors. A newly established accounts team has been recruited into the Ministry between 16th September 2019 to 24th January 2020, the team comprises with Senior Accounts Officer, Assistant Accounts Officer and Clerical Officer.

¹ Grant Agreement between The Ministry of Local Government, Housing & Environment and Public Rental Board dated 11/10/17, Schedule 1

² Grant Agreement between The Ministry of Local Government, Housing & Environment and Public Rental Board signed on 11/10/17, Section 5.2 (a). The dedicated bank account was held at Bank of South Pacific, Account name Public Rental Board (Simla Housing project) account number 80291801

³ Quarter 1 scope of works as per grant agreement- Foundation works, Subfloor works, ground floor works, interior & exterior concrete walls for Building 1 & 2

The Senior Accounts Officer has been tasked to verify all contractual documentation in consultation with relevant project officers to ensure that government funds are released in compliance with grant agreement and prevailing regulation.

23.11 Anomalies in Expenditure

The Senior Accountant must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.⁴ The Senior Accountant or Assistant Accountant must check every morning that all transactions from the previous day are updated in GL.⁵

Review of the acquittal report for grant subsidy for First Home Buyers, Housing Assistance to Fire Victims and Grant to City Wide Upgrade revealed that the amount acquitted exceeded the General Ledger (FMIS) balances. As a result, SEG 10 balance in the general ledger was understated by \$203,380. Refer to Table 23.3 below for details.

Table 23.3: SEG 10 general ledger in understated

Allocation	Description	FMIS General Ledger balance (\$)	Acquittal Payment details (\$)	Variance (\$)
1-23101-23999-100212	First Home Buyers	3,355,810	3,520,000	(164,190)
1-23101-23999-100213	Housing Assistance to Fire Victims	175,810	185,000	(9,190)
1-23101-23999-100214	City Wide Upgrade	370,000	400,000	(30,000)
SEG 10 is understated by				(208,380)

Root Cause/Implication

The Department did not reconcile the balances in the General Ledger with the acquittal reports which indicated that proper checks were not carried out by the Accounts Section.

Recommendation

The Department should ensure that supervisory checks are in place to ensure that acquittal statements are scrutinised and posted to the correct allocation in the FMIS general ledger.

Agreed Management Action

We have noted your comments. The Ministry will ensure that all expenditure are correctly charged in the correct expenditure vote and also supervisory checks are done for all payments processed.

On the same note, the Ministry has submitted to Ministry of Economy for adjustment on 29/10/2019.

The Ministry's accounts section is now checking and verifying all expenditure postings i.e. correct allocation is used for any expenditure created during the year.

⁴ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 2.8. 4 (v)

⁵ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 2.8.12

23.12 Records not provided

The timecards and timesheets should be checked for accuracy and signed by the Assistant Accountant for wage employees before transferring to the Wages Section for processing payment.⁶

Audit of wages payments revealed that the supporting endorsed timesheets were not made available to ascertain the accuracy of payment of overtime, meal allowance and wages. Refer to Table 23.4 below for details.

Table 23.4: Payment of wages not supported by endorsed timesheets

Date	Cheque No.	Amount (\$)	Date	Cheque No.	Amount (\$)	Date	Cheque No.	Amount (\$)
24/07/17	44266	1,115	30/01/18	44979	1,001	17/04/18	45183	2,876
31/07/17	44331	1,052	05/02/18	45010	882	01/05/18	45227	1,011
29/08/17	44403	1,173	12/02/18	45033	1,182	15/05/18	45270	3,542
20/11/17	44718	1,196	20/02/18	45052	1,012	22/05/18	45293	3,335
02/01/18	44868	1,293	26/02/18	45070	952	04/06/18	45321	3,178
09/01/18	44888	1,139	06/03/18	45089	3,711	26/06/18	45374	3,548
16/01/18	44912	1,375	09/04/18	45166	1,012	Total		35,585

In addition, the following records for capital expenditures were not provided during the audit. Refer to Table 23.9 below for details.

Table 23.9: Records not provided

Allocation	Allocation Description	Payee	Amount (\$)	Purpose	Comments
1-23101-23999-080411	Upgrade of Informal Settlement	Scope Pacific Consultant	16,895	Payment done to Scope Pacific Consultant for Sasawira Squatter upgrading project	The following were not provided: <ul style="list-style-type: none"> • Stages of work performed by the consultant for each phase • Breakdown of payments done
1-23101-23999-100210	HA – Social Housing Policy	Housing Authority	500,000	To provide financial assistance to mortgage customers	<ul style="list-style-type: none"> • Acquittals not provided

Root Cause/Implication

The failure to provide records is an indication of poor records management and lack of monitoring by supervisors

⁶ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 4.14.3

Recommendations

The Department should ensure that:

- all approved timesheets are maintained as evidence for payments of overtime, meal allowance and wages; and
- records for capital expenditures are properly maintained and provided for audit verification.

Agreed Management Action

Timesheets

We have noted your comments. All weekly timesheet are checked and approved by the supervisor followed by verification by Senior Accounts officer before it is entered into the Government Payroll system. The payroll edits reports are further verified by Assistant Accounts Officer with the timesheet data before payments are processed. All payments of wages incorporates the approved timesheets and overtime.

Currently wages reconciliation are prepared on timely basis and submitted to MOE Salaries Section with correct balance captured in the payroll report before the cut-off date.

In addition to this, the wages reconciliation are performed on monthly basis and all verification is done by the responsible officers assigned.

Capital Expenditure Records

We have noted your comments.

The Ministry's accounts team is currently maintaining all accounting records in a very efficient manner. All internal is now in place and effectively used by the team.

23.13 Variance between FMIS and Payroll Report

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorised payments, inaccurate payroll reports and invalid pay rates.⁷

We noted an unreconciled variance of \$47,571 between the general ledger (FMIS) ledger balance and the Department's payroll report balance for Established Staff. Refer to the Table 23.5 below for details of the variances.

⁷ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Part 4, Introductory paragraph

Table 23.5: Variance in payroll figures

	(\$)	Established Staff (\$)
FMIS Personal Emoluments/Wages as at 31/07/18		462,562
Add Allowances		9,465
Add Overtime		428
Less Approved virement ⁸ to pay Senior Technical Consultant. Details as per contract ⁹		
• Basic pay of FJ\$7000/month(10*7000)	70,000	
• Rental Allowance of \$30,000(pro rota basis). 30,000/12*10	25,000	
• Medical insurance allowance of \$1,500 p.a (pro rota basis). 1,500/12*10	1,250	
		(96,250)
Total		376,205
Less Payroll Summary Report and manual payments as at 31/07/18		328,634
Variance		47,571

Root Cause/Implication

The lack of reconciliation between the FMIS and Payroll reports has resulted in the variance. Human resource constraints in accounts sections has contributed to the non-performance of reconciliation between the FMIS GL and Payroll reports and resulted in the significant delays in the preparation of payroll reconciliations.

Delays in preparing reconciliations may result in errors, omissions and mispostings not detected and rectified in a timely manner.

Recommendations

The Department should ensure that:

- the Accounts Section have adequate staff to perform reconciliations between FMIS general ledger and Payroll Report;
- payroll reconciliations are prepared on a timely basis; and
- any variance noted should be investigated and adjusted accordingly.

⁸ Virement 23003/17-18

⁹ Agreement for Engagement of the Senior Technical Consultant signed on 8/9/17 between Ministry of Local Government, Housing and Environment and the Senior Technical Consultant. Term duration of 18 month with effective from 27 September 2017 to 26 March 2019.

Agreed Management Action

As a way forward, the Ministry has looked into this issue and actions have been taken accordingly by strengthening the accounts team of which a designated officer (Assistant Accounts Officer) has been assigned to verify all salaries payments for Established staffs on a fortnightly basis and to ensure that all Established payroll data is correctly captured in the payroll report under the correct FMIS ledger.

23.14 Payroll reconciliations not performed on time

The Assistant Accountant must reconcile all accounts to be submitted to Ministry of Economy within two weeks after the closing of each monthly account.¹⁰ The Senior Accountant must verify all the reconciliations before signing and submitting it to Ministry of Economy.¹¹

Apart from operating grant, payroll makes up the largest component of operating expenditure for the Department. We noted that payroll reconciliations were not performed in a timely manner. Reconciliations for year ending 31 July 2018 was prepared in 2019, 19 months from when the reconciliation were due. Refer below for details:

- Established Staff - All reconciliations from Pay 16/2017-26/2017 and 01/2018 to 15/2018 were prepared on 30 April 2019. This was a lapse of 19 months from when the reconciliations were due (Sept 2017 to April 2019)
- Government Wage Earners - All reconciliations from Pay 33/2017-52/2017 and 01/2018 to 32/2018 were prepared on 30/4/19. This was a lapse of 19 months from when the reconciliations were due (Sept 2017 to April 2019).

Root Cause/Implication

Human resource constraints and weak supervision has resulted in the significant delays in the preparation of payroll reconciliations.

Delays in preparing reconciliations may result in errors, omissions and mispostings not detected and rectified in a timely manner.

Recommendation

The Department should ensure that the Accounts Section have adequate staff to perform accounting functions in a timely manner.

Agreed Management Action

We have noted your comments and the Ministry has now preparing all payroll reconciliation on timely basis. Current status all reconciliation has been prepared and submitted to MOE on timely basis.

¹⁰ Ministry of Local Government, Urban Development, Housing and Environment, Proforma Finance Manual 2013, Section 17.2.4

¹¹ Ministry of Local Government, Urban Development, Housing and Environment, Proforma Finance Manual 2013, Section 17.2.5

23.15 Revolving Fund Account

The Assistant Accountant must also record the travel advance in the debtors register.¹² Any errors or misallocations must be immediately adjusted by way of journal vouchers.¹³ Where an advance has not been acquitted within seven days of travel, the Senior Accountant shall effect recovery through a salary deduction from the concerned officer's salary within six (6) fortnights.¹⁴

We noted the following anomalies:

- The Department maintained an accountable advance register from January 2018. Prior to this there was no record of advances issued. The Department and Ministry of Local Government had the same Accounts Section and despite this, the listing of outstanding advances issued and retired prior to January 2018 was not prepared.
- **Accounts Receivable-Individual Allocation No. 1-23101-23999-560203** - The accounts had a credit balance of \$46,036 as at 31/07/18 which is contrary to its nature. The Department on 14 October 2018 made a request to the Ministry of Economy to adjust this amount to equity. However, at the date of audit¹⁵, the balance remains unchanged as no response has been received from the Ministry of Economy.
- **Advances Allocation No. 1-23101-23999-570301** – The account had a debit balance of \$181,111 as at 31/07/18. The account balance had an increasing trend in the last 5 years except for a decrease in 2015. Refer to Table 23.6 below for details.

Table 23.6: Advances balances

2014 (\$)	2015 (\$)	2016 (\$)	2017 (\$)	2018 (\$)
165,294	163,794	177,399	178,999	181,111

- The Department provided a breakdown of balances as at 31/07/18 where the advances were from the years 2013 to 2018. However, detailed listing of staff that have not retired advances were not provided.

Root Cause/Implications

In the absence of accountable advance registers prior to January 2018 and listings, it was difficult to determine whether staff retired accountable advances on time and any remaining advances not yet retired.

¹² Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 10.1.10

¹³ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 16.3.4

¹⁴ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 10.1.14

¹⁵ 31/07/18

Recommendations

The Department should:

- strengthen the management and administration of accountable advances;
- effectively deal with accounts that had credit balance; and
- identify staff who have not retired advances issued to them and initiate recovery procedures.

Agreed Management Action

We have noted your comments; Assistant Accounts Officer has been assigned to record and reconcile the RFA.

The account team are currently working with Ministry of Local Government Accounts Personnel to scrutinise previous records to draw up the outstanding advance list prior to January 2018 to verify whether outstanding advances were retired and cleared. This exercise is planned to be completed before July 2020.

The Ministry has made a submission for a book entry adjustment to Ministry of Economy on 14/10/2018 to regularise the previous year's outstanding advances through the book entry adjustment. The Ministry submission is currently being considered for adjustment by Ministry of Economy. The adjustment is currently with internal audit for verification before submitted to FMIS for entry.

Timely reconciliation is done for RFA and submitted to MOE.

All underline reconciliations for 2019-2020 accounting period are submitted to Ministry of Economy on timely basis.

23.16 VAT overstatement

Any errors or misallocations must be immediately adjusted by way of journal vouchers.¹⁶

We noted a variance of \$52,975 between estimated VAT and SEG 13 VAT. Refer to Table 23.7 below for details.

Table 23.7: Variance in VAT

	Amount (\$)
Total SEGS subject to VAT - 3 / 4 / 5 / 7 / 8 / 9	2,446,392
Less: Subsistence Allowance (SEG 3)	42,862
Total Estimate Expenses Subject to VAT	2,403,530
Estimated VAT	216,318
SEG 13 (VAT)	269,293
Variance	52,976

In addition, monthly reconciliations for Valued Added Tax (VAT) were not prepared. This was confirmed by the Manager Finance.

¹⁶ Ministry of Local Government, Urban Development, Housing and Environment, Proforma Finance Manual 2013, Section 16.3.4

Root Cause/Implication

On 19/9/17, a cheque of \$51 397 for VAT payment was issued and the amount was posted to the FMIS general ledger. We noted that before this cheque was presented to the bank, another cheque of \$51,079, for the same expenditure was written on 13/12/17 and the transaction was also posted into the FMIS general ledger.

The issuing of the second cheque resulted in the overstatement of the VAT allocation.

Recommendation

The Department should investigate and rectify the VAT overstatement.

Agreed Management Action

We have noted your comments; the sum of \$51,397.14 had not been paid to Fiji Revenue & Customs Service on 19/9/2017 via Cheque no. 44518. This has been confirmed with the Drawings Bank Statement from 1/8/2017 to 31/7/2018 as attached. The said cheque payment became stale after 6 months i.e. (20/3/2018) however, in the AP and GL module it showed as paid and disbursed into GL.

The payment to iTLTB amounting to \$51,079.14 via cheque no. 44820 dated 13/12/2017 had been presented in the Drawings bank Statement on 15/12/2017.

23.17 Incorrect posting of Expenditures – Recurring Issue

The Senior Accountant must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.¹⁷ The Senior Accountant or Assistant Accountant must check every morning that all transactions from the previous day are updated in GL.¹⁸

Our review of the postings to the Capital Construction allocation (SEG 8) in the FMIS general ledger revealed that some payments were recorded at the VAT Inclusive Price. Consequently, SEG 8 was overstated and VAT allocation under SECG 13 understated. Refer to Table 23.8 below for details.

Table 23.8: Incorrect Posting

Date	Cheque/ EFT No.	Particulars	Amount (\$)	Comments
31/7/18	45462	Payment of Lease offer to iTLTB for development lease for area Siberia, Emily part of District, Macuata, Osonabukete(Suva), , Nasioquele (Naitasiri)	571,079	VAT portion of \$29,327.06 was not charged to VAT allocation. Hence VAT allocation is understated and SEG 8 expenditure allocation is overstated.
18/7/18	45420	Payment of development lease to iTLTB for area Siberia Batinikama \$171,091.88, Siberia Emily-	477,519	VAT portion is overstated by \$1,940.46 and SEG 8 is understated by \$1,940.46

¹⁷ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 2.8. 4 (v)

¹⁸ Ministry of Local Government, Urban Development, Housing and Environment Proforma Finance Manual 2013, Section 2.8.12

Date	Cheque/ EFT No.	Particulars	Amount (\$)	Comments
		\$45,303.39 and Siberia Balivaliva- \$261,123.64		
15/06/18	912	Payment to EDP 53915 reimbursement of airfare.	2,004	Reimbursement of airfare of \$2,004 should have been posted to Travel in SEG 3. However \$1,000 posted to SEG 5 Training Expenses & \$1,004 posted to SEG 7 National Housing Implementation Plan.

Root Cause/implication

The main contributing factor to the audit finding was the engagement of inexperienced staff in Accounts Section.

Recommendation

The Department should ensure that capable and competent officers are employed at Accounts Section to deal with financial matters.

Agreed Management Action

The fully fledged accounts team is now posting all expenditure in correct allocation. For any mis- posting journal voucher is raised and adjusted accordingly. The team is also timely processing all expenditure and correctly posted.

23.18 Late Submission of Draft Agency Financial statements – Recurring Issue

The first Draft Financial statements were submitted for audit on 22/02/19, more than five months after the due date.

We noted errors in the draft financial statements submitted which the Department confirmed and agreed to. Amendments were made and the second draft financial statements was submitted on 19/08/19.

Root Cause/implication

Resource constraints with the Accounts Section.

Failure to submit the draft financial statements on time resulted in the delay in the finalisation of the audit and the submission of audit reports to Parliament

Recommendation

Adequate resources should be allocated for the accounting function to ensure that the Department complies with the Ministry of Economy's Closing of Accounts Procedure and submit draft financial statements to the Auditor-General on time.

Agreed Management Action

Audit findings are noted. The Ministry encountered the mentioned issue due to low staffing capacity. Facilitation of audit requests were made possible after the recruitment of additional accounts staff.

The Ministry has submitted the 2018-2019 Draft Agency Financial statements (AFS) to Office of the Auditor General before the cut-off date of the AFS submission as per 2018-2019 Closing of Accounts Circular.

23.19 Absence of Underline Accounts Reconciliations – Recurring Issue

We noted that the Department's underline accounts reconciliations were not prepared in a timely manner. Reconciliations for year ending 31 July 2018 were prepared in 2019. Refer to Table 23.9 below for details.

Table 23.9: Reconciliations not prepared on time

FMIS GL Allocation	Description	GL balance as at 31/07/18 (\$)	Remarks
1-23101-23999-536101	Interdepartmental Clearance Account	Nil	One Consolidated reconciliation was prepared on 03/10/2018 for the period August 2017 to July 2018.
1-23000-00000-860000 (Various allocations)	Operating Trust Fund Account	(434,025)	<ul style="list-style-type: none"> One consolidated reconciliation was prepared for the months February 2018 to June 2018. Reconciliation for the month of July was prepared on 29/11/18 <p>Tender deposit allocation number 1-23101-23101-860103 had a balance of \$400,836. However, breakdown of account balance was not provided.</p>
1-23101-23999-570301	Advances	181,111	Two consolidated reconciliations were prepared, August 2017 - January 2018 and February 2018 – June 2018.
1-23101-23999-530301	Drawings account	(122,033)	<ul style="list-style-type: none"> Monthly reconciliations were not prepared Board of survey for drawings account was not provided.

Root Cause/implication

Resource constraints with the Accounts Section.

Without the preparation of reconciliations, errors and omissions cannot be detected and corrected in a timely manner.

Recommendations

The Department should:

- **provide adequate training, supervision and monitoring for staffs at Accounts Section; and**
- **ensure that all reconciliations are up-to-date and provided for audit review.**

Agreed Management Action

The Ministry is currently maintaining all underline accounts effectively and all reconciliations are done on timely basis and submitted to Ministry of Economy every month.

Head 31 Ministry of Fisheries

Role and Responsibilities

The Ministry of Fisheries is responsible for the sustainable management of Fiji's marine resources and for preserving the vital role these resources play in promoting the Fijian way of life. The Ministry monitors and protects the health of marine populations in Fijian waters in order to protect livelihoods of communities that rely on fishing.

The Ministry through legislation is able to strike a balance between fisheries and marine resource utilization and the sustainable management and preservation of these resources. Through its work, the Ministry helps Fiji meet its international obligations as part of the global effort to combat overfishing and prevent the extinction of marine species that are currently at risk.

The Ministry gives full consideration to emerging developments in the fisheries sector, issues relating to conservation and new solutions employed in the fisheries sector to combat illegal, unreported and unregulated fishing practices. The Ministry also works to meet international best practice in implementing sector trade subsidies, maximizing resource rent, improving food security, import substitution and diversification, climate changes adaption and mitigation, blue carbon trading, marine biodiversity conservation and disaster management.

Table of Contents

PART A: FINANCIAL STATEMENTS	2
31.1 Audit Opinion	2
31.2 Statement of Receipts and Expenditure	2
31.3 Appropriation Statement	3
31.4 Trust Fund Account – Fisheries One-third Subsidy Scheme	4
PART B: ASSESSMENT OF FINANCIAL GOVERNANCE	5
31.5 Internal Controls	5
31.5 Submission of FY 2017-2018 Draft Agency Financial statements	6
31.6 Quality of Draft Financial statements by Entities	7
31.7 Timeliness of Draft Financial statements	7
31.8 Timeliness of Provision of Management Comments	7
31.9 Timeliness of Signed Financial statements Received	7
PART C: OTHER SIGNIFICANT MATTERS	8
31.10 Anomalies in Payroll	8
31.11 Anomalies in Revenue	9
31.12 Anomalies in Underline Accounts	11
31.13 Misallocation of Expenditures	13
31.14 Anomalies in Payments	13
31.15 Records not provided	14
31.16 Variance in payroll	15
31.17 Brackish Water, Galoa Station and Naduruloulou Research Service Centre, Nausori	16
31.18 Anomalies in the Fisheries Main Trust Fund Account – Recurring Issue	18
31.19 Absence of Risk Management Policy– Recurring Issue	20
APPENDIX 1: MISALLOCATION OF EXPENDITURES	21
APPENDIX 2: PAYMENT ANOMALIES	25
APPENDIX 3A: PAYMENT VOUCHERS NOT PROVIDED	26
APPENDIX 3B: JOURNAL VOUCHERS NOT PROVIDED	26
APPENDIX 3C: APPROVED BOARD OF SURVEY NOT PROVIDED	27
APPENDIX 3D: APPROVED VIREMENT COPIES NOT PROVIDED	27
APPENDIX 3E: PAYROLL FILES NOT PROVIDED	27
APPENDIX 3F: LISTS OF DOCUMENTS NOT PROVIDED FOR AUDIT VERIFICATION	27

PART A: FINANCIAL STATEMENTS

31.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Fisheries resulted in a qualified audit opinion with an Other Matter paragraph. The qualification issues were as follows:

- The Ministry recorded Capital Construction of \$4,756,332 and Capital Purchase of \$653,185 in the Statement of Receipts and Expenditure for the year ended 31 July 2018. The Ministry was unable to provide me with payment and journal vouchers totalling \$954,252 to support the above balances. As a result, I was unable to verify the completeness and accuracy of the balances and also unable to determine whether any adjustments might have been necessary in respect of Capital Construction and Capital Purchase at the end of the financial year.
- An unreconciled variance of \$1,727,621 exists between Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earner. In addition, internal controls over payroll were generally found to be weak. This relates to the incorrect preparation of salary reconciliations. Consequently, I was unable to establish the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.
- The Ministry did not maintain a detailed listing of beneficiaries of the Trust Fund Account. Consequently, I was not able to substantiate the completeness of the closing balance of \$261,684 reflected in the Statement of Receipts and Payments of the Trust Fund Account.

Other Matter

Internal controls over revenue, underline accounts and expenditure were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the near future. These relate to the delay in banking of revenue collected and delay in preparation of underline accounts reconciliations. Payments were also made without local purchase orders being raised, three competitive quotation not being obtained, misallocation of expenditures and payments were made without payment vouchers being certified.

31.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$2,197,079 and incurred a total expenditure of \$15,134,297 for the year ended 31 July 2018. Details are provided in Table 31.1.

Table 31.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Vessel Registration	19,468	---
Fishing Licence	9,471	---
Sale of Fish and Ice	266,028	---
Offshore fees	1,838,670	---
Other fees	63,442	---
TOTAL REVENUE	2,197,079	---

Description	31 July 2018 (\$)	31 July 2017 (\$)
Established Staff	4,902,846	---
Government Wage Earners	1,601,727	---
Travel and Communications	494,771	---
Maintenance & Operations	1,642,482	---
Purchase of Goods and Services	231,778	---
Operating Grants and Transfers	9,501	---
Special Expenditures	230,047	---
Total Operating Expenditure	9,113,152	---
Capital Construction	4,756,332	---
Capital Purchases	653,185	---
Total Capital Expenditure	5,409,517	---
Value Added Tax	611,628	---
TOTAL EXPENDITURE	15,134,297	---

In the 2016-2017 financial year, the financial statements were consolidated with the financial statements of Ministry of Fisheries and Forests in accordance with the 2016-2017 Appropriation Act. The 2017-2018 financial statements is only for the Ministry of Fisheries and does not consolidate with the Ministry of Forests. For comparative purposes, the 2017 figures are not reflected as they are reflected in the Ministry of Forests financial statements.

Revenue mainly comprised of Vessel Registration fees, Sale of Fish & Ice, Offshore Fisheries Management fees, Access Fees, Application Fees, Activity Fees, Permitting Fees and Miscellaneous Revenue.

31.3 Appropriation Statement

The Ministry incurred expenditure totalling \$15.1 million in 2017-2018 against a revised budget of \$18.8 million, resulting in a saving of \$3.7 million.

Details of expenditure against the revised budget are provided in Table 31.2.

Table 31.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	5,378,378	(186,489)	5,191,889	4,902,846	289,043
2	Government Wage Earners	1,602,761	186,489	1,789,250	1,601,727	187,523
3	Travel & Communications	504,700	84	504,784	494,771	10,013
4	Maintenance & Operations	1,669,840	7,674	1,677,514	1,642,482	35,032
5	Purchase of Goods & Services	252,514	197	252,711	231,778	20,933
6	Operating Grants & Transfers	10,000	---	10,000	9,501	499
7	Special Expenditures	255,500	(15,209)	240,291	230,047	10,244
	Total Operating Expenditure	9,673,693	(7,254)	9,666,439	9,113,152	553,287
8	Capital Construction	7,494,825	7,254	7,502,079	4,756,332	2,745,747

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
9	Capital Purchases	665,000	---	665,000	653,185	11,815
	Total Capital Expenditure	8,159,825	7,254	8,167,079	5,409,517	2,757,562
13	Value Added Tax	975,700	---	975,700	611,628	364,072
	TOTAL	18,809,218	---	18,809,218	15,134,297	3,674,921

The savings in capital construction was due to delay in the tender process and release in funds.

31.4 Trust Fund Account – Fisheries One-third Subsidy Scheme

Prior to the 2017 – 2018 financial year, the financial statements for the Ministry of Forests and Ministry of Fisheries were consolidated in accordance with the Appropriation Act. The figures in the 2017 – 2018 financial statements represent the Statement of Receipts and Payments for the Trust Fund account for the Ministry of Fisheries only.

Table 31.3: Statement of Receipts and Payments – Fisheries 1/3 Subsidy Scheme

Description	31 July 2018 (\$)	31 July 2017 (\$)
Opening balance	190,095	191,922
<u>Receipts</u>		
One – third Subsidy Contribution	72,439	47,677
Total Receipts	72,439	47,677
<u>Payments</u>		
Retention money	850	49,478
Bank fees charges	---	26
Total Payments	850	49,504
Closing balance as at 31/7/18	261,684	190,095

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

31.5 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 that non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.

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

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

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

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

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

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


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

Examples of issues which would fall under this category are self-assessment by entities 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 Ministry as:

Ratings	Internal control assessment
 Ineffective	Significant deficiencies identified in internal controls

31.5 Submission of FY 2017-2018 Draft Agency Financial statements

On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed. The final day for closing the 2018 accounts was 31 October 2018.

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- 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:

Ratings	Year-end close process assessment
☀ Generally effective	Five of 10 key processes completed within two weeks of due date

31.6 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:

Ratings	Quality of draft financial statements assessment
☠ Ineffective	No adjustment was carried out but the issues raised resulted in qualifications in the auditor's report

31.7 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:

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

31.8 Timeliness of Provision of Management Comments

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

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

31.9 Timeliness of Signed Financial statements Received

To assess the timeliness of signed accounts received, we have compared the date financial statements was sent to Ministry for signing and the date signed financial statements was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Signed Financial statements Received
☠ Ineffective	Signed financial statements received after 15 days

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

31.10 Anomalies in Payroll

The salary reconciliation must be signed by the accounts officer.¹ 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.²

Our review of the Ministry's payroll records revealed the following:

- Salary reconciliations prepared for August 2017 to July 2018 were not dated; and
- Opening balance in reconciliations for some pay periods did not agree with the closing balance of previous pay's reconciliation.

Please refer to Table 31.4 for details:

Table 31.4: Salary Reconciliation Closing Balance Do Not Match with the following Pay's Opening Balance

Pay	Opening Balance (\$)	Increase (\$)	Decrease (\$)	Closing Balance (\$)
16/2017	222,693.15	36,788.19	31,573.70	227,907.64
17/2017	219,092.28	89,974.22	34,500.92	274,565.58
18/2017	200,930.74	7,798.68	7,798.68	200,930.74
21/2017	191,092.58	21,812.67	8,282.34	204,622.91
22/2017	195,782.22	49,115.20	7,879.27	237,018.15
23/2017	195,782.22	49,115.20	7,879.27	237,018.15
07/2018	271,213.39	(34,233.55)	(821.93)	237,801.77
08/2018	236,992.81	14,524.92	9,086.17	242,431.56
09/2018	241,568.26	21,833.19	5,417.52	257,983.93

¹ Ministry of Fisheries & Forests Finance Manual 2013, Section 3.4.5

² Ministry of Fisheries & Forests Finance Manual 2013, Section 3.4.4

Pay	Opening Balance (\$)	Increase (\$)	Decrease (\$)	Closing Balance (\$)
11/2018	247,886.66	7,517.29	5,376.56	250,027.39
12/2018	248,709.75	(5,456.39)	(259.91)	243,513.27

Root Cause/Implication

The findings indicate that reconciliations were not prepared on time and the absence of such details in reconciliation may result in the Ministry not being able to detect possible irregularities in the payment of salaries on a timely basis.

Inaccurate closing and opening balances indicate that reconciliations prepared were not properly checked and verified.

Recommendations

The Ministry should:

- **improve its reconciliations by including dates of preparation, checking and signing by supervising officer to ensure accountability for the reconciliations; and**
- **ensure that the closing and opening balances are accurately reflected in the reconciliations.**

Agreed Management Action

The Ministry of Fisheries acknowledges the audit findings and confirmed that there was an oversight on the report used by the reconciliation officer at the time of reconciliation thus the outcome of the audit findings. The reconciliation officer was not using the opening balance from the pay summary instead using the pay reconciliation opening and closing balance in the payroll. This arises after the rotation of responsibilities and an oversight after the handing over from the previous reconciliation officer.

The Ministry confirms that we will include the date the reconciliation is prepared before the submission to the Ministry of Economy.

31.11 Anomalies in Revenue

The authorised revenue collector should bank money received on a daily basis.³

We noted the following anomalies:

- Cash analysis sheets submitted to Headquarters for input into the FMIS general ledger were not endorsed by the Station Heads. Justification provided by the Ministry revealed that Supervising Officers were either involved in community engagements or attending meetings at Headquarters/Divisional Offices.
- Instances were noted where the banking was not done on a daily basis.

Refer to Table 31.5 and 31.6 for details:

³ Ministry of Fisheries & Forests Finance Manual 2013, Section 4.4.2

Table 31.5: Revenue Collectors Sheets not signed by Station Heads

Date	Receipt No.	Station	Total Amount Banked (\$)
26/06/18	560439 - 560446	Ba	407.90
27/06/18	560447 – 560450 and 560701	Ba	232.30
25/06/18	560429 - 560438	Ba	331.85
30/07/18	565017 - 28	Off Shore Division	627.90
28/06/18	560702 - 705	Ba	232.55
3/07/18	560706 - 12	Ba	406.10
05/07/18 - 06/07/18	560720 - 23	Ba	200.10
5/07/18	560716 - 19	Ba	210.00
4/07/18	560713 - 15	Ba	114.90
24/07/18 - 26/07/17	564975 – 999 and 565000 - 07	Off Shore Division	12,198.70
26/07/18 - 27/07/18	565008 - 16	Off Shore Division	311.25
Total			15,273.55

Table 31.6: Delay in Banking

Date	Receipt No.	Amount (\$)	Station	Banking Date	Delay in Banking by (Working Days)
10/07/18 - 11/07/18	184596 – 600	49.40	Rakiraki	19/07/18	6 - 7 working days
10/07/18	529742 – 43	25.60	Sigatoka	16/07/18	4 working days
02/07/18 - 09/07/18	562709 - 750, 561901 – 950 and 564251 – 279	25,277.70	Off Shore Division	10/07/18	1 – 6 working days
25/06/18	561333 – 35 and 561337 – 50	691.20	Off Shore Division	02/07/18	5 working days
Total		26,043.90			

Root Cause/Implication

Verification of cash collected and banked is compromised as a result of unsigned cash analysis sheets.

Receipts not banked on time increases the risk of theft and misappropriation.

Recommendations

The Ministry should ensure that:

- all revenue collector's sheets are signed by the station heads; and
- revenue collected are banked intact daily.

Agreed Management Action

Cash analysis was not endorsed due to Principal Fisheries officer's official engagement in Overseas and Local travel. Revenue collectors at Divisional level were reminded to ensure that all cash analysis sheets were endorsed and verified before the submission to Headquarters.

The delay in the lodgement of Government revenue at the offshore Division was due to expiry of contract for current clerical officer- Offshore and the Division was without clerical officer awaiting the replacement clerk from Fisheries Office Western.

31.12 Anomalies in Underline Accounts

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 The Principal Accounts Officer shall review the un-presented cheque list and determine whether a replacement cheque should be issued for cheques that are stale.⁵ A ledger reconciliation statement shall be signed and dated by the Assistant Accounts Officer-Fisheries.⁶ The Principal Accounts Officer must ensure that any misallocations or outstanding balances from the previous month have been dealt with.⁷

We noted the following anomalies in Underline accounts:

Drawings Account

- Total un-presented cheques as at 31 July 2018 was \$617,595. Included in the un-presented cheque list were stale cheques amounting to \$11,101.

Inter Department Clearing Account (IDC)

- Reconciliations for the months August 2017 to February 2018 were not prepared on a monthly basis. These were all combined and prepared in April 2018.

SLG 84

- Reconciliations from August 2017 to June 2018 were not prepared on a monthly basis but were all combined and prepared in June 2018.
- Reconciliations prepared were not dated thus we were not able to determine whether these were prepared on time.
- Reconciliation for the month of July 2018 was not prepared.

Revolving Fund Account (RFA)

- Reconciliations were not provided for the months of May, June and July 2018.

Imprest Account

- Monthly reconciliations were not maintained for the whole year.

Operating Trust Fund Account

- As at 31 July 2018 Operating Trust Fund Account had a balance of \$199,589 credit which included VAT on revenue which had a balance of \$195,805 or 98.1% of the total operating trust fund balance. This balance increased to \$1,031,862 in period 12, 2019.

⁴ Ministry of Fisheries & Forests Finance Manual 2013, Section 14.4.1

⁵ Ministry of Fisheries & Forests Finance Manual 2013, Section 5.5.2

⁶ Ministry of Fisheries & Forests Finance Manual 2013, Section 13.4.3

⁷ Ministry of Fisheries & Forests Finance Manual 2013, Section 13.4.4

Root Cause/Implication

The anomalies highlighted above could have been avoided if proper reconciliations were carried out in accordance with the Ministry's Finance Manual.

Delay in preparing reconciliations may result in errors and omissions not being detected and rectified in a timely manner.

Non-clearance of liabilities on time may contribute to the overstatement of government liabilities which can also result in write off of unsubstantiated balances in future.

Recommendations

The Ministry should ensure that:

- **adjustments are made for stale cheques;**
- **reconciliations are prepared on regular basis and are timely; and**
- **outstanding operating Trust Fund account balances are cleared on a timely basis.**

Agreed Management Action

- *The Ministry acknowledges and confirms that a Memorandum dated 17/07/2019 had been submitted to the Ministry of Economy for their approval on the stale cheques to be written off. The Ministry awaits confirmation from them in order to clear all these stale cheques.*
- *There is an improvement on the submission of the reconciliation to the Ministry of Economy after the appointment of Accounts staff and we are able to submit our reconciliation on a timely basis to Ministry of Economy.*
- *The Operating Trust on VAT was cleared late due to lack of staff to carry out this important task.*
- *AO with the assistance of Accounts staff managed to compile VAT on revenue and upon approval from PS Fisheries with the advice from the Ministry of Economy. The outstanding VAT on revenue was cleared (outstanding on 2017/2018) on 26/11/2019.*
- *The Accounts staffs were consistently distributed with the reconciliation roles thus the Ministry is submitting our reconciliation on a timely basis.*

IDC clearance

There was a separation between the two Ministries in mid-2017 but we still share the same Account, there was only one AAO managing the office until the appointment of PAO on the 14/12/2017. The Team managed to successfully execute numerous responsibilities on opening Ministry Drawings, VAT registration, and payroll and budget set up thus the delay in the preparation and submission of the Ministry Underlining reconciliation to the Ministry of Economy.

The delays on the post processing for Accounts posts due to the Open Merit Recruitment process and the challenges faced in terms of compiled to Finance Instruction was not implemented; hence the contributing factor to non-compliance for submission of reconciliation on all the Underline Accounts.

SLG84 Reconciliation

The delay on the filling of Accounts vacant posts leads to the delay of the reconciliation submission to the Ministry of Economy.

Imprest Account

The Ministry acknowledged the audit findings and confirmed that there was no designated staff to handle the monthly reconciliation for imprest, however this has been rectified and we are maintaining this monthly reconciliation.

31.13 Misallocation of Expenditures

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes:

- (a) the correct tax code;
- (b) the ledger account it is charged to.⁸

Review of the payment vouchers noted that the Ministry charged expenditures to incorrect allocations during the year which were not corrected at the end of the financial year. Refer to **Appendix 1** for details.

Root Cause/Implication

The above findings indicate that the Ministry did not promptly regularise the deficiencies noted during the closing of accounts process resulting in misallocation of expenditure. These situations can arise when budget funding is not available in a particular allocation and payments made are charged to other allocations.

Recommendations

The Ministry should ensure that:

- **supervisory checks are in place to ensure that misallocations are corrected at the end of the financial year; and**
- **all transactions are posted to the correct allocations in the FMIS general ledger.**

Agreed Management Action

The Ministry acknowledges the audit findings and agrees on which we cannot deviate that we misallocate to face the challenges on inadequate funding on unforeseen circumstances with unlimited funds to cater for the Ministry expenditure.

We will implement corrective actions to maintain the Misallocation register to record all misallocation and raise journal vouchers to correct misallocation.

31.14 Anomalies in Payments

A local purchase order shall be issued when procuring any goods, services or works from a business within Fiji, unless a contract or agreement has been entered into.⁹ The payment clerk 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 Assistant Accounts Officer for certification.¹⁰ Competitive quotes, instead of public tenders, must be obtained for

⁸ Finance Instructions 2010, Section 14 (1) Part (e) and (g)

⁹ Ministry of Fisheries Finance Manual 2013, Section 2.6.1

¹⁰ Ministry of Fisheries Finance Manual 2013, Section 2.9.3

procurements below \$50,000 unless the Permanent Secretary Fisheries has approved an exemption.¹¹ Immediately after payment has been effected, the Cashier must stamp “paid” on all vouchers and supporting documentation to avoid any double payments.¹²

Our review of payments vouchers and supporting documentation noted the following anomalies:

- Local Purchase orders were not always raised;
- Three competitive quotations were not always obtained;
- Payment voucher and supporting documents was not always stamped “PAID”;
- Instances were noted where payment vouchers were processed without being certified; and
- Instances where copies of original invoices were to the payment vouchers to support the payments made or original invoices were not attached at all.

Refer to **Appendix 2** for details.

Root Cause/Implication

The above findings indicate that proper payment procedures were not followed by the Ministry. Inconsistent application of internal controls increases the risk of unauthorised purchases, purchases from uneconomical vendors, double and uncertified payments.

Recommendation

The Ministry should strengthen internal control measures for payments and ensure that payment processes are strictly followed.

Agreed Management Action

The Ministry agrees to the issues raised and gaps identified. Some contributing factors on the payments issues are:

- **LPOs not raised** – this is due to immediate jobs to be undertaken based on the technicality of our Ice Machines to provide service to the general public.
- **3 quotes not obtained** – most of the related issues were for urgent services needed for the Ice Plant repairs, Hon Ministers travel with Offshore Division Staffs due to the late provisions of itinerary for these official trips.
- **Payment Vouchers not stamped paid** – the Ministry agrees to the issue raised. This was due to the staff shortage faced and we have now addressed the issue accordingly.
- *In view to all the issues raised above, the Ministry has now taken remedial steps to address these and strictly implement internal controls.*

31.15 Records not provided

In the performance of his functions under section 152 of the Constitution of the Republic of Fiji and of his duties under this Act, the Auditor-General or any person duly authorised by the Auditor-General shall be entitled to have access to all records, books, accounts, vouchers, documents, cash, stamps, securities, stores or other Government property under the control of any officer.¹³ The Principal Accounts Officer is responsible for the safekeeping and proper maintenance of all accounting records or documents.¹⁴

¹¹ Department of Fisheries Finance Manual 2013 Section 2.4.2

¹² Department of Fisheries Finance Manual 2013 Section 2.9.10

¹³ Audit Act 1969, Section 7(2)(a)

¹⁴ Ministry of Fisheries, Finance Manual 2013, Section 16.1.3

The Ministry was unable to provide the following documents for audit verification despite several reminders:

- payment/ journal vouchers totalling \$954,251.94;
- revenue documents;
- approved board of survey;
- approved virement copies ;
- capital projects documents ;
- underline accounts documents;
- payroll files; and
- management meeting minutes.

Refer to Appendix 3A, 3B, 3C, 3D, 3E and 3F for details.

Root Cause/Implication

Such finding indicates that accounting records are not properly maintained.

The anomaly was due to the lack of monitoring and supervision by the officers for responsible proper record keeping.

In the absence of accounting records and supporting documents, the accuracy and completeness of the account balances recorded in the financial statements could not be substantiated.

Recommendation

The Ministry should ensure that all accounting records are properly maintained and provided for audit verification when required.

Agreed Management Action

The Ministry of Forestry keeps all the financial records for the Ministry when we were separated and at the time of audit verification and conduct thus we have difficulties in locating our records.

There was no proper Handing over done by the two Ministries and also shared payroll and Drawings Account at the time thus leads to the misplacement of records and delaying in the submission as the same records were verified with the Ministry of Forestry at the time of audit verification.

31.16 Variance in payroll

Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorized payments, inaccurate payroll reports and invalid pay rates.¹⁵

We noted that unreconciled variance of \$1,727,621 exists between the Financial Management Information System (FMIS) and the Ministry's payroll report balance for the Established staffs (SEG 1) and government wage earners (SEG 2).

¹⁵ Ministry of Finance Manual 2013, Part 3, Introductory paragraph
Ministry of Fisheries

Table 31.8: Variances in SEG 1

Particulars	SEG 1 Amount (\$)	SEG 2 Amount (\$)	Consolidated SEG 1 & SEG 2 Balances (\$)
FMIS Balance	4,608,907	1,495,363	6,104,270
Less Payroll Summary Report	3,256,859	1,119,790	4,376,649
Variance	1,352,048	375,573	1,727,621

Root Cause/Implication

Absence of timely reconciliations between the FMIS and Payroll report has resulted in the variance.

Variance between critical records may indicate the existence of errors and omissions and possibly fraud.

Recommendations

The Ministry should ensure that:

- reconciliations between FMIS general ledger and payroll report are accurately carried out; and
- any variance noted should be investigated and adjusted accordingly.

Agreed Management Action

The Ministry of Fisheries was sharing salary into the Ministry of Forestry Head 32 thus all the charges for Ministry of Fisheries were passed through the Fisheries Interdepartmental Clearance Account. The salary charges were passed through our IDC Account: 13110178999536101 on which the Journal voucher was passed to clear the charged from our IDC Account thus hitting the General Ledger.

The variance of Payroll balances and General ledger was due to the clearance of personal emolument charges directed to general ledger instead of automated payroll system.

There were no supporting documents as there was no Form S released from the Ministry of Forestry to be attached for postings.

31.17 Brackish Water, Galoa Station and Nadruloulou Research Service Centre, Nausori

The asset recorder shall keep an inventory card for each inventory item to determine the value of items. Each card must provide the following details:

- date and description of each item purchased;
- quantity purchased and cost price;
- quantity sold;
- quantity remaining and price.¹⁶

¹⁶ Ministry of Fisheries Finance Manual 2013, Section 6.2.1

We noted the following anomalies:

Brackish Water, Galoa

- At the date of audit¹⁷ there was no tally card maintained to record 803 standard blocks and 50 corner blocks.

Please refer to the Figures 1 and 2:



Figure 1: 803 standard blocks



Figure 2: 50 corner blocks

Instances were also noted where tally card record did not match with the actual stock held.

Refer to Table 31.9 below for details:

Table 31.9: Variance in stock balances

Item Name	Stock Card Quantity	Stock Take Quantity	Deficit/(Surplus)
Scoop net 14inch	23	0	23
Summersible pump	5	0	5
WD40 300g	4	1	3
Selley's all clear multipurpose	6	0	6
Net	11	3	8
Nova Roofiing	10 sheets	0	10 sheets
Timber 4 x 2	4	0	4
Timber 2 x 2	7	0	7
Lockwood Padlock	5	0	5
Apco Interior White	12 litres	0	12 litres
Timber 6 x 2	6	8	(2)
Beam block	800	974	(174)

¹⁷ 27/11/19

Nadruloulou Research Service Centre, Nausori

Instances were noted where stocks recorded in the stock card did not agree with the actual stock held. Refer to Table 31.10 below for details.

Table 31.10: Variance in stock balances

Item Name	Stock Card Quantity	Stock Take Quantity	Deficit
Safety glass	7	0	7
Apco metal primer red	8 litres	4 litres	4 litres
Apco high shield	48 litres	40 litres	8 litres
Premix	642 litres	450 litres	192 litres

Root Cause/Implication

Out-dated stock cards or the absence of it may result in theft of stock without being detected in a timely manner.

Recommendation

The Ministry should ensure that tally cards are maintained and updated regularly.

Agreed Management Action

The Clerical Officer Galoa had been reminded to strictly follow the procurement regulation and update the stock accordingly prior to utilization of stock.

31.18 Anomalies in the Fisheries Main Trust Fund Account – Recurring Issue

Our review of the Ministry of Fisheries 1/3 Subsidy Scheme Main Trust Fund account and related records revealed the following anomalies:

- The approval for the Standard Operating Procedures for the Main Trust Fund Account was not provided;
- The detailed listing for the closing balance of \$261,684 as at 31 July 2018 was not maintained by the Ministry;
- Prior to 01/08/17, the Fisheries Trust Account was consolidated with the Ministry of Forests under Head 32. In the 2017- 2018 financial year, the Ministry of Fisheries was separated from Ministry of Forests. However, the Fisheries Trust Account – General Ledger was still recorded under Head 32 (Ministry of Forests); and
- Trust Fund Account cash book maintained by the Ministry was not updated.
- Monthly reconciliations for August to March 2018 were not prepared. Instead, a consolidated reconciliation was prepared on 11/04/18. In addition, the July 2018 reconciliation was not provided for audit.

Refer to the Table 31.11 below for details.

Table 31.11: Reconciliation preparation and endorsement

Prepared date not stated	PS endorsement date not stated
May - 2018	August -2017 to March 2018
June - 2018	April - 2018
	May - 2018
	June - 2018

In addition, the following documents were not provided for audit verification despite several reminders:

- JV No. 11/06 amounting \$71,575.47, JV No. 12/06 amounting \$51.80 and JV No. 31/07 amounting \$65.93;
- Cash analysis sheet;
- Bank lodgements; and
- Trust bank statements from 01/08/17 - 31/07/18.

Root Cause/Implication

The trust fund account is being used to record of retention money and not for the purpose it was approved.

In the absence of detailed listings, proper reconciliation and trust documents, we were not able to ascertain the completeness of the balance reflected in the Fisheries Trust Fund accounts.

Recommendations

The Ministry should:

- obtain approval from Head of Treasury for the opening of a Trust Fund account to deposit retention monies;
- provide relevant documents for audit review at the time of audit;
- develop Standard Operating Procedures for the operation of the Trust Fund Account;
- improve its reconciliation process to include detailed listing of closing balances on monthly basis;
- coordinate with the Ministry of Forestry and Ministry of Economy to transfer trust general ledger account to Appropriation Head 31; and
- maintain all the documents for trust accounts

Agreed Management Action

The Ministry has initiated to reopen the Trust Bank Account that has been temporarily closed as it had been dormant for over 3 years, after advice received from the Treasury Division of Economy. There are correspondences between Ministry of Economy and Fisheries on this on the progress of addressing this issue. The audit issues raised will be addressed once it is reopened, with the GL accesses.

Further, a contributing factor as well was the no proper handing over of records from the Ministry of Forests.

31.19 Absence of Risk Management Policy– Recurring Issue

Each agency must have in place a cost effective system of internal controls which safeguards money and property against loss, avoids or detects accounting errors; and avoids unfavourable audit reports. The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.¹⁸

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

Written policies, procedures and guidelines are meant to manage the risks associated with the following:

- Fraud control and anti-corruption;
- Disaster recovery and business continuity; and
- Assessment of potential conflict of interest

We noted that the risk management policy is still in draft and is yet to be approved.

Root Cause/Implication

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

Recommendation

The Ministry should work towards establishing a governance and accountability function that support the operations of the Ministry by providing financial and operational risk management of external reporting obligations.

Agreed Management Action

The Ministry has a draft of this policy and is now working on reviewing and finalising the document accordingly.

¹⁸ Finance Instruction 2010 – Section 59

APPENDIX 1: MISALLOCATION OF EXPENDITURES

Date	Cheque No.	Payment Details	Amount VEP (\$)	FMIS Allocation Posted to	Correct Expenditure Group
22/06/18	83662	Payment for telephone directory listing advertisement	12,874.31	SEG 4 - Dive Equipment Maintenance	SEG 3 - Telecommunications
31/07/18	84538	Being for June Electricity Payment for various Fisheries station	8,867.00	SEG 4 - Ice Plant	SEG 4 - Power Supply
06/12/17	80236	Purchase of materials for office renovations at Vunisea and Wainibokasi	12,276.55	SEG 4 - Ice Plant	SEG 4 - Spare Parts & Maintenance
06/12/17	80223	Payment for Fishing aggregating Device deployment materials for Lomaiviti.	9,165.50	SEG 4 - Ice Plant	SEG 5
03/01/18	80665	Payment for purchases for safety gear for training Centre students	4,127.06	SEG 4 - Vessel Spare Parts Maintenance	SEG 5 - Training Expenses
04/06/18	83295	Repair & winding of Fisheries Naduruloulou main water pump.	4,449.54	SEG 4 - Fuel & Oil	SEG 4 - Naduruloulou Fish Farm
		Being payment for Energy Fiji Limited bills for Fisheries Department for November 2017.	5,714.46	SEG 5 - Equipment	SEG 4 - Power Supply
01/05/18	82686	Being payment for maintenance & servicing of Level 1 & G Air Conditioner, Takayawa Building, Suva	5,137.62	SEG 5 - Equipment	SEG 4 - Office Equipment, Spare Parts & Maintenance
25/07/18	84351	Reimbursement of accountable advance	100.00	SEG 1 – PE-Salaries	SEG 3 - Subsistence
26/09/17	79034	Perdiem payment 2/10 – 05/10/17	23,546.60	SEG 1 – PE-Salaries	SEG 3 - Subsistence
25/07/18	84351	Reimbursement of accountable advance	100.00	SEG 1 – PE-Salaries	SEG 3 - Subsistence
28/05/18	83105	Reimbursement of accountable advance	350.00	SEG 1 – PE-Salaries	SEG 3 - Subsistence
29/01/18	81081	Payment for EFL Bills for Fisheries Department for the month of December 2017 & January 2018	46,882.72	SEG 8 - Cicia Ice Plant Prep Work	SEG 4 - Power Supply
14/09/17	78843	Payment of perdiem/incidental allowance to Hon. Minister of Fisheries EDP # 48889 for attending Ocean related Ministerial Roundtable for China & Island Countries and	9,485.12	SEG 8 - Marine Resource Inventory Survey	SEG 3 - Subsistence

Date	Cheque No.	Payment Details	Amount VEP (\$)	FMIS Allocation Posted to	Correct Expenditure Group
		Pingtian International Forum on island Conservation & Development in China from 18-24/09/17			
16/01/18	80898	Payment for hire of Excavator for earthworks for the construction of the Makogai Mariculture Center	5,752.00	SEG 8 - Marine Resource Inventory Survey	SEG 8 - Makogai Research Station
26/10/17	79466	Payment for EFL Bills for the month of September and October 2017	41,484.60	SEG 8 - Coastal Fisheries Development	SEG 4 - Power Supply
27/10/17	79530	Payment of per diem to Hon. Minister of Fisheries EDP number 48889 for attending COP23 meeting from 01-19/11/17 in Bonn, Germany.	42,276.98	SEG 8 - Coastal Fisheries Development	SEG 3 - Subsistence
23/10/17	79428	Payment of 50% partial payment for awareness billboards	21,307.34	SEG 8 - Coastal Fisheries Development	SEG 5 – Purchase of Goods & Services
26/09/17	79033	Payment for airfare for Hon. Minister Nadi/Seoul/Paris/Madrid/Vigo/Barcelona/Malta/Dubai/Sydney/Nadi & Ministry staff Suva/Nadi/Seoul/Paris/Madrid/Vigo/Barcelona/Dubai/Sydney/Nadi	19,120.18	SEG 8 - Coastal Fisheries Development	SEG 3 - Travel
5/07/18	83961	Being payment for supply of 1 x 4 way workstation for the new Macuata Fisheries Office.	3,899.04	SEG 8 - Aquaculture Development Program	SLG 84 - 1-31101-78999-840101
16/04/18	82447	Being payment of EFL bills for Fisheries Department for the month of March 2018.	19,000.00	SEG 8 - Aquaculture Development Program	SEG 4 - Power Supply
11/06/2018	83437	Being payment of Pond Construction	5,871.56	SEG 8 - Brackish Water Development	SEG 8 - Food Security Program
22/05/2018	83035	Being payment for carting of hardware material from Suva to Cicia	6,422.00	SEG 8 - Brackish Water Development	SEG 8 – Capital construction
17/04/2018	82482	Being payment for EFL bills for Fisheries Department for the month of March 2018	19,626.82	SEG 8 - Brackish Water Development	SEG 4 - Power Supply
19/03/2018	81929	Being payment of Office table set, Office T2 series executive combination gallant high back chair, bungee cord high back chair & furniture delivery	13,995.41	SEG 8 - Brackish Water Development	SEG 5 - Purchase of Goods & Services

Date	Cheque No.	Payment Details	Amount VEP (\$)	FMIS Allocation Posted to	Correct Expenditure Group
5/12/2017	80212	Being payment for EFL bills for Fisheries Department for the month of November 2017	12,000.00	SEG 8 - Brackish Water Development	SEG 4 - Power Supply
1/12/2017	80201	Payment for excess mileage phase 2 lease vehicles for Fisheries dated 26/06/17	10,000.00	SEG 8 - Brackish Water Development	SEG 4 - Maintenance & Operations
27/11/2017	80053	Being payment of perdiem/incidental allowance to Hon. Minister of Fisheries EDP: 48889 for attend 14th Regular Session of WCPFC in Manila, Philippines from 29/11 - 10/12/17.	16,594.62	SEG 8 - Brackish Water Development	SEG 3 - Subsistence
28/08/2017	78589	Being payment of outstanding accounts and short payments to Total Fiji Ltd Outstanding Invoice - 11,836.27 short payment - 1,280	12,033.28	SEG 8 - Brackish Water Development	SEG 4 - Fuel
26/07/18	84415	Payment of perdiem allowance for 14th Annual Session for the Scientific Committee in Bussan, South Korea on 01-16/08/18	10,708.33	SEG 8 - Cyclone Rehab - Seaweed Developments	SEG 3 - Subsistence
18/01/18	80942	Payment of Professional Fees for the service to 'Develop a Strategic Plan to Develop Sustainable Shrimp Farming in Fiji'	25,798.20	SEG 8 - Cyclone Rehab - Seaweed Developments	SEG 8 - Brackish Water Development
26/09/17	79033	Payment for airfare for Hon Minister Nadi/Seoul/Paris/Madrid/Vigo/Barcelona/Malta/Dubai/Sydney/Nadi & Ministry staff Suva/Nadi/Seoul/Paris/Madrid/Vigo/Barcelona/Dubai/Sydney/Nadi	19,120.18	SEG 8 - Pearl Oyster Spat Research, Culture and Development	SEG 3 - Travel
11/05/18	82907	Payment for 1 Yamaha Outboard engine for Kiuva Qoligoli marine protected area (MPA) custodians for the 30th April MPA Opening	8,609.19	SEG 8 - Pearl Oyster Spat Research, Culture and Development	SEG 9 – Capital purchases
16/05/18	82973	Payment of perdiem/incidental allowance to Hon. Minister of Fisheries EDP:48889 for attending 15 Inforfish World Tuna Trade Conference and Exhibition from 28-30/05/18 at	10,169.08	SEG 8 - Food Security Program - Aquaculture	SEG 3: Subsistence

Date	Cheque No.	Payment Details	Amount VEP (\$)	FMIS Allocation Posted to	Correct Expenditure Group
		Bangkok, Thailand			
11/05/18	82902	Payment for 1 F23-5R Standard Fibreglass boat purchased for the Kiuva Marine Reserve	8,403.67	SEG 8 - Food Security Program - Aquaculture	SEG 9 – Capital purchase
30/07/18	84528	Payment for site levelling services at the New Wainigadru Fisheries Station.	22,008.26	SEG 9 - Purchase of new ice machine	SEG 8: Capital Construction
31/07/18	84538	Payment of June Electricity bill for various fisheries station	53,867.00	SEG 9 - Purchase of new ice machine	SEG 4: Power Supply
25/07/18	84336	Part payment for construction of Rotuma Ice Plant	43,781.46	SEG 9 - Purchase of Aluminium Boat	SEG 8: Capital Construction

APPENDIX 2: PAYMENT ANOMALIES

Date	Cheque No.	Particulars	Amount VEP (\$)	Anomalies
17/05/18	83003	Payment for emergency works for Ice plant at Vanuabalavu	4,469.72	Local Purchase order not raised
24/11/17	80012	Hire of Transport to charter Ice plant equipment	25,462.46	
16/08/17	78456	Payment for advertising for world oceans day awareness campaign	20,600.00	
21/02/18	81487	Payment for boat repairs	3,486.24	3 competitive quotes not obtained
17/05/18	83003	Payment for emergency works at Ice plant at Vanuabalavu	4,469.72	
05/01/18	80693	Payment for rental charges and extension for the hire of rental vehicle.	3,449.54	
24/05/18	83092	Payment for Return Airfare for Ministry staff for the PNA trip to Nauru 5 - 9/03/18.	4,189.00	
23/05/18	83079	Payment for Minister Fisheries & Ministry staff Air Fare to Bangkok.	7,316.38	
06/07/18	83991	Payment of return airfare for Ministry's staffs to Bussan, South Korea, for the 14th Scientific Committee Meeting from 1st - 4th & 16th -18th August 2018.	8,132.00	
16/01/18	80898	Payment for hire of excavator for earthworks for the construction of the Makogai Mariculture Center	5,752.00	
26/09/17	79033	Being payment for airfare for Hon Minister-Nadi/Seoul/Paris/Madrid/Vigo/Barcelona/Malta/Dubai/Sydney/Nadi & Ministry staff Suva/Nadi/Seoul/Paris/Madrid/Vigo/Barcelona/Dubai/Sydney/Nadi	38,240.36	Local Purchase order not raised 3 competitive quotes not obtained
10/05/18	82889	Being for accountable advance paid for meals, subsistence (8 staff) and catering for the Marine resource survey for Qoligoli Tikina Naceva in Kadavu from 11-26/05/18	10,395.00	Payment voucher and supporting documents was not stamped paid
28/08/17	78589	Being payment of outstanding accounts and short payments to Total Fiji Ltd Outstanding Invoice - 11,836.27 short payment - 1,280	12,033.28	Payment voucher was processed without being certified
06/10/17	79203	Payment for 90%(10% upfront & 80% work done)	12,137.61	Photocopied invoice attached
17/01/17	79343	Payment for construction of 30m x 20m, clearing & removal of soil	14,770.64	Local Purchase order not raised Invoice not attached
30/07/18	84528	Payment for site levelling services at the New Wainigadru Fisheries Station.	22,008.26	

APPENDIX 3A: PAYMENT VOUCHERS NOT PROVIDED

Date	Cheque No.	SEG	VEP Amount (\$)	Date	Cheque No.	SEG	VEP Amount (\$)
2/03/18	81714	SEG 3	4,215.11	3/04/2018	82191	SEG 8	4,586.24
10/11/17	79730	SEG 3	2,668.38	28/05/2018	83156	SEG 8	6,048.21
23/03/18	82049	SEG 3	1,460.00	11/01/2018	80825	SEG 8	8,957.15
10/11/17	79755	SEG 3	2,760.00	18/01/2018	80938	SEG 8	22,341.77
22/11/17	79970	SEG 3	3,951.13	16/07/2018	84166	SEG 8	3,965.60
	Total		15,054.62	30/10/2017	79542	SEG 8	14,770.54
16/11/17	79845	SEG 4	4,572.00	16/07/2018	84164	SEG 8	4,655.96
17/04/18	82482	SEG 4	3,300.00	24/04/2018	82599	SEG 8	4,000.00
6/07/18	84022	SEG 4	5,669.81	2/11/2017	79613	SEG 8	36,697.25
4/04/18	82221	SEG 4	6,137.00	6/10/2017	79206	SEG 8	13,600.00
12/01/18	80833	SEG 4	12,716.82	10/05/2018	82860	SEG 8	10,521.00
	Total		32,395.63	23/08/2017	78536	SEG 8	50,000.00
28/12/17	80611	SEG 7	2,732.60	31/07/2018	84537	SEG 8	18,000.00
12/12/17	80340	SEG 7	14,254.11	24/11/2017	80016	SEG 8	9,847.85
26/06/18	83764	SEG 7	11,348.59		Total		207,991.57
02/05/18	82709	SEG 7	18,396.33	31/07/2018	84537	SEG 9	37,811.86
12/04/18	82383	SEG 7	3,224.57	26/07/2018	84409	SEG 9	41,264.95
	Total		49,956.20	16/07/2018	84188	SEG 9	20,597.71
					Total		99,674.52
					Overall Total		405,072.54

APPENDIX 3B: JOURNAL VOUCHERS NOT PROVIDED

Journal Voucher No.	Amount (\$)	Allocation
31037	13,000.00	1-31102-78999-049999
32035	12,000.00	1-31206-91011-050499
31033	42,721.79	1-31203-91011-090132
31033	42,721.79	1-31205-91011-090131
32035	15,392.48	1-31203-91011-080618
32035	11,341.44	1-31203-91011-080633
32035	10,149.04	1-31206-91011-080627
32035	11,489.00	1-31203-91011-080704
32035	17,652.80	1-31206-91011-080628
31024	112,431.19	1-31205-91011-080219
31024	112,431.18	1-31205-91011-080211
31001	70,670.05	1-31205-91011-080620
32041	17,562.80	1-31203-91011-080633
31029	45,000.00	1-31206-91011-080628
32034	8,000.00	1-31206-91011-080627
32034	6,615.84	1-31203-91011-080618
Total	549,179.40	

APPENDIX 3C: APPROVED BOARD OF SURVEY NOT PROVIDED

Station	BOS Reference	Amount (\$)
Ba Fisheries Office	DEW9/14	3,225.00

APPENDIX 3D: APPROVED VIREMENT COPIES NOT PROVIDED

From	To	Amount (\$)
SEG 7	SEG 3	84.00
SEG 7	SEG 4	7,674.00
SEG 7	SEG 8	7,254.00
SEG 7	SEG 5	197.00
Total		15,209.00

APPENDIX 3E: PAYROLL FILES NOT PROVIDED

EDP No.
90318
93984

APPENDIX 3F: LISTS OF DOCUMENTS NOT PROVIDED FOR AUDIT VERIFICATION

Account	Documents/records
Revenue	<ul style="list-style-type: none"> Revenue collectors authorized letters Gazetted revenue for all revenue collecting stations
Fisheries Main Trust Fund Account	<ul style="list-style-type: none"> July 2018 reconciliation for cash account; Monthly reconciliations from August 2017 to July 2018 for liability account Approval for using trust fund account for keeping funds of Ministry of Fisheries and Ministry of Forest apart from the purpose the account was opened; Breakdown of the closing balance; Journal 321098 JV 11/06 period 06/2018 \$71,575.47 credit; Bank statements for 2017 – 2018 financial year; Updated Trust Fund cashbook Cash analysis sheet and bank lodgments

Account	Documents/records
Capital Projects	<p>2017 – 2018 financial year projects' inspection report</p> <ul style="list-style-type: none"> • Cicia Ice Plant • Cyclone Rehabilitation – Makogai Office and Quarters <p>Project Completion Certificate</p> <ul style="list-style-type: none"> • Cicia Ice Plant • Moala Ice Plant <p>Upgrading of Fisheries Office & Quarters project by Fortech Company</p> <ul style="list-style-type: none"> • Government tender board approval • Solicitor General's vetting of Contract • Signed Contract • Performance bond • Progress inspection report • Project completion certificate
Revolving Fund Account, SLG 84 and Imprest Account	<p>Revolving Fund Account</p> <ul style="list-style-type: none"> • August 2017 – July 2018 reconciliations • Acquittals for advances issued \$23,407 <p>SLG 84 Account</p> <ul style="list-style-type: none"> • July 2018 reconciliation <p>Imprest Account</p> <ul style="list-style-type: none"> • August 2017 – July 2018 reconciliations
Other	The Ministry did not provide Management Meeting Minutes for the months August 2017 to July 2019, except for February 2018.

Head 32**Ministry of Forests****Roles and Responsibilities**

The Ministry of Forests is responsible for promoting the sustainable use of Fiji's forestry resources by working with industry partners, landowners and the general public to effectively manage Fiji's forests. The Ministry oversees the enforcement of relevant laws and regulations, ensures the conservation of forestry resources, issues forest licenses and provides extension support services. Fiji Pine Ltd and Fiji Hardwood Corporation Ltd manage the majority of pine and mahogany plantations in Fiji, respectively. Current statistics indicate that timber production is heavily reliant on plantation wood species with over 80 per cent of products made from mahogany and pine.

The Ministry implements the Fiji Forest Policy Statement 2007 which promotes sustainable forest management practices to balance forest development with economic, environmental and sociocultural needs. In addition, the National Plantation Policy (currently in draft) will set the parameters that govern the set-up and operations of plantations in the private sector. The Forest Management Strategy promotes forest ecosystem management by better integrating forest resource uses, boosting ecosystem capacity and increasing the role of forests in improving the livelihoods of ordinary Fijians and combating climate change.

Table of Contents

PART A: FINANCIAL STATEMENTS	2
32.1 Audit Opinion.....	2
32.2 Statement of Receipts and Expenditure.....	2
32.3 Appropriation Statement.....	4
32.4 Trading and Manufacturing Account – Timber Utilisation Division.....	4
PART B: ASSESSMENT OF FINANCIAL GOVERNANCE.....	6
32.5 Internal controls	6
32.6 Submission of FY 2017-2018 Draft Agency Financial statements	7
32.7 Quality of Draft Financial statements by entities	8
32.8 Timeliness of draft financial statements.....	8
32.9 Timeliness of Management Comments.....	8
32.10 Timeliness of Signed Financial statements Received	8
PART C: OTHER SIGNIFICANT MATTERS.....	9
32.11 Clearing of Drawings Account Balance to SEG 7.....	9
32.12 Documents Not Provided for Audit Verification.....	10
32.13 Variance in Payroll Balances.....	11
32.14 Carried forward balances in Accrued Expenses and Deferred Income	12
32.15 Absence of Disaster Recovery Plan	13
32.16 Balances not Cleared from Revolving Fund Account (RFA) – Recurring	14
32.17 REDD Plus Expenditure in FMIS General Ledger	15
32.18 Unsubstantiated Accounts Receivable (AR) Balances – Recurring.....	15
32.19 Carried Forward Balance in SLG 84 – Recurring	16
32.20 Misallocation of Expenditure – Recurring.....	17
32.21 Variance between Bank Reconciliation and FMIS General Ledger - Recurring.....	18
32.22 Trading and Manufacturing Activity Support Initiatives – Recurring	19
32.23 Viability of Trading & Manufacturing Account (TMA) – Recurring.....	21
32.24 Failure to Lodge VAT Returns -Recurring.....	21
32.25 Revenue Variances – Recurring	22
32.26 Finalisation of Financial statements – Recurring	23
APPENDIX 1: MISALLOCATIONS	25

PART A: FINANCIAL STATEMENTS

32.1 Audit Opinion

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

1. Expenditure amounting to \$351,097 was not recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018. This amount relates to unrecorded expenditures which were paid as accountable advance but were not cleared from the Revolving Fund Account as at 31 July 2018. Consequently, the expenditure balance of \$13,300,906 for the year ended 31 July 2018 is understated by \$351,097.
2. There is an unreconciled variance of \$850,831 between the Financial Management Information System (FMIS) general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, I was unable to establish the accuracy of the Established Staff Government and Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.
3. There is an unreconciled variance of \$247,733 between the REDD Plus expenditure in the Financial Management Information System (FMIS) general ledger and the total amount reflected in the REDD Plus financial statements. Consequently, I was unable to establish the accuracy and completeness of the SEG 7 Special Expenditure recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2018.
4. A variance of \$105,769 exists between the TMA bank reconciliation and the Cash at Bank general ledger balance. Consequently, I am not able to confirm the accuracy and completeness of the Cash at Bank balance of \$1,567,496 recorded in the TMA Balance Sheet as at 31 July 2018.
5. The Ministry with the approval of the Ministry of Economy transferred a sum of \$2.5 million in 2016 to the Trading and Manufacturing Activity (TMA) account from its operating budget for the purpose of salvaging logs after Tropical Cyclone Winston. Although an amount of \$569,014 was utilised for this purpose in 2018, deferred income account was not adjusted accordingly. Deferred income balance for 2017 of \$2,198,548 remained the same in 2018. In addition, the cash at bank balance of \$1,567,496 recorded in the TMA Balance Sheet was not sufficient to support the remaining Deferred Income balance of \$2,198,548.

Without further qualification to the above opinion, attention was drawn to the following:

- The TMA account continues to operate at loss since 2010.
- There was an overall excess of liabilities over assets of \$338,272 in the TMA Balance Sheet as at 31 July 2018.
- The Ministry was using one Drawings Account together with Ministry of Fisheries for the year ended 31 July 2018.

32.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$506,735 and incurred a total expenditure of \$13,300,906 for the year ended 31 July 2018. Details are provided in Table 32.1.

Table 32.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Native Timber Measurement	286,381	332,913
Fees and Land Survey	---	1,137
Vessel Registration	---	4,994
License Fees	---	23,922
Sale of Fish & Ice	---	389,814
Miscellaneous Revenue	220,354	312,268
Offshore Fisheries Management Fees	---	701,848
Offshore Fisheries Access Fees	---	465,921
Offshore Fisheries Application Fees	---	37,588
Offshore Fisheries Levies Fees	---	156,881
Offshore Fisheries Related Activity Fees	---	105,184
Offshore Fisheries Miscellaneous Fees	---	19,155
Offshore Fisheries Permitting Fees	---	127,372
Offshore Fisheries Authorisation to Charter Fees	---	3,073
Offshore Fisheries Record Fees	---	36,584
Total Revenue	506,735	2,718,654
Established staff	3,985,149	7,368,289
Government wage earners	1,777,129	2,589,736
Travel and communications	448,305	652,581
Maintenance and operations	1,099,416	2,251,312
Purchase of goods and services	931,733	1,009,182
Operating grants and transfers	716,819	767,116
Special expenditures	1,021,839	1,639,374
Total Operating Expenditure	9,980,390	16,277,590
Capital construction	2,072,004	5,335,191
Capital purchases	642,000	420,869
Total Capital Expenditure	2,714,004	5,756,060
Value added tax	606,512	978,487
Total Expenditure	13,300,906	23,012,137

In the 2016-2017 financial year, the financial statements were consolidated with the financial statements of the Ministry of Fisheries and Forests as stated in the 2016-2017 Appropriation Act. The 2017-2018 financial statements is only for the Ministry of Forestry and does not consolidate with the Ministry of Fisheries. For comparative purposes, the 2016-2017 figures reflected are for Ministry of Fisheries and Forests.

The Native Timber Measurement revenue decreased by \$46,532 or 14% in 2018 compared to 2017. The decrease was due to closure of logging companies for non-compliance with Forestry Harvesting Code of Practices, OHS issues and less indigenous and pine forests to be logged compared to previous years. Miscellaneous fees mainly comprise of fees charged at the Forest Park of \$90,666, fees and deposits for SAGA/Train Tree/Pine of \$40,749 and Management fees from Fiji Pine Limited of \$31,512

32.3 Appropriation Statement

The Ministry incurred expenditure totalling \$13.3 million in 2017-2018 against a revised budget of \$16.0 million, resulting in a saving of \$2.7 million or 17.0%.

The savings of \$1.7 million in the Special Expenditure (SEG 7) allocation resulted from REDD Plus World Bank Component as consultancy payments were on hold due to the non-delivery of output and delay in recruitment of the REDD Plus National Coordinator in 2017 – 2018.

The Ministry did not purchase a bulldozer, which was budgeted for resulting in the savings of \$722,000 under Capital Purchases (SEG 9). Details of expenditure against the revised budget are provided in Table 32.2.

Table 32.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	3,888,522	104,845	3,993,367	3,985,149	8,218
2	Government wage earners	1,370,363	412,053	1,782,416	1,777,129	5,287
3	Travel & communication	463,238	(7,430)	455,808	448,305	7,503
4	Maintenance & operations	1,296,440	(180,854)	1,115,586	1,099,416	16,170
5	Purchase of goods & services	1,126,784	(194,066)	932,718	931,733	985
6	Operating grant & transfers	794,524	(77,705)	716,819	716,819	---
7	Special expenditure	2,817,019	(56,843)	2,760,176	1,021,839	1,738,337
	Total Operating Costs	11,756,890	---	11,756,890	9,980,390	1,776,500
8	Capital construction	2,270,000	---	2,270,000	2,072,004	197,996
9	Capital purchases	1,364,000	---	1,364,000	642,000	722,000
	Total Capital Expenditure	3,634,000	---	3,634,000	2,714,004	919,996
13	Value added tax	630,000	---	630,000	606,512	23,488
	Total Expenditure	16,020,890	---	16,020,890	13,300,906	2,719,984

32.4 Trading and Manufacturing Account – Timber Utilisation Division

The Ministry of Forestry operates a Trading and Manufacturing Account (TMA) that provides assistance in the processing and selling of pine products.

The Ministry of Forestry TMA Unit is currently under investigation by Fiji Independent Commission against Corruption (FICAC). Payment vouchers and other correspondences relating to the TMA have uplifted by FICAC officers for investigation.

Table 32.3: TMA – Manufacturing Account – Timber Utilisation Division

Description	31 July 2018 (\$)	31 July 2017 (\$)
Opening raw materials	178,541	16,791
Add : purchases	190	---
Less : closing raw materials	211,881	178,541
Raw materials used	33,150	(161,750)
Add : direct labour	126,060	202,131
Cost of Goods Manufactured transferred to Trading Account	92,910	40,381

Table 32.4: TMA – Trading Account – Timber Utilisation Division

Description	31 July 2018 (\$)	31 July 2017 (\$)
Sales	445,554	1,161,623
Opening finished goods	21,770	1,229
Add : cost of manufactured goods	92,910	40,381
Less : closing finished goods	20,786	21,770
Cost of goods sold	93,894	19,840
Gross Profit transferred to Profit & Loss Statement	351,660	1,141,783

Table 32.5: TMA – Profit and Loss Statement – Timber Utilisation Division

Description	31 July 2018 (\$)	31 July 2017 (\$)
Income		
Gross profit transferred from Trading Account	351,660	1,141,783
Expenses		
Maintenance & operations	569,014	1,288,462
Other expenses	9,574	---
Special expenses	---	112
Total Expenses	578,588	1,288,574
Net Loss	(226,928)	(146,791)

Table 32.6: TMA – Balance Sheet – Timber Utilisation Division

Description	31 July 2018 (\$)	31 July 2017 (\$)
Assets		
Cash at bank	1,567,496	1,896,419
Raw materials	211,881	178,541
Accounts receivable	56,839	---
Finished goods	20,786	21,770
Total Assets	1,857,002	2,096,730
Liabilities		
Deferred income	2,198,548	2,198,548
Deposits & deductions	(3,274)	9,526
Total Liabilities	2,195,274	2,208,074
Net Assets	(338,272)	(111,344)
Equity		
TMA accumulated loss	(341,190)	(194,399)
Net loss for the period	(226,928)	(146,791)
Transfers to consolidated fund	229,846	229,846
Total Equity	(338,272)	(111,344)

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

32.5 Internal controls

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

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

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

Internal controls are 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 Ministry as:

Rating	Internal control assessment
 Ineffective	Significant deficiencies identified in internal controls

32.6 Submission of FY 2017-2018 Draft Agency Financial statements


On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed. The final day for closing the 2018 accounts was 31 October 2018.

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- 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
 Ineffective	Less than 5 of 10 key processes completed within two weeks of due date

32.7 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
 Ineffective	Adjustments on operating results/net assets were more than one percent


32.8 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


32.9 Timeliness of Management Comments

To assess the timeliness of management comments, we have compared the date agency financial statements draft management letter (DML) was issued and the date management comments was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
 Effective	Management comments received within 14 days from the date the draft management letter (DML) was issued

32.10 Timeliness of Signed Financial statements Received

To assess the timeliness of signed accounts received, we have compared the date financial statements was sent to Ministry for signing and the date signed financial statements was received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Signed Financial statements Received
 Effective	Signed financial statements received within 5 days

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

32.11 Clearing of Drawings Account Balance to SEG 7

Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts.¹ Journal vouchers must be numbered in sequential order. Supporting documents shall be attached to the voucher.²

We noted that the Ministry posted journal vouchers to SEG 7 Special Expenditure allocation when the drawing accounts of Ministry of Fisheries and Ministry of Forest were being separated. The Ministry cleared un-presented cheques and stale cheques from the Drawings account to SEG 7 expenditure account of the Ministry of Forestry.

The Ministry did not provide the correct allocations for clearing the Drawings account. Refer to Table 32.7 for details.

Table 32.7: Adjustments to Drawings Account

Date	JV No.	Amount (VIP) (\$)	Allocation
01/12/2018	321359	(619,572.68)	1-32202-91011-079999
01/12/2018	321359	277,195.09	1-32202-91011-079999
01/12/2018	321359	69,002.82	1-32207-91011-049999
TOTAL		(273,374.77)	

In addition, it was noted that a separate Drawings account was not opened for Ministry of Forestry for the financial year ended 31 July 2018.

¹ Finance Manual 2013 – Section 13.1.1

² Finance Manual 2013 – Section 13.1.3

Root Cause/Implication

Expenditures were cleared to SEG 7 as there were insufficient funds in other expenditure allocations. However the net result of this was the understatement of SEG 7 by \$273,374.77. Moreover, having one Drawings account for the Ministry of Fisheries and the Ministry of Forestry increases the risk of expenditures for Ministry of Forestry being recorded in Ministry of Fisheries general ledger and vice-versa.

Recommendations

- The Ministry should ensure that journal adjustments are posted to the correct allocations.
- A separate Drawings account should be maintained for Ministry.

Agreed Management Action

The Ministry acknowledges the recommendation made. The journal vouchers were processed in consultation with Ministry of Economy for the adjustments of the Drawing Account during the separation from the Ministry of Fisheries. This has been made possible by the recruitment of a qualified and experienced Senior Accounts Officer (SAO) who is responsible for ensuring that monthly financial reports are submitted on time to the Ministry of Economy.

Officer Responsible

Senior Accounts Officer

32.12 Documents Not Provided for Audit Verification

The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.³ The presence of a reliable and easy to follow audit trail is an indicator of good internal controls. Records provide evidence of transactions and should be securely maintained for audit or other scrutiny.

The Ministry was unable to provide payment vouchers with supporting documents and acquittals for expenditure balances recorded in the general ledger for the financial year ended 31 July 2018. The following payment and journal vouchers were not provided for audit review. Refer Table 32.8 for details.

Table 32.8: Missing Records

Date	Cheque/JV No.	Amount (\$)
14/06/2018	83513	2,670.00
05/12/2017	20395	8,509.70
10/07/2018	22420	12,318.99
08/02/2018	80478	4,498.50
12/10/2017	19837	7,519.01
07/02/2018	22302	7,600.00
Nov-17	Journal 321011	26,259.36
20/10/2017	19960	2,010.00
		71,385.56

³ Finance Instruction 2020 – Section 59(2)

In addition, the following TMA documents were also not provided for audit:

- JV Number 228/7 amounting to \$3,027
- Accounts Receivable reconciliation, listing and ageing
- Tally Sheets for untreated sawn timbers and logs
- TMA Payment vouchers totalling \$16,398
- Journal Voucher Number TMA008 totalling \$(33,341)

Root Cause/Implication

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

Recommendations

The Ministry should ensure that:

- the missing documents are located and produced for audit purposes; and
- storage of payment vouchers and supporting documents is improved for easy identification and retrieval.

Agreed Management Action

The Ministry acknowledges that the vouchers and journals were misplaced when Ministry of Fisheries accounts staff were looking for their vouchers as we had the same drawings account in 2017 – 2018. We are now implementing a systematic storage of payment vouchers to ensure they are easy to locate and retrieve.

Officer Responsible

Assistant Accounts Officer

32.13 Variance in Payroll Balances

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.⁴

Reconciliation is an internal control mechanism established to ensure the accuracy of financial reports produced not only at ministry/department level and/but most importantly at whole of government level.

We noted a total variance of \$850,831 between the Financial Management Information System (FMIS) and the Ministry's payroll report balance for the Established staffs (SEG 1) and unestablished staffs (SEG 2). Refer to the Table 32.9 for details.

⁴ Finance Manual 2013 – Section 3.4.4

Table 32.9: Details of Variance between FMIS and Payroll Report for Established Staff

Particulars	SEG 1 Amount	SEG 2 Amount	Consolidated SEG 1 & SEG 2 Balance
	(\$)	(\$)	(\$)
FMIS Balance	3,604,048	1,680,468	5,284,516
Less Payroll Summary Report	2,872,205	1,561,480	4,433,685
Variance	731,843	118,988	850,831

Moreover, it was noted that the salary reconciliations does not have the date of preparation.

Root Cause/Implication

Variances between the FMIS and payroll report were not detected and rectified in a timely basis. Variances between critical records may indicate the existence of errors and omissions. Absence of such details in reconciliation may result in the Ministry failing to detect possible irregularities in the payment of salaries on a timely basis.

Recommendations

The Ministry should ensure that:

- reconciliations between FMIS general ledger and Payroll report are regularly carried out;
- any variance noted are investigated and rectified; and
- reconciliation process is improved by including preparation dates of reconciliations and checked by the supervising officer to ensure that accountability and transparency is not comprised.

Agreed Management Action

The Ministry will reconcile the payroll with the FMIS and currently, the weekly reconciliation is thoroughly checked against the P2P, payroll against FMIS general ledger.

Officer Responsible

Accounts Officer

32.14 Carried forward balances in Accrued Expenses and Deferred Income

The Principal Accounts Officer is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.⁵

The review of the Ministry's Accrued Expenses and Deferred Income Account revealed prior year balance totalling \$1,739⁶ had been carried forward since 31/12/2014. We noted that the Ministry did not prepare any reconciliation for the account.

⁵ Finance Manual 2013 – Part 13

⁶ 1-32000-00000-850000

Root Cause/Implication

Failure to settle liabilities and rectify variances on time will result in the overstatement of government liabilities which can also result in write off of unsubstantiated balances in the future.

Recommendation

The Ministry should investigate and rectify carry forward balances from prior years.

Agreed Management Action

The Ministry will reconcile this Accrued Expenses Account.

Officer Responsible

Assistant Accounts Officer

32.15 Absence of Disaster Recovery Plan

A disaster recovery plan (DRP) is a documented, structured approach that describes how an organization can quickly resume work after an unplanned incident. A DRP is an essential part of a business continuity plan (BCP). It is applied to the aspects of an organisation that depend on a functioning IT infrastructure.

We noted that the Ministry does not have a disaster recovery plan in place.

Root Cause/Implication

Failure to have a DRP in place can result in loss of data and or business interruptions. It can also have an impact on how the Ministry effectively operate and may pose a reputational risk to the Ministry.

Recommendation

The Ministry should consider developing a DRP by identifying potential disasters. The plan should be regularly tested and updated periodically.

Agreed Management Action

The Ministry acknowledges the recommendation made. Officers are not familiar with the preparation of this plan therefore Ministry will arrange for training by the Ministry of National Disaster Management Office a Disaster Recovery Plan (DRP) or other training provider.

Officer Responsible

Procurement Officer

32.16 Balances not Cleared from Revolving Fund Account (RFA) – Recurring

The travel advance shall be charged to the advances account until cleared through submission of the acquittals.⁷ 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.⁸ Upon clearance of the advance, the Accounts Officer shall update the debtors register, offset the advance account and debit the appropriate expenditure account.⁹

We noted that as at 31/07/18, the Ministry's Revolving Fund Account (RFA) had an outstanding balance of \$351,097.

Root Cause/Implication

The above finding indicates the ineffective controls and lack of supervisory checks in the administration of the RFA by the Ministry. As a result, the expenditure in the Statement of Receipts and Expenditure is understated by \$351,097.

Recommendations

The Ministry should:

- ensure that the advance account balance is reconciled and recovery procedures instigated against officers who failed to retire advances;
- provide adequate training, supervision and monitoring of staff in the Accounts section; and
- improve its reconciliation process by including the date of preparation and approval alongside the detailed listing for the closing balance.

Agreed Management Action

Carry forward outstanding balances of \$351,097.00 from previous years had already referred to Ministry of Economy on 11th September, 2018 and 26th February, 2019 for write off.

Way forward

We have reviewed our Accountable Advance implementation processes as we have implemented the advance checklist. We are reconciling the accountable advance issued against our records and the FMIS Ledger on daily basis. Recovery action have been instigated to officers failed to recoup their advance on time.

Currently the only outstanding advance is for the financial year 2019 – 2020. Note all these advances will be cleared before 31st July 2020. For all advance less than \$1,000 this must be approved by the Conservator of Forests and Director Corporate Services. Advances over \$1,001 but less than \$50k must be approved by the Permanent Secretary for Forestry.

Officer Responsible

Assistant Accounts Officer

⁷ Finance Manual 2013 – Section 7.1.9

⁸ Finance Manual 2013 – Section 13.4.1

⁹ Finance Manual 2013 – Section 7.1.16

32.17 REDD Plus Expenditure in FMIS General Ledger

We noted a variance of \$247,733.33 between the amounts reflected in the FMIS general ledger and the financial statements for REDD Plus. (Reducing Emission from Deforestation).

The Ministry of Forestry FMIS general ledger allocation for REDD Plus recorded a total expenditure amount of \$599,245.50 for the year ended 31 July 2018.

The total expenditure amount in the draft financial statements for REDD Plus for the year ended 31 July 2018 showed an amount of \$846,978.83.

Root Cause/Implication

The variances were due to adjustments not in general ledger, foreign and void cheques and adjustments in bank statements.

As a result, the Ministry of Forestry expenditure for the year ended 31 July 2018 is understated by \$247,733.33

Recommendations

The Ministry should ensure that the balances in FMIS are correct and reconciled to financial statements for REDD+.

Agreed Management Action

The Ministry concurs with the findings. The way forward is to ensure that weekly reconciliation is done on this REDD+ allocation to ensure that FMIS balance is posted correctly and reconciled with the financial statements.

Officer Responsible

Senior Accounts Officer REDD+

32.18 Unsubstantiated Accounts Receivable (AR) Balances – Recurring

Each agency must maintain a Debtors Register within FMIS or an accounts receivable ledger for licenses, debts, court fees and other state or agency revenues receivable.¹⁰ Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the finance manual.¹¹ Within one month after the end of each quarter, each agency with accounts receivable must submit a quarterly report on outstanding and overdue debts to the Ministry of Economy.¹²

We noted that the Ministry had substantial Accounts Receivable balances totalling \$677,339 as at 31 July 2018 which have been carried forward from prior years. Refer Table 32.10 for details.

¹⁰ Finance Instruction 2010 Division 3-Accounts Receivable Clause 40-Recording

¹¹ Finance Instruction 2010 Division 3-Accounts Receivable Clause 41-Recovery

¹² Finance Instruction 2010 Division 3-Accounts Receivable Clause 43-Reporting

Table 32.10: Account Receivable balances

Allocation	Description	Amount (\$)				
		31/12/14	31/12/15	31/7/16	31/7/17	31/7/18
1-32201-77101-560102	AR Companies	623,442	809,920	641,909	641,909	641,909
1-32301-78999-560102	AR Companies	17,437	33,536	33,536	33,536	33,536
1-32201-77101-560202	AR Companies	8,516	1,893	1,894	1,894	1,894
Total		649,395	845,349	677,339	677,339	677,339

Root Cause/Implication

Failure to accurately perform the reconciliation can lead to errors and omissions not being detected on a timely basis.

Recommendations**The Ministry should:**

- reconcile the accounts receivable balance and identify the individual debtors who owe money to government; and
- take necessary actions to recover the debts.

Agreed Management Action

The Ministry had requested for General Ledger adjustment on these substantial amount to the Ministry of Economy on two occasions; one on 11th Sept 2018 and 2nd February 2019. We have the evidence that all the receipts were lodged but due to system failure and incomplete processed in the FMIS these amounts were still hanging in the system as outstanding, thus the reason for the request for write-off. We have strengthened our revenue collection strategy at HQ with checks against FMIS and reconciliation daily with the division revenue lodgements. A Revenue Checklist has been implemented to enable the divisions to update their revenue collection on a weekly basis.

Officer Responsible

Revenue Clerk

32.19 Carried Forward Balance in SLG 84 – Recurring

At the end of each project, agencies are required to ensure proper clearing of the SLG 84 account; and any outstanding balance in the SLG 84 account are to be accounted for.¹³ All funds released from agencies and recorded on SLG 84, shall be reconciled on a monthly basis and a report sent to the paying agency.¹⁴ The Principal Accounts Officer must ensure that any misallocations or outstanding balances from previous month have been dealt with.¹⁵

Our review of the Accounts Payable Account revealed that prior year balances carried forward since 2016 totalling \$5,767 are yet to be cleared. Refer to Table 32.11 for details.

¹³ SLG 84 Reporting Guide – Section 9.5

¹⁴ SLG 84 Reporting Guide – Section 5.1

¹⁵ Department of Fisheries Finance Manual 2013 Section 13.4.5

Table 32.11: Prior Year balances carried forward

Account Allocation	Description		Balance as at 31/7/16 (\$)	Balance as at 31/7/17 (\$)	Balance as at 31/7/18 (\$)
1-32101-32999- 840602	Withholding Payable	Tax	(5,767)	(5,767)	(5,767)

Root Cause/Implication

Failure to accurately perform the reconciliation has led to the carried forward balance not cleared from the ledger.

Recommendation

The Ministry should investigate and rectify carry forward balances from prior years.

Agreed Management Action

The Ministry will rectify all variances SLG 84 accounts and adjust it accordingly. The Senior Accounts Officer is responsible for monitoring SLG 84 and adjustments are made as soon as discrepancies are identified. On the job training for staff on FMIS and procedures is continuing.

Officer Responsible

Accounts Officer

32.20 Misallocation of Expenditure – Recurring

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes –

- (a) the correct tax code;
- (b) the ledger account it is charged to.¹⁶

Review of a sample of payment vouchers revealed that the Ministry charged expenditures to incorrect allocations. Refer to **Appendix 1** for details of misallocations.

Root Cause/Implication

Insufficient budget in the respective account allocations led to the misallocations. The above findings indicate that Ministry did not regularise the misallocations during the closing of accounts which have resulted in misstatement of expenditures at SEG level for the year ended 31 July 2018.

¹⁶ Financial Instruction 2010 s14 (1) part (e) and (g) p8

Recommendations

The Ministry should ensure that:

- all transactions are posted to the correct allocation in the FMIS general ledger;
- Accounting Officers responsible for the posting of expenses are provided with adequate supervision and training; and
- Accounting Officers carry out timely reviews and identify misallocations to be corrected in a timely manner.

Agreed Management Action

The Ministry has implemented the following measures to avoid charges to incorrect allocation:

- Ensure that all transactions are posted to their correct allocation in the FMIS general ledger.
- Mispostings are corrected simultaneously and posted into the FMIS general ledger.
- Virement applications have been implemented to curb over expenditure.
- Adjustments in cash flow to achieve monthly expenditures
- Compost Report is extracted on weekly basis and weekly reconciliation is done to avoid incorrect postings and adjustments of negative balances.
- The Ministry has put in place close monitoring of payments and AP user modules.
- All procurement are cross checked with procurement checklists with correct allocation stated to be used.
- Accounts checklist is implemented which provides guidance in procurement, budget allocation balance and approval to process. JVs are done to correct misallocation of purchases.

Officer Responsible

Accounts Officer

32.21 Variance between Bank Reconciliation and FMIS General Ledger - Recurring

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. Un-reconciled items must be investigated and resolved promptly.¹⁷

Our review of the bank reconciliation for the Trading and Manufacturing Account revealed a variance of \$105,769 between closing bank reconciliation balance and FMIS general ledger balance as at 31 July 2018. Refer to Table 32.12 for details.

Table 32.12: Variance between Bank Reconciliation and FMIS General Ledger

Bank Reconciliation – Audit Calculation	Amount 31/07/18 (\$)	Amount 31/07/17 (\$)
Closing balance as per bank statement – 31/07	1,694,557	2,022,431
Add: Lodgements not credited	---	---
Less: Un-presented cheques	(21,292)	(21,416)
	1,673,265	2,001,015
Closing GL Balance [4-32251-77999-540301]	1,567,496	1,896,419
Variance	105,769	104,596

¹⁷ Finance Instructions 2010 Section 32 (6)

It was further noted that there was shortfall of \$525,283 in the bank statement for the deferred Income of \$2,198,548 recognised in the TMA balance sheet as at 31 July 2018. Refer to Table 32.13 for details.

Table 32.13: Variance between Bank Statement and Deferred Income in FMIS

Particulars	Amount 31/07/18 (\$)	Amount 31/07/17 (\$)
Balance as per bank statement – 31/07	1,694,557	2,022,431
Less: Un-presented cheque	21,292	21,416
	1,673,265	2,001,015
Accrued Expenses and Deferred Income(DI):[4-32251-77999-850101]	2,198,548	2,198,548
Variance	525,283	197,533

Root Cause/Implication

A contributing factor to the variance noted above was the lack of proper reconciliation of the TMA and incomplete entries being processed in FMIS.

Recommendations

The Ministry should:

- **investigate the variances noted and take appropriate action; and**
- **consult Ministry of Economy and consider posting the entries below for TMA expenses incurred.**
 - ✓ **Expense Dr & Cash Cr**
 - ✓ **DI DR & Revenue Cr**

Agreed Management Action

The Ministry will carry out the reconciliation of the deferred income and adjust it accordingly to match with the Bank Balance figure.

Officer Responsible

TMA Manager

32.22 Trading and Manufacturing Activity Support Initiatives – Recurring

In 2016, with the approval of the Ministry of Economy, the Ministry of Forestry paid \$2.5 million from its operating budget to the Trading and Manufacturing Activity (TMA) account for the purpose of salvaging pine logs after TC Winston.¹⁸ The Concept Paper prepared for the approval of this payment stated the following:

“The concept proposal also serves the best economic interest of Government in ensuring the achievement of the overall objectives of the Fiji Pine Scheme in alleviating poverty. This is also the best opportunity to provide financial assistance to the community through the buying of the sawn timber, and in the process provides cost effective housing timber for housing reconstruction, and

¹⁸ Ministry of Finance Memorandum 16 May 2016 (Approval of Payment to TMA)

giving the opportunity for the rural communities to participate in Fiji's economic activities. Fiji's private sector will stand to generate significant economic benefits through the provision of timber housing construction. The concept is for the Forestry Department to buy logs from Dawasamu and convert them into sawn timber and treat them in its Nasinu mill, and the sell it for the reconstruction of houses.”¹⁹

Our review of the FMIS general ledger revealed that as at 31 July 2018, a balance of \$2,198,459 remained as Deferred Income.

The Ministry did not maintain a work plan, status report and detailed plan for the utilisation of the balance of funds.

In addition, the TMA cash balance as at 31 July 2018 of \$1,567,496 was not sufficient to support the remainder of these funds which is recorded as Deferred Income in the TMA Balance Sheet.

Root Cause/Implication

There is a high risk of misappropriation of funds due to the weaknesses in the internal controls for the Trading and Manufacturing Activity account.

Recommendations

The Ministry should ensure:

- work plans are prepared to ensure proper utilisation of funds;
- that a detailed acquittal report is maintained on the utilisation of the \$2.5 million;
- internal controls within the TMA account are strengthened prior to the implementation of such project;
- an evaluation is carried out on the purpose of the funds now after two years have lapsed since TC Winston; and
- consider returning the remaining funds to the Consolidated Fund Account.

Agreed Management Action

Yes the Ministry has a work plan for the TMA. Initially the funds were not injected by Ministry of Economy but was a transfer from Ministry of Forestry's budgetary allocation to FUND 4 (TMA). The transfer was done to Ministry of Economy's approval dated 16/05/2016. The Ministry intends to utilise the funds to assist the following Maritime Pine schemes with the marketing of sawn timber and logs.

- Gau Scheme
- Kadavu Schemes
- Lakeba Scheme

Officer Responsible

TMA Manager

¹⁹ Memorandum on the Concept for Supply of Sawn Timber from Community Pine Schemes managed under Government Funded Fiji Pine Trust under Government TMA

32.23 Viability of Trading & Manufacturing Account (TMA) – Recurring

As a result of changes in the business environment, TMAs have been encouraged to explore other available business opportunities to further establish their existence, in order to achieve their primary objective of delivering the required level of service to the public.²⁰

Our review of the Ministry's TMA - Profit & Loss Statement revealed that the trading account operation has been operating at a loss for the last nine years. Refer to Table 32.14 for details.

Table 32.14: Losses in the last 9 years

Account	31/07/18	31/07/17	31/07/16	31/12/15	31/12/14	31/12/13	31/12/12	31/12/11	31/12/10
		(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)	(\$)
Income	351,660	1,141,783	10,153	15,578	40,927	31,517	(43,061)	(27,043)	10,784
Exp.	578,588	1,288,574	43,263	59,026	107,240	40,125	63,492	119,152	64,475
Net Loss	(226,928)	(146,791)	(33,110)	(43,448)	(66,313)	(8,608)	(106,553)	(146,195)	(53,691)

Root Cause/Implication

The lack of cost and benefit analysis has resulted in losses for the past nine years.

Recommendations

The Ministry should:

- critically analyse the operations of the TMA; and
- consider other viable options of providing the services currently provided by the TMA.

Agreed Management Action

The Ministry has moved all the employee wages to SEG 2. The Ministry has appointed a Business Manager to improve the TMA operation. A contractor has been engaged through a tender process to provide a continuous supply of logs for operations. In order to improve production efficiency, two portable sawmills are also in use to boost daily production.

Officer Responsible

TMA Manager

32.24 Failure to Lodge VAT Returns -Recurring

“Persons” include a company, an association or body persons, corporate or unincorporated, a local authority, and a public authority.²¹ Every registered person shall, on or before the last day of the month following the last day of every taxable period, without notice or demand furnish to the Commissioner a tax return, in such prescribed form as may be approved by the Commissioner.²²

We noted that the Ministry did not lodge VAT returns for its Trading and Manufacturing Accounts for the year ended 31 July 2018.

²⁰ TMA Policy June 2015

²¹ Value Added Tax Decree 1991, Section 2, pp.8

²² Value Added Tax Decree 1991 – Section 33

Root Cause/Implication

Failure to lodge VAT returns could result in late lodgement penalties from the Fiji Revenue and Customs Service (FRCS). Our finding indicates non-compliance with the VAT regulations.

Recommendations

The Ministry should ensure:

- VAT returns are lodged on a timely basis to avoid unnecessary fines and penalties from FRCS; and
- that there is adequate supervision of staffs to ensure VAT lodgements and payments are carried out in timely manner.

Agreed Management Action

The TMA operation has been running on loss for the past 8 consecutive years therefore could not ascertain monthly VAT return payment accordingly.

Officer Responsible

TMA Manager

32.25 Revenue Variances – Recurring

Reconciliation is an internal control mechanism established to ensure accuracy of financial reports being produced not only at ministry/department level but mostly importantly at whole of Government level.²³

We noted variances in Timber Measurement Fees for year ended 31 July 2018. Refer to Table 32.15 and 32.16 for details.

Table 32.15: Details of Variance in Revenue

Particulars	Amount 31/7/18 (\$)	Amount 31/7/17 (\$)
Total Volume Logged (m ³)	49,714	54,730
Rate (VEP)	5	5
Total	248,571	273,650
FMIS Balance	286,381	332,912
Variance	37,810	59,263

Table 32.16: Details of Variance in Revenue

Particulars	Cashbook Balance 31/7/18 (\$)	FMIS Balance 31/7/18 (\$)	Variance (\$)
Timber Measurement Fees	248,571	286,381	37,810

²³ Finance Manual 2013 – Section 14.4

Root Cause/Implication

Failure to update the cashbook on timely basis has resulted in variance in revenue balances. There is risk of revenue balances recorded in the financial statements being misstated.

Agreed Management Action

The Ministry has taken steps to address the issues raised as follows:

Access to the TRS Revenue update and TRS Data base has been given to the HQ Accounts Section in order to reconcile the revenue input from the divisions on a daily basis. This is to reconcile the TRS data base inputs from the divisions against FMIS inputs at HQ.

The Ministry will consider developing an additional feature to the TRS system which automatically updates the FMIS records at HQ when revenue is entered from divisions by the Data Entry Operator. Variances can be monitored and corrected before reconciliation is done at the end of the month.

Staff training is conducted on revenue collection, Timber Revenue System data input guidelines, FMIS users refresher training.

Officer Responsible

Revenue Clerk

32.26 Finalisation of Financial statements – Recurring

Each agency must prepare an annual report for submission to its Minister by 31 December in the following year.²⁴ Each annual report must include financial statements which are prepared and signed in accordance with these Instructions, audited by the Auditor-General and accompanied by the audit opinion provided by the Auditor General.²⁵

The audit of the financial statements of the Ministry of Forestry for the year ended 31 July 2018 was finalised after the above deadline.

The draft financial statements were received on 28 November 2018. There was delay in provision of records from the Ministry. On 13 December, 2019 a letter was written to the Permanent Secretary after numerous requests were made for documents to be provided. Following this, pending documents were provided on 17 December 2019. Management Comments were received on 17 January 2020 and the Exit Meeting was held on 21 January 2020.

The audited financial statements for the Ministry was sent for signing on 31/01/2020 and the signed accounts was received from the Ministry on 06 February 2020.

Root Cause/Implication

The delay in providing records resulted in the delay in completion of the audit.

²⁴ Finance (Amendment) Instruction 2016 – Section 69

²⁵ Finance Instruction 2010 – Section 70 (2)

Recommendation

The Ministry should ensure that records are properly maintained and made available to auditors upon request.

Agreed Management Action

We will work with Ministry of Economy FMIS Unit in ensuring timely and accurate financial statements is submitted on time. The Ministry had already addressed this through a memorandum submitted to OAG on 16th December 2019.

The way forward is to maintain and upgrade our records and filling system to ensure information is easily available for users and the auditors.

Officer Responsible

Principal Accounts Officer

Appendix 1: Misallocations

Date	Payment ID	Amount (\$)	FMIS Allocation Posted To	Allocation should have been posted to
18/04/2018	82498	3,908.97	SEG 5 Training Expense	SEG 3 Travel
03/05/2018	21726	897.00	SEG 4 Fuel & Oil	SEG 5 Stock & Goods
17/07/2018	22521	2,015.60	SEG 5 Training Expense	SEG 3 Travel
02/05/2018	82737	2,000.00	SEG 5 Training Expense	SEG 3 Travel
17/04/2018	21568	306.05	SEG 3 Travel & Communication	SEG 13 VAT
23/04/2018	21598	1,800.00	SEG 4 Power Supplies	SEG 4 Spare Parts & Maintenance
18/12/2017	20524	1,469.05	SEG 4 Power Supplies	SEG 4 Spare Parts & Maintenance
04/10/2017	19739	1,470.00	SEG 4 Spare parts & Maintenance	SEG 5 Stock & Goods
11/08/2017	19140	3,850.00	SEG 5 Stores & Ration	SEG 5 Training Expense
08/06/2018	22073	10,931.31	SEG 4 Miscellaneous Maintenance & Operation Expense	SEG 3 Telecommunications
12/06/2018	22114	6,174.42	SEG 4 Miscellaneous Maintenance & Operation Expense	SEG 3 Telecommunications
12/07/2018	22508	9,621.32	SEG 4 Power Supplies	SEG 3 Telecommunications
19/07/2018	22562	3,701.42	SEG 4 Miscellaneous Maintenance & Operation Expense	SEG 3 Telecommunications
29/11/2017	20344	23,072.94	SEG 4 Power Supplies	SEG 4 Miscellaneous Maintenance & Operation Expense
17/10/2017	19899	3,030.00	SEG 4 Miscellaneous Maintenance & Operation Expense	SEG 3 Travel
05/07/2018	83949	15,312.50	SEG 9 Maritime Pine Development (Cicia, Gau, Kadavu)	SEG 3 Travel
06/07/2018	22398	12,237.43	SEG 4 Mis Maintenance & Operation	SEG 4 Fuel & Oil

Head 33**Ministry of Lands and Mineral Resources****Roles and Responsibilities**

The Ministry of Lands and Mineral Resources (“the Ministry”) plays a pivotal role in national development of the Republic of Fiji and in supporting its economic growth.

The Ministry is comprised of two distinct Departments, the Department of Lands & Survey and the Department of Mineral Resources.

The Department of Lands & Survey is responsible for the administration, development and management of all state land activities and national land information system. Such activities include Land Surveying and Valuation, Development and Maintenance of State Land, Geospatial Information Systems and the Land Use Unit, which coordinates the implementation of Government’s Land Reform initiatives to improve socio-economic growth, focusing on equitable returns to land owners and the security of tenure of tenants.

The governance of State Land is provided under the provisions of the State Lands Act, Property Law Act, Land Transfer Act and Agricultural Landlord and Tenant Act (ALTA).

The Department of Mineral Resources oversees and facilitates the development of the country’s mineral, rock and groundwater resources. It undertakes studies in relation to geological hazards assessment which includes landslides, earthquake and tsunami monitoring, mineral, rock and groundwater development and manages the development of the mining and quarrying sector with mandate under the Mining, Petroleum (Exploration and Exploitation), Quarries, Explosives and Continental, Shelf and International Seabed Mineral Management Acts.

Table of Contents

PART A: FINANCIAL STATEMENTS	3
33.1 Audit Opinion.....	3
33.2: Statement of Receipts and Expenditure.....	3
33.3: Appropriation Statement.....	5
33.4 Trust Fund Account – Department of Lands.....	5
33.5 Trust Fund Account – Department of Mineral Resources.....	6
PART B: ASSESSMENT OF FINANCIAL GOVERNANCE.....	7
33.6 Internal Controls.....	7
33.6.1 Internal controls	8
33.6.2: Submission of FY 2017 - 2018 Draft Agency Financial statements.....	8
33.6.3: Quality of draft financial statements by entities	9
33.6.4: Timeliness of draft financial statements	9
33.6.5: Timeliness of Provision of Management Comments and Signing of Financial statements	9
PART C: OTHER SIGNIFICANT MATTERS.....	10
33.7 No Detailed Listing for Main Trust Fund Account for Lands Department	10
33.8 Anomalies in Main Trust Fund Account.....	10
33.9 Land Owning Units Accounts Not Audited	11
33.10 Variance between FMIS and Payroll Report	12
33.11 Anomalies in Capital Projects.....	13
33.12 Land and Property Rent Collections.....	14
33.13 Variance in Per-diem Payment	15
33.14 Balances Not Cleared From Operating Trust Fund Account	16
33.15 Misallocation of Expenditures	16
33.16 Delay in Finalisation of the Financial statements - Recurring Issue.....	17
33.17 Significant Arrears of Revenue - Recurring Issue	18

33.18	Variance between Crown Land Lease System & FMIS - Recurring Issue	19
33.19	Rent of \$0.10 charged on active leases - Recurring Issue.....	20
APPENDIX 1: VARIANCES BETWEEN TRUST FUND ACCOUNT BALANCES FOR DEPARTMENT OF LANDS		22
APPENDIX 2: MISALLOCATION OF EXPENDITURES.....		22
APPENDIX 3: DETAILS OF ACTIVE LEASES CHARGED 10 CENTS RENT.....		23

PART A: FINANCIAL STATEMENTS

33.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Lands and Mineral Resources resulted in a qualified audit opinion. The qualification issue was:

Trust Fund Account balance for Department of Lands amounting to \$6,614,870 was not supported with detailed listing of claimants of the monies held in the trust. As such, I was unable to satisfy myself on the accuracy and completeness of the Trust Fund Account balance as at 31 July 2018.

33.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$17,865,992 and incurred a total expenditure of \$32,672,474 for the year ended 31 July 2018. Details are provided in Table 33.1.

Interest waived during the waiver of interest amnesty, granted from January 2018 to June 2018, totalled \$583,822.

Table 33.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Land and Property Rent	14,386,719	13,419,582
Fees charges, Fines and Penalties	1,360,271	709,972
Revenue from Surveys & Sales of Navigation	363,547	157,520
Licence	94,106	32,179
Sale of Publications	347	98
Sale of Photographs	-	21
Mining Fees	494,434	499,064
Chemical	3,313	1,807
Commission	16,551	15,321
Hire of Plant & Vehicles	16,239	-
Valuation Fees	15,086	18,153
Total State Revenue	16,750,613	14,853,717
Agency Revenue	1,115,379	928,103
Total Revenue	17,865,992	15,781,820
Established staff	10,491,482	8,525,853
Government wage earners	1,181,962	792,564
Travel and communications	844,908	863,762
Maintenance & operations	6,404,170	5,711,341
Purchase of goods and services	946,617	779,418
Operating grants and transfers	26,378	31,422
Special expenditures	815,724	792,412
Total Operating Expenditure	20,711,241	17,496,502
Capital Construction	7,223,777	4,347,581
Capital Purchases	2,150,923	580,754
Capital grants and transfers	1,224,642	498,401
Total Capital Expenditure	10,599,342	5,426,736
Value Added Tax	1,361,891	1,071,165

Description	31 July 2018 (\$)	31 July 2017 (\$)
Total Expenditure	32,672,474	23,994,403

Land and Property Rent revenue increased by \$967,137 or 7% in 2018 compared to 2017 due to the Ministry taking vigorous measures to collect revenue and the arrears due to Government. The Ministry had also offered an incentive for waiver of interest to all Lessees in the first six months of the year.

Fees charges, Fines and Penalties revenue increased by \$650,299 or 92% in 2018 compared to 2017 due to fees charged on the high number of applications lodged by lessees for various dealings (consent to build, caveat, transfer, mortgage and Ministerial Consent).

Revenue from Surveys & Sales of Navigation increased by \$206,027 or 131% in 2018 compared to 2017 due to the increase in survey fees collected. These survey fees and charges are derived from the following:

1. Calibration of Survey Instrument (Control);
2. Registered Surveyors Practicing Fees (SRB);
3. Survey Instruction Fees (Gazetted Scale of Fees);
4. Survey Fees & Charges;
5. Lodgement of SO Plans.

License fees increased by \$61,927 or 192% in 2018 compared to 2017 due to increase in licenses issued by the Ministry during the year for river gravel and sand extraction.

Revenue from Hire of Plant and Vehicles increased by \$16,239 or 100% in 2018 compared to 2017 due to the increase in the hire of water & mineral drilling plant and machinery.

Established Staff costs increased by \$1,965,629 or 23% in 2018 compared to 2017 due to the job evaluation exercise payment made to all established staff.

Government Wage Earners costs increased by \$389,398 or 49% in 2018 compared to 2017 due to the job evaluation exercise payment made to all government wage earners.

Maintenance and Operations expenditure increased by \$692,829 or 12% in 2018 compared to 2017 due to the increase in the payments of municipal council rates.

Purchase of Goods and Services expenditure increased by \$167,199 or 21% in 2018 compared to 2017 due to the increase in the Land Reform Programme that normally deals with technical work of the division and hosting of land owning unit trustee's awareness.

Capital Construction expenditure increased by \$2,876,196 or 66% in 2018 compared to 2017 due to the increase in the development of State land for the unutilised State land, which includes the construction of infrastructure and the creation of sub-divisions.

Capital Purchases increased by \$1,570,169 or 270% in 2018 compared to 2017 due to the increase in payments of new equipment such as the purchase of drill rigs, purchase of seismology equipment, purchase of large format scanners, purchase of specialised vehicles and purchase of survey software executed for expenditures assigned under SEG 9.

Capital Grants and Transfers increased by \$726,241 or 146% in 2018 compared to 2017 due to the increase in payments for the development of iTaukei land.

33.3 Appropriation Statement

The Ministry incurred expenditure totalling \$32.67 million in 2017-2018 against a revised budget of \$35.38 million, resulting in a saving of \$2.71 million or 7.7%. Details of expenditure against the revised budget are provided in Table 33.2.

Table 33.2 Appropriation Statement for 2018

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
		(\$)	(\$)	(\$)	(\$)	(\$)
1	Established Staff	9,856,407	663,717	10,520,124	10,491,482	28,642
2	Government Wage Earners	971,197	217,152	1,188,349	1,181,962	6,387
3	Travel & Communication	805,200	43,390	848,590	844,908	3,682
4	Maintenance & Operations	7,419,193	(506,663)	6,912,530	6,404,170	508,360
5	Purchase of Goods & Services	1,000,328	(47,147)	953,181	946,617	6,564
6	Operating Grant & Transfers	32,100	-	32,100	26,378	5,722
7	Special Expenditure	870,165	(52,320)	817,845	815,724	2,121
	Total Operating Expenditure	20,954,590	318,129	21,272,719	20,711,241	561,478
8	Capital Construction	9,803,085	(1,930,785)	7,872,300	7,223,777	648,523
9	Capital Purchases	6,460,000	(3,361,920)	3,098,080	2,150,923	947,157
10	Capital Grant & Transfer	2,740,000	(1,510,014)	1,229,986	1,224,642	5,344
	Total Capital Expenditure	19,003,085	(6,802,719)	12,200,366	10,599,342	1,601,024
13	Value Added Tax	2,372,190	(465,410)	1,906,780	1,361,891	544,889
	Total Expenditure	42,329,865	(6,950,000)	35,379,865	32,672,474	2,707,391

There was significant savings in the capital purchase allocation (SEG 9) of \$947,157 against the revised budget. The savings was due to non-utilisation of stereo satellite imagery budget since the approved contractor withdrew its bid in June 2018.

33.4 Trust Fund Account – Department of Lands

The Land Trust Fund Account was opened for the new Land Use Unit and as such the Department is also responsible for the collection of revenue for the Native Land Owners who have deposited their land to the Land Bank to be administered by the Department. Funds collected also include security such as deposits, payments in advance and bank guarantees as stipulated in provision 12 of the Land Use Act 2010. Funds received and paid out from the Land Trust Fund include the Land Acquisition Compensation Funds, Land Bank Fees, Leases & Securities collected on behalf of Land Owning Units, Sand & Gravel Extraction Royalties, Qoliqoli compensation, Government Survey & Plan Ad-Hoc-Work, Government Construction Work Compensation, Funds received for Vanua View Services and funds received for re-evaluation of city and town boundaries for municipal councils.

Table 33.3 Statement of Receipts and Payment – Lands Trust Fund Account

Description	31 July 2018 (\$)	31 July 2017 (\$)
Opening Balance as at 01/08/2017	6,229,494	4,230,897
Receipts		
Compensation	3,627,230	62,669
Other revenue	2,541,469	102,399
Fisheries impact	138,873	1,516,454
Lease offer	2,584,833	100,289
Priority plan	696,969	374,928

Description	31 July 2018 (\$)	31 July 2017 (\$)
Royalty	695,826	15,883
Sand gravel	13,795	3,169,243
Total Receipts	10,298,995	5,341,865
Payments		
Meal/ mileage	2,577,452	39,413
Priority plan & general	2,754,492	150,378
Royalty	613,689	158,424
Fisheries impact	366,216	29,789
Compensation	3,601,770	2,965,364
Total Payments	9,913,619	3,343,368
Closing Balance as at 31/7/2018	6,614,870	6,229,494

33.5 Trust Fund Account – Department of Mineral Resources

Mining Trust Fund Account includes license paid in advance. This is to ensure that any environmental damage caused by the company will be covered by the money held.

The money held in Non-Mining Trust Fund account is from the private or public entities who request the Mineral Resources Department to conduct works or project for them. Non-Mining includes groundwater project or mineral investigation.

Table 33.4 Statement of Receipts and Payment – Mineral Resources Trust Fund Account

Description	31 July 2018 (\$)	31 July 2017 (\$)
Opening Balance as at 01/08/2017	4,386,308	4,482,035
Receipts		
Mining		
Mining Bond	183,719	181,475
SPL renewal fees	67,878	142,395
EIA screening	-	124
Royalty	819,062	167,554
Non-Mining		
Geotechnical survey	20,873	58,816
Borehole construction	75,356	165,558
Aggregate survey	1,185	8,249
Total Receipts	1,168,073	724,171
Payments		
Mining		
Transfer of renewal fees	85,072	-
Bond refund	11,958	628,610
Non-Mining		
Borehole construction	36,652	-
Geotechnical survey	15,163	191,288
Total Payments	148,845	819,898
Closing Balance as at 31/7/2018	5,405,536	4,386,308

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

33.6 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 or alone or in combination with multiple deficiencies may lead to a material misstatement in the financial statements. It requires immediate management action.

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

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

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

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

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

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

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

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

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

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


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

33.6.1 Internal 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

33.6.2 Submission of FY 2017 - 2018 Draft Agency Financial statements


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

The key focus areas in the circular were:

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

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


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

Rating	Year-end close process assessment
 Generally effective	6 of 9 key processes completed within two weeks of due date

33.6.3 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

33.6.4 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	Draft financial statements received after 31 October 2018

33.6.5 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
 Generally effective	Management comments received within 21 days from the date agency financial statements draft management letter (DML) was issued

Rating	Timeliness of Signed Financial statements Received
 Effective	Signed financial statements received within 5 days

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

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

33.7 No Detailed Listing for Main Trust Fund Account for Lands Department

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.¹

Audit of the Department of Lands Trust Fund Account revealed that the closing balance of \$6,614,870 was not supported with a detailed listing of claimants of the monies held in trust.

Root Cause/Implication

As such, we could not ascertain the accuracy and completeness of the Trust Fund Account balance of \$6,614,870 as at 31 July 2018.

Recommendation

The Ministry should ensure that detailed listings of claimants of the monies held in Main trust are maintained.

Agreed Management Action

Recommendations of the Auditors are noted.

Officer Responsible

Assistant Accounts Officer

33.8 Anomalies in Main Trust Fund Account

The Clerical Officer shall make available for the audit the necessary trust documents supporting the transactions and balances of the trust account.²

Audit of the Trust Fund Account revealed the following the anomalies:

¹ Finance Instructions 2010 – Section 58(3)

² Ministry of Lands and Mineral Resources Finance Manual 2013, Section 15.4.7

- Variances existed in the Department of Lands Trust Fund Account between the amounts reflected in the Statement of Receipts & Payments and the balances recorded in the Cashbook. Refer to **Appendix 1** for the details:
- Breakdown of payments for Department of Mineral Resources Trust Fund Account was not provided by for audit review.

Root Cause/Implication

Inability to reconcile amounts shown in the financial statements to the amounts in the cashbook may be due inadequate record keeping.

Recommendation

The Ministry should ensure that amounts in the Cashbook reconciles with the balances recorded in the financial statements.

Agreed Management Action

We also maintain cashbook for Trust detailing the amount received with TFR. This cashbook is for both the payment received and payment paid out.

Officer Responsible

Assistant Accounts Officer

33.9 Land Owning Units Accounts Not Audited

The Office of the Auditor General must audit the annual financial statements of accounts for the Land Owning Unit for any calendar year.³

We noted that the Land Owning Units have not submitted their draft financial statements for audit purposes. Table 33.5 provides the details of last audited accounts of the Land Owning Units.

Table 33.5: Last Audited Accounts of the Land Owning Units

Land Owning Units	Last Audited Accounts
Vanua Lekutu and Navakasiga Trust	2011
Mataqali Nalutu Trust	2011
Mataqali Naicobo Trust	2011
Mataqali Noro Trust	2011
Tokatoka Saravi Trust	None
Vatukoula Social Assistance Trust Fund	None
Bitolevu Vuvale Trusts	None
Natodre Land Trust Fund	None

³ Land Use Regulations 2011– Part II – Section 7
Ministry of Lands and Mineral Resources

Root Cause/Implication

The lack of skilled people to prepare financial statements for the Land Owning Units has resulted in the accounts not being prepared and submitted for audit purposes.

Misuse of funds can go undetected when financial statements are not audited for a long time.

Recommendations**The Ministry should:**

- liaise with the Land Owning Units to ensure that annual financial statements are submitted for audit as required under the Land Use Act; and
- ensure that Trustees are aware of the requirement for submission of the Financial statements for audit purposes.

Agreed Management Action

The Ministry agrees to the recommendations provided and as a matter of ensuring good governance and transparency, we have conducted extensive-on-the-ground training one to one basis with Land Owning Units (LOUs). In addition, the Assistant Accounts Officer at the Division is working tirelessly to get this fulfilled.

The Ministry anticipates receiving the majority statements and Annual General Meeting minutes by the end of this year.

Officer Responsible

Director Land Use (DLU)

33.10 Variance between FMIS and Payroll Report

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.⁴

A variance of \$204,200 was noted between the Financial Management Information System (FMIS) and the Ministry's payroll report balance for the Established staffs and government wage earners. Refer to Table 33.6 for details of the variances:

Table 33.6: Variance between FMIS General Ledger and Payroll Report

GL Balances	SEG 1 Amount (\$)	SEG 2 Amount (\$)	Consolidated SEG 1 & SEG 2 Balances (\$)
Personal Emolument & Wages	9,387,485	929,480	10,316,965
Add Relieving Staff	2,600	10,169	12,769
Add Allowances	141,297	36,916	178,213
Add Overtime	-	51,946	51,946
Total	9,531,382	1,028,511	10,559,893
Less: Payroll Summary Report	(7,543,412)	(4,641,315)	(12,184,727)
Add: Project staffs	-	1,420,634	1,420,634
Variance	1,987,970	(2,192,170)	(204,200)

⁴ Ministry of Lands and Mineral Resources Finance Manual 2013, Section 4.5.4

Root Cause/Implication

Absence of timely reconciliations between the FMIS and Payroll report has resulted in the variance.

Variance between critical records may indicate the existence of errors and omissions and possibly fraud.

Recommendations

The Ministry should ensure that:

- fortnightly reconciliations between FMIS general ledger and Payroll Report are carried out; and
- any variance noted should be investigated and adjusted accordingly.

Agreed Management Action

The Ministry agrees that there were variances existing in its payroll and FMIS. The majority of variances is through the payment of My APA and wages & salaries on weekly/fortnightly basis for Project Officers.

Officer Responsible

Assistant Accounts Officer Salaries and Clerical Officer Wages

33.11 Anomalies in Capital Projects

The PSLMR, Directors, Manager Finance, Senior Accounts Officer or Accounts Officers must not certify a payment as correct unless they are satisfied that it is in accordance with an PO, indent, contract, invoice or other authorisation; there is documentation that the goods, services or works have been received; sufficient uncommitted funds are available for payment of the account; the account is not fraudulent and has not been previously paid; the expenditure account it is charged to is correct.⁵

Table 33.7 shows details of the anomalies noted from the review of the payments made for capital construction.

Table 33.7: Details of Anomalies

Project	Anomalies
WSC 373/2017	Provisional Tax was overpaid totalling \$5,486
WSC 78/2018	The Ministry paid mobilisation payment totalling \$426,586.52 to Contractor which was not part of the contract.

Root Cause/Implication

Incorrect calculation of the Provisional Tax has resulted in the overpayment.

The explanation provided by the Ministry was that the mobilisation payment was made as the contract was awarded towards the end of the financial year.

Failure to comply with contract clauses can lead to incorrect payments made to the contractor.

⁵ Ministry of Lands and Mineral Resources Finance Manual 2013, Section 2.8.4

Recommendations

The Ministry should ensure that:

- **provisional Tax is calculated correctly; and**
- **conditions in the contract documents are complied with.**

Agreed Management Action

The Ministry acknowledges the audit recommendation. Also, the Ministry is working closely with FRCS to ensure that provisional tax are calculated and remitted as appropriate.

Officer Responsible

Accounts Officer (Procurement)

33.12 Land and Property Rent Collections

All supporting documents should be provided to substantiate the information provided on Arrears of Revenue Report.⁶

The Ministry collected \$14.3 million revenue in the form of Land and Property Rent in the 2017/218 financial year.

We noted that the Ministry could not establish the following:

- the amount of arrears collected out of the \$14.3 million; and
- from the arrears collected, the period the arrears related to.

In addition, it was noted that there was no Memorandum of Agreement (MoA) with Post Fiji in relation to payments of commission for revenue collected on behalf of the Ministry.

Root Cause/Implication

Incompatibility of the Crown Land Lease System (CLLS) with Financial Management Information System (FMIS) may lead to incorrect reporting.

The Ministry was not able to confirm if a MoA was in place with Post Fiji Ltd. Absence of a MoA may lead to disputes as the requirements of the two agencies are not specified in terms of revenue collection and reporting.

Recommendations

The Ministry should:

- **ensure that arrears of revenue collected is reconciled to the arrears listing to determine the period the collection relates to;**
- **establish the amount of arrears collected from the Land and Property Rent for decision-making purposes; and**
- **develop a memorandum of agreement with Post Fiji.**

⁶ Ministry of Lands and Mineral Resources Finance Manual 2013, Schedule 11
Ministry of Lands and Mineral Resources

Agreed Management Action

The recommendation is noted. The Department is also concerned about the vast amount of Arrears of Revenue which still remains uncollected but as mentioned in the previous years it does not have the authority or control over the execution process as this is mainly to do with terms applied for our land arrears in the lease agreement. The Ministry is working tirelessly to ensure that arrears are collected and notices are issued to those lessees based on the hierarchy of arrears.

Officer Responsible

Geospatial Information Support (GIS) & Policy, Planning (Lands), Quality Assurance (PPQA)

33.13 Variance in Per-diem Payment

Permanent Secretaries must ensure that this circular is brought to the attention of all officers in Ministries and Departments that not only travel but also that are responsible for calculating per diems and air travels.⁷

We noted variances in payment of per-diem for officers travelling overseas. Refer to Table 33.8 for details.

Table 33.8: Details of Variances in Payment of Per-diem

Payment ID	Amount Paid (\$)	Audit Calculation (\$)	Overpaid/ (Underpayment) (\$)
33098	6,283	3,933	2,350
33192	5,056	7,034	(1,978)
62950	7,972	7,647	325
32814	4,625	3,274	1,351
33098	6,283	3,933	2,350

Root Cause/Implication

The Ministry has not been following the Circular No. 8/2017 on the calculation of Per-diem and overseas allowance thus resulting in the over and under payments of per-diem.

Recommendations

The Ministry should ensure that correct per-diem is paid in accordance with Circular No. 8/2017.

Agreed Management Action

Comments of the Auditors are noted. Yes, there was a miscalculation of transit allowance paid to the officers which was an oversight by the team. It has strengthened its verification procedures in this regard. The Ministry will instigate appropriate measures to recover the amount over-paid to the staff.

Officer Responsible

Senior Accounts Officer (Finance) and Accounts Officer (Finance)

⁷ Circular No 08/2017 Per diem Rates and Allowances for Overseas Travel, Section 1.9
Ministry of Lands and Mineral Resources

33.14 Balances Not Cleared From Operating Trust Fund Account

Where charges are for payments to organisations through salary deductions, the relevant creditor account shall be credited. When actual payment is made to the organisation, the creditor account shall be debited.⁸

At balance date, the Ministry had a credit balance of \$289,836.64 in its Operating Trust Fund Account. Generally, balances in operating trust fund account are kept for one month and should be cleared in the following month.

We noted that amounts totalling \$274,195 remained unpaid at end of August 2018.

Root Cause/Implication

Balances in operating trust fund accounts indicate that payments have not been made for funds deducted from salaries and wages of staff. This can further lead to accumulating balances appearing in the operating trust fund account.

Recommendations

The Ministry should:

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

Agreed Management Action

Comments of the Auditors are noted. This account will be verified to see why there is a large amount of credit in it. Funds deposited in this account need to be paid out so the allocation is zero. Balances from previous years will be checked and if it needs to be paid out then it will be done so and if not then the funds will be credited to government revenue.

Officer Responsible

Assistant Accounts Officer Salaries and Clerical Officer Wages

33.15 Misallocation of Expenditures

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes - the correct tax code; and the ledger account it is charged to.⁹

Review of the payment vouchers noted that the Ministry charged expenditures to incorrect allocations during the year which were not regularised at the end of the financial year. Refer to **Appendix 2** for details of the expenditures charged to the wrong allocations.

⁸ Ministry of Lands and Mineral Resources Finance Manual 2013, Section 4.6.3

⁹ Financial Instruction 2010, Section 14 (1)

Root Cause/Implication

The above findings indicate that the Ministry did not regularise the above during the closing of accounts process resulting in mispostings of expenditure. These situations can also arise when budget funding is not available in a particular allocation and payments made are charged to other allocations.

Recommendation

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

Agreed Management Action

The Ministry is ensuring that all relevant expenditures are charged to the relevant budgetary allocations. In cases where relevant funds are not available, proper processes such as virements and period cash flows are pursued to meet the cost.

Officer Responsible

Senior Accounts Officer

33.16 Delay in Finalisation of the Financial statements - Recurring Issue

All agencies are required to prepare their Agency Financial statements (AFS) in accordance with the AFS checklist and to submit them to the Office of the Auditor General prior to 31 October 2018.¹⁰

The audit of the financial statements of the Ministry of Lands and Mineral Resources for the year ended 31 July 2018 was finalised after the legislated timeframe due to the following reasons:

- The draft financial statements of the Ministry was submitted late. The draft financial statements was not submitted by 31 October 2019 as required in the Closing of Accounts Processes and Procedures 2017-2017 Section 4.3.4.
- The Ministry submitted its draft financial statements on 21 November 2018 which was amended and re-submitted on 23 April 2019 and 25 June 2019.
- The Ministry was also amending its reconciliations and the following reconciliations were completed and received on the dates below.

Table 33.9: Submission Dates of the Amended Reconciliations

Amended Reconciliation	Submission Dates
Approved Virement DV3305	01 May 2019
Operating Trust Account Reconciliation for Lands Department	31 May 2019
Drawings Account Reconciliation and Board of Survey for Minerals Department	24 June 2019
TLTB Files & Statement	04 July 2019
Arrears of Revenue	16 July 2019

While the Exit meeting (audit closing meeting) was held with the Ministry on 21 October 2019, the Ministry continued to provide further documents for verification until 13 November 2019.

¹⁰ Circular No. 03/2018 Closing of Accounts Processes and Procedures 2017-2018 section 4.3.1

Root Cause/Implication

Staff responsible for preparation of draft financial statements not adhering to the timelines and requirements issued by Ministry of Economy.

Errors in the financial statements submitted for audit resulted in the amendments that had to be carried out resulting in the subsequent delay in the finalisation of the audit.

Delays in submission of draft financial statements can also be seen as inability by those charged with governance to promote accountability.

Recommendations

The Ministry should ensure that:

- financial statements are submitted for audit are free from errors and omissions and records are properly maintained and made available to auditors upon request;
- the reconciliations are correctly prepared on a timely manner and;
- supervisory checks on the review of the reconciliations are strengthened.

Agreed Management Action

The Auditors recommendation is noted. Late adjustments or clearance facilitated through Ministry of Economy always have an impact on the accuracy of the draft AFS already submitted hence its need to revise the statement. Also the Ministry ensures that it fully complies and adheres to the timeline set out for the submission of the Financial statements.

Officer Responsible

Manager Finance and Senior Accounts Officer

33.17 Significant Arrears of Revenue - Recurring Issue

Within one month after the end of each quarter, each agency with accounts receivable must submit a quarterly report on outstanding and overdue debts to the Ministry of Economy.¹¹ Accounts which are overdue must be promptly followed up in accordance with the debit recovery procedures in the Finance Manual.¹²

We noted that the Ministry had substantial arrears of revenue amounting to \$23.4 million as at 31 July 2018. Over the past five years this arrears of revenue has been fluctuating but has remained above the \$20 million mark. Table 33.10 shows the arrears of revenue for the Ministry for past 5 years.

Table 33.10: Arrears of Revenue for Past 5 Years

Year	Amounts \$
2018	23,457,483
2017	21,820,630
2016	20,778,013
2015	26,980,319
2014	25,250,168

¹¹ Finance Instruction 2010, section 43 (1)

¹² Finance Instruction 2010, section 41

Furthermore, it was noted that interest waived during the waiver of interest amnesty, granted from January 2018 to June 2018, totalled \$583,822.

Root Cause/Implication

The fluctuating trend of arrears of revenue can be indicative of the positive impact of some debt recovery measures such as amnesty and inefficiency of other measures.

There is high risk of this arrears of revenue becoming irrecoverable and written off resulting in loss to government.

Recommendations

The Ministry should:

- take appropriate steps to reduce the arrears of revenue; and
- develop a debt and revenue management policy.

Agreed Management Action

The strategies undertaken by the Ministry are as below:

- Waiver of interest incentive
- Site visits to lessees and conducting awareness on rental payments
- Issuance of notices and flyer on rental
- Accepting undertaking with lessees to clear rental arrears within a respective period
- Media publicity
- Options on mode of payments to lessees
- Draft Debt and Revenue Management Policy formulated
- The team has been successful as they are enforcing the abovementioned strategies and this has resulted in an increase in rental collection.

Officer Responsible

Policy, Planning, Quality and Assurance (PPQA)

33.18 Variance between Crown Land Lease System & FMIS - Recurring Issue

The Accounting Head is responsible for the effective design and operation of internal control of the agency.¹³

The Crown Lands Lease System (CLLS) is used to record details of all crown land lease whether active or non-active. We noted a variance of \$313,014 between the Land and Property Rent revenue collected in Crown Land Lease System (CLLS) and the FMIS general ledger balance as at 31 July 2018. Table 33.11 shows the variance between the CLLS system and FMIS.

¹³ Ministry of Lands and Mineral Resources Finance Manual 2013, Section 17.1.1

Table 33.11: Variance between the CLLS system and FMIS

Balance as at 31/7/2018	Amount (\$)
Crown Land Lease System	14,699,733
FMIS- General Ledger	14,386,719
Variance	313,014

Root Cause/Implication

The variance was due to expired leases in CLLS for which posting of revenue could not be done. Consequently, CLLS was not updated.

Recommendations**The Ministry should:**

- reconcile revenue figures in CLLS and FMIS General Ledger in a timely manner; and
- investigate and rectify the variance.

Agreed Management Action

- The Ministry has strengthened its internal processes through daily verification and reconciliation of revenue received together with Cash Analysis against the CLLS revenue records.
- The variance was due to: the expired leases not updated to the CLLS for those agencies that make one-off payments for large listings of lessees such as FSC, Post Fiji and Housing Authority.
- Payment was received in bulk from FSC but upon updating this payment to the individual account (Oracle System) it shows that their lease has been expired.
- The inconsistency in the timeframe for processing the renewal of leases.

Way Forward:

- Activate expired leases accounts in CLLs for the purpose of receipting and deactivate them at the end of the process;
- Review of SOPs to ensure consistent and timely renewal of leases.

Officer Responsible

Senior Accounts Officer and Accounts Officer

33.19 Rent of \$0.10 charged on active leases - Recurring Issue

Subject to the provisions of any other written law for the time being in force, leases shall be subject to re-assessment of the rent at each tenth year of the term of the lease.¹⁴

Review of the CLLS revealed that the Ministry is charging rent on active leases for as low as 10 cents.

Refer to **Appendix 3** for details.

¹⁴ Crown Land Act 1978 Part II Leases Clause 10 Re-assessment of Rent
Ministry of Lands and Mineral Resources

Root Cause/Implication

We noted that this was due to the absence of reassessment clause in the lease agreement and reassessment not carried out as required in the Crown Land Act.

Failure to comply with Clause 10 of the Crown Land Act 1978 Part II Leases, has resulted in loss of government revenue.

Recommendations

The Ministry should:

- carry out rental re-assessment every tenth year of the term of the lease as stipulated in the Crown Land Act 1978 Part II Clause 10; and
- ensure that all lease agreement include a rental re-assessment clause.

Agreed Management Action

The leases do not have a re-assessment clause. The Ministry will only carry out re-assessment when the lease is due for renewal and the clause is inserted. Missed re-assessment will await the next re-assessment date. Timeline depends on the expiry of the lease.

Officer Responsible

Divisional Heads (Central, Eastern, Western & Northern)

Appendix 1: Variances between Trust Fund Account Balances for Department of Lands

Account No.	Financial statements Amount	Breakdown provided by Client as per Cashbook	Variance
	(\$)	(\$)	(\$)
Receipts			
Compensation	3,627,230	2,737,810	889,420
Fisheries Impact	138,873	119,558	19,315
Lease Offer	2,584,833	3,243,570	(658,737)
Priority Plan	696,969	88,663	608,306
Royalty	695,826	672,791	23,035
Sand & Gravel	13,795	11,179	2,616
Other Revenue	2,541,469	1,981,972	559,497
	10,298,995	8,855,543	1,443,452
Payments			
Meal/Mileage Claim	2,577,452	1,247,622	1,329,830
Priority Plan & General	2,754,492	69,319	2,685,173
Royalty/ State-Land	613,689	678,384	(64,695)
Fisheries Impact	366,216	113,879	252,337
Compensation	3,601,770	3,604,495	(2,725)
Lease offer	-	3,007,611	(3,007,611)
	9,913,619	8,721,310	1,192,309

Appendix 2: Misallocation of Expenditures

Cheque/ EFT No.	Date	Particulars	Posted to Allocation	Correct Allocation	Amount (\$)
17135	22/01/2018	Bill Payment	SEG 5	SEG 3	11,258.87
17134	22/01/2018	Bill Payment	SEG 5	SEG 4	15,421.72
18784	27/04/2018	Bill Payment	SEG 5	SEG 3	13,360.28
18318	26/03/2018	Bill Payment	SEG 7	SEG 3	8,383.73
19697	28/06/2018	Bill Payment	SEG 7	SEG 3	5,504.59
19389	07/06/2018	Bill Payment	SEG 7	SEG 4	15,277.12
18425	28/03/2018	Bill Payment	SEG 7	SEG 4	16,801.77
19305	04/06/2018	Bill Payment	SEG 7	SEG 4	11,237.64
18469	03/04/2018	Bill Payment	SEG 7	SEG 4	13,785.73
14595	07/08/2018	Bill Payment	SEG 3	SEG 4	28,822.30
62920	03/10/2017	Advance- Geodetic Survey	SEG 5	SEG 8	13,895.00
10423	19/07/2018	Mis-posting of VAT Portion	SEG 4	SEG 13	1,060.75
9377	29/03/2018	Mis-posting of VAT Portion	SEG 4	SEG 13	222.48

Appendix 3: Details of Active Leases Charged 10 cents Rent

Account No.	Lease No.	File Reference	Lease Start Date	Rent Amount (\$)	Last Valuation Date	Years Lapsed since last Re-assessment
10625	001924	4/16/2614	1/01/1949	0.10	1/01/1974	43 Years
12507	039149	4/16/2033	1/01/1947	0.10	1/01/1972	45 Years
12541	AN12541	4/16/3882	1/01/1956	0.10	1/01/1981	36 Years
24873	003163	4/7/983	1/07/1957	0.10	1/07/1982	35 Years
25635	003469	4/10/1027	1/04/1961	0.10	1/07/1979	38 Years
25644	018150	4/11/1431	1/01/1975	0.10	1/01/1985	32 Years
26190	090173	4/01/226	1/01/1962	0.10	1/01/1962	55 Years

Head 36

Ministry of Public Enterprises and Government Printing**Roles and Responsibilities**

The Ministry of Public Enterprises oversees and implements reform programs, provide policy recommendations and monitors the performance and operations of public enterprises to increase efficiency and effectiveness in terms of financial growth and improvements in services to the public.

The Government Printing and Stationery Department was responsible for printing Government documents and the Laws of Fiji. The Department was managed by the Government Printer who was reporting to the Permanent Secretary for Public Enterprises.

Table of Contents

PART A: FINANCIAL STATEMENTS	2
36.1 Audit Opinion.....	2
36.2 Statement of Receipts and Expenditure.....	2
36.3 Appropriation Statement.....	3
36.4 Trading and Manufacturing Account	3
36.4.1 Manufacturing Account – Trading and Manufacturing Activity	4
36.4.2 Trading Account – Trading and Manufacturing Activity	4
36.4.3 Profit and Loss Statement – Trading and Manufacturing Activity	5
36.4.4 Balance Sheet – Trading and Manufacturing Activity	5
PART B: ASSESSMENT OF FINANCIAL GOVERNANCE.....	6
36.5 Internal Controls.....	6
36.6 Submission of FY 2017-2018 Draft Agency Financial Statements.....	7
36.7 Quality of Draft Financial Statements by Entities.....	8
36.8 Timeliness of Draft Financial statements.....	8
36.9 Timeliness of Submission of Management Comments and Signed Financial Statements.....	8

PART A: FINANCIAL STATEMENTS

36.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Public Enterprises and Government Printing resulted in an unqualified audit opinion. However, other matter was raised as follows:

Government Printing and Stationery Department's assets were sold to Serendib Investment Pte Limited on 18 January 2019 for a sum of \$6 million

36.2 Statement of Receipts and Expenditure

The Ministry collected agency revenue totalling \$52,139 and incurred a total expenditure of \$14.9 million for the year ended 31 July 2018. Details are provided in Table 36.1.

Table 36.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
Agency revenue	52,139	83,909
Total Revenue	52,139	83,909
Expenditure		
Established Staff	2,080,651	1,981,073
Government Wage Earners	268,611	348,579
Travel and Communications	72,697	61,003
Maintenance & Operations	447,803	420,154
Purchase of Goods and Services	65,873	32,786
Operating Grants and Transfers	6,694,067	---
Special Expenditures	386,723	475,844
Total Operating Expenditure	10,016,425	3,319,439
Capital Constructions	1,700,000	---
Capital Purchase	409,700	46,700
Capital Grants and Transfers	2,790,499	---
Total Capital Expenditure	4,900,199	46,700
Value Added Tax	51,335	83,837
Total Expenditure	14,967,959	3,449,976

The total expenditure increased by \$11,517,983 or 334%. The increase was mainly due to Operating grants and transfer of \$6,694,067 and Capital grants and transfers of \$2,790,499 in 2018 compared to nil in 2017 for both expenditures. Operating grants and transfer was paid to Biosecurity Authority of Fiji in 2018 compared to nil in 2017. Capital grants and transfers of \$2,530,499 and \$260,000 was paid to Biosecurity Authority of Fiji and Fiji Rice Pte Limited, respectively in 2018 compared to nil in 2017.

Capital Construction expenditure also contributed to the increase in the total expenditure which was paid to Pacific Fishing Company Pte Limited (PAFCO) in Levuka for maintenance seawall that was damaged by Tropical Cyclone Winston.

Capital purchase increased by \$363,000 or 777% in 2018 due to the purchase of a hog dehairing machine and two delivery trucks for Fiji Meats Industry Board (FMIB).

36.3 Appropriation Statement

The Ministry incurred expenditure totalling \$14.9 million in 2018 against a revised budget of \$17.9 million, resulting in a saving of \$2.9 million. The large savings was due to under-utilisation of appropriated funds.

Significant savings were noted in the following areas:

- Established staff (SEG 1) - \$1,274,813
- Government wage earners (SEG 2) - \$201,068
- Maintenance and operations (SEG 4) - \$158,197
- Grants and transfers (SEG 11) - \$846,167

Significant savings were due to the following reasons:

- Established staff (SEG 1) and Government wage earners (SEG 2) - due to vacant positions not being filled by Government Printing due to the planned sale of the department.
- Maintenance and operations (SEG 4) - mainly due to unutilized funds for repairs and maintenance of vehicles due to new leased vehicles in 2018.
- Grants and transfers (SEG 11) - due to non-payment of full capital grant to Biosecurity Authority of Fiji in 2018 since the Authority had had funds for capital works.

Details of expenditure against the revised budget are provided in Table 36.2.

Table 36.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,355,464	---	3,355,464	2,080,651	(1,274,813)
2	Government Wage Earner	469,679	---	469,679	268,611	(201,068)
3	Travel & Communication	103,300	---	103,300	72,697	(30,603)
4	Maintenance & Operations	606,000	---	606,000	447,803	(158,197)
5	Purchase of Goods & Services	91,687	---	91,687	65,873	(25,814)
6	Operating Grants & Transfers	6,787,540	---	6,787,540	6,694,067	(93,473)
7	Special Expenditure	475,000	---	475,000	386,723	(88,277)
	Total Operating Costs	11,888,670	---	11,888,670	10,016,425	(1,872,245)
9	Construction	1,700,000	---	1,700,000	1,700,000	---
10	Purchases	409,700	---	409,700	409,700	---
11	Grants and Transfers	3,636,666	---	3,636,666	2,790,499	(846,167)
	Total Capital Expenditure	5,746,366	---	5,746,366	4,900,199	(846,167)
13	Value Added Tax	304,789	---	304,789	51,335	(253,454)
	TOTAL	17,939,825	---	17,939,825	14,967,959	(2,971,866)

36.4 Trading and Manufacturing Account

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

The TMA relating to the Government Printing Department whose functions included providing printing and stationery services to Parliament of Fiji, Government Ministries and Departments, statutory bodies including the general public on semi-commercial practices. It was responsible for printing government documents, including parliamentary papers, gazettes, supplements, bills, acts, revenue earnings forms and cheque books. It was also responsible for printing of the Laws of Fiji.

36.4.1 Manufacturing Account – Trading and Manufacturing Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
Raw Materials (01/08/17)	480,738	482,827
Add: Purchases	741,043	622,817
	1,221,781	1,105,644
Less: Raw Materials (31/07/18)	365,178	480,738
Raw Materials Used	856,603	624,906
Add Work in Progress(01/08/17)	64,430	13,854
	921,033	638,760
Direct Cost	---	---
Direct Labour	94,846	82,706
Less: Work in Progress (31/07/18)	17,874	64,430
Cost of Manufactured Goods Transferred to Trading Account	998,005	657,036

36.4.2 Trading Account – Trading and Manufacturing Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
Sales	1,579,367	1,416,584
Stock of Finished Goods (01/08/17)	800,755	670,049
Add: Cost of Manufactured Goods	998,005	657,036
Goods available for sale	1,798,760	1,327,085
Less: Stock of Finished Goods (31/7/18)	860,984	800,755
Cost of Finished Goods Sold	937,776	526,330
Gross Profit Transferred to Profit and Loss Statement	641,591	890,254

36.4.3 Profit and Loss Statement – Trading and Manufacturing Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
Income		
Gross Profit transferred from Trading Account	641,591	890,254
Expenses		
Maintenance & Operations	119,632	190,542
Total Expenses	119,632	190,542
Net Profit	521,959	699,712

36.4.4 Balance Sheet – Trading and Manufacturing Activity

Description	31 July 2018 (\$)	31 July 2017 (\$)
TMA Dominion Cash ANZ Suva	978,125	825,405
Account Receivable	753,479	922,867
IC Raw Materials	365,178	480,738
Work In progress	17,874	64,430
Finished Goods for sale	860,984	800,755
TOTAL ASSETS	2,975,640	3,094,195
Accounts Payable	-	15,598
Deposits & Deductions	89,884	120,853
Total Equity	2,885,756	2,957,744
TOTAL LIABILITIES & EQUITY	2,975,640	3,094,195

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

36.5 Internal Controls

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

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

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

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

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

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

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

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

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

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






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

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


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

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

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

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

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

Rating	Internal control assessment
 Generally Effective	Deficiencies identified in internal controls

36.6 Submission of FY 2017-2018 Draft Agency Financial Statements


On 12 June 2018, Permanent Secretary for Economy issued Circular No. 03/2018 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Overseas Missions in which procedures for closing of 2018 accounts and times were detailed. The final day for closing the 2018 accounts was 31 October 2018.

The key focus areas in the circular were:

- Closing date for journal adjustments by 10 August 2018
- Clearance of Inter-departmental clearance accounts by 3 August 2018
- 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 10 key processes completed within two weeks of due date

36.7 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 expenditure of the Ministry subject to our audit. Our assessment for the Ministry of Public Enterprise was:

Rating	Quality of draft financial statements assessment
 Ineffective	Adjustments on total expenditure were more than one percent

36.8 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 on or before 31 October 2018

36.9 Timeliness of Submission 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
 Ineffective	Signed accounts was received after 15 days

Head 37**Ministry of Local Government and Town
Country Planning****Role and Responsibilities**

The Ministry of Local Government, Town & Country Planning is responsible for formulating and implementing local government and urban planning policies.

The primary responsibility of the Department of Local Government is to improve local governance through the effective implementation of the Local Government Act 2005 [Cap 125]. It is also responsible for the provision of policy advice and support service to the National Fire Authority to ensure effective delivery of its core services.

The Department of Town and Country Planning is responsible for the overall administration, planning and regulating the land use in Fiji to ensure sustainable development and coordinated growth. Its key functions are strategic planning of urban and rural areas and regulation and compliance with development laws. It also offers physical planning and land development advice to government and promotes town planning in Fiji.

The Ministry also partners with other authorities such as National Fire Services, Municipal Councils nationwide, as well as with international donor agencies that conduct environment and climate change programs.

Table of Contents

PART A: FINANCIAL STATEMENTS	2
37.1 Audit Opinion.....	2
37.2 Statement of Receipts and Expenditure.....	2
37.3 Appropriation Statement.....	3
PART B: ASSESSMENT OF FINANCIAL GOVERNANCE.....	4
37.4 Internal Controls.....	4
37.5 Submission of FY 2017-2018 Draft Agency Financial statements	5
37.6 Quality of Draft Financial Statements by Entities.....	6
37.7 Timeliness of Draft Financial Statements.....	6
37.8 Timeliness of Submission of Management Responses and Signed Financial Statements.	6
PART C: SIGNIFICANT AUDIT FINDINGS	7
37.9 Anomalies in Payroll	7
37.10 Absence of Disaster Recovery Plan	9
37.11 Absence of Risk Management Policy	9
37.12 Untimely Preparation of Reconciliations	10
37.13 Anomalies in Payments	12
37.14 Incomplete and Delayed Capital Works	14

PART A: FINANCIAL STATEMENTS

37.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Local Government and Town Country Planning resulted in an unqualified audit opinion.

However, attention is drawn to internal controls of the Ministry where necessary controls such as timely reconciliations were not performed for Drawings Account, Accounts Payable, Operating Trust Fund, Environment Trust Fund Account, Advances, Salaries and Wages Account during the year. These are critical areas of the Ministry's operation and if not addressed promptly may result in financial losses or financial irregularities in the near future.

37.2 Statement of Receipts and Expenditure

The Ministry of Local Government and Town Country Planning collected revenue totalling \$504,688 and incurred a total expenditure of \$22,247,867 for the year ended 31 July 2018. Details are provided in Table 37.1.

Table 37.1: Statement of Receipts and Expenditure for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
RECEIPTS		
State Revenue		
Town and Country Planning Fees	472,513	256,537
Commission	4,732	3,430
Total State Revenue	477,245	259,967
Agency Revenue		
Miscellaneous Revenue	27,443	184,813
Total Agency Revenue	27,443	184,813
TOTAL RECEIPTS	504,688	444,780
EXPENDITURE		
Operating Expenditure		
Established Staff	2,219,260	2,224,850
Government Wage Earners	205,706	226,122
Travel & Communications	312,421	169,241
Maintenance & Operations	353,758	205,267
Purchase of Goods & Services	113,214	85,352
Operating Grants & Transfers	2,360,838	522,477
Special Expenditures	888,098	604,827
Total Operating Expenditure	6,453,295	4,038,136
Capital Expenditure		
Capital Purchase	93,092	810,867
Capital Grants & Transfers	15,602,640	9,700,886
Total Capital Expenditure	15,695,732	10,511,753
Value Added Tax	98,840	55,509
TOTAL EXPENDITURE	22,247,867	14,605,398

Town and country planning fees increase by \$215,976 or 84% due to increase in fees collected for scheme plan, re-zoning, sub division and plan search. However, miscellaneous revenue decreased

by \$157,370 or 85% as fees collected for scheme plan fees, re-zoning fees, sub division fees and plan search fees has been reclassified to town and country planning fees.

Travel and Communication expenditure increased by \$143,180 or 85% due to increase in travelling expense of project staff to inspect capital projects administered by the Ministry.

Operating Grants and Transfers increased by \$1.8 million to increase in the operating grant to municipal councils and statutory authorities.

Capital purchase decreased by \$717,775 or 89% as the procurement of the Information System software for Municipal Council and Ministry's Divisional offices were not made as budgeted. This was because the tender process could not be facilitated by Government Tender Board due to the delay in submission for the tender of project by the Ministry.

Capital Grants and Transfers increased by \$5,901,754 or 61% due to increase in the capital grant funding for New Town Development projects, Challenge and Investment Funds and Construction of Roadside Mini-markets during the financial year.

37.3 Appropriation Statement

The Ministry of Local Government and Town Country Planning incurred expenditure totalling \$22.24 million in 2018 against a revised budget of \$31.92 million resulting in savings of \$9.67 million or 30%. The large savings was mainly attributed to unutilised capital grants and transfer funds for New Town Development projects, Lautoka Botanical Garden Pool, construction of new swimming pool in Nasinu and preparation works of new indoor sporting in Lautoka City.

Details of expenditure against the revised budget are provided in Table 37.2.

Table 37.2: Appropriation Statement for 2017/2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$) (a-b)
				a	b	
	Operating Expenditure					
1	Established Staff	2,647,319	(227,400)	2,419,919	2,219,260	200,659
2	Unestablished Wage Earners	134,652	109,200	243,852	205,706	38,146
3	Travel & Communication	185,200	166,800	352,000	312,421	39,579
4	Maintenance & Operations	267,200	141,600	408,800	353,758	55,042
5	Purchase of Goods & Services	149,045	2,935	151,980	113,214	38,766
6	Operating Grants & Transfers	2,329,455	51,517	2,380,972	2,360,838	20,134
7	Special Expenditure	919,100	8,457	927,557	888,098	39,459
	Total Operating Costs	6,631,971	253,109	6,885,080	6,453,295	431,785
	Capital Expenditure					
8	Capital Construction	-	-	-	-	-
9	Capital Purchases	774,100	(244,467)	529,633	93,092	436,541
10	Capital Grants & Transfers	26,315,214	(2,000,000)	24,315,214	15,602,640	8,712,574
	Total Capital Expenditure	27,089,314	(2,244,467)	24,844,847	15,695,732	9,149,115
13	Value Added Tax	206,500	(8,643)	197,857	98,840	99,017
	TOTAL EXPENDITURE	33,927,785	(2,000,000)	31,927,784	22,247,867	9,679,917

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

37.4 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 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:

Ratings	Internal control assessment
✖ Ineffective	Significant deficiencies identified in internal controls

37.5 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
- Monitoring of Stale 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 virement by 31 July 2018
- Completion of reconciliations by 29 August 2018


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

Ratings	Internal control assessment
✖ Ineffective	Less than five of 9 key processes completed within two weeks of due date

37.6 Quality of Draft Financial Statements by Entities


The extent of audit adjustments made to draft financial statements indicates the effectiveness of Ministry'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 expenditure of the Ministry. Our assessment for the Ministry was:

Ratings	Internal control assessment
 Generally effective	Audit adjustments identified were less than 1% of the total expenditure.


37.7 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:

Ratings	Internal control assessment
 Ineffective	Acceptable draft financial statements received after 31 October 2018

37.8 Timeliness of Submission of Management Responses 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 the Ministry and the date management comments and signed accounts were received. Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
 Ineffective	Management response received after 21 days

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

PART C: SIGNIFICANT AUDIT FINDINGS

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

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

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

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

37.9 Anomalies in Payroll

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 Assistant Accountant must reconcile all accounts to be submitted to Ministry of Economy within two weeks after the closing of each monthly account.¹ The Senior Accountant must verify all the reconciliations before signing and submitting it to Ministry of Economy.²

The timecards and timesheets shall be checked for accuracy and signed by the Assistant Accountant for wage employees before transferring to the Wages Section for processing payment.

¹

We noted the following anomalies for payroll:

- All established staff and government wage earner payroll reconciliations from Pay 16/2017-26/2017 and 01/2018 to 15/2018 were prepared on 30/4/19;
- There were instances where timesheets were not available to substantiate the payment of payroll for Government Wage Earners;
- Payroll payment vouchers were not always checked and endorsed by the preparer and the supervisor. Refer to table below for details.

TABLE 37.3: Details of Payroll Anomalies

Date	Pay no	Cheque No	Amount (\$)	Audit Comments
28/08/2017	35/17	44407 44408	11,221.75	<ul style="list-style-type: none"> • Payment voucher was not checked, passed for payment or endorsed by Manager Finance. • Timesheets were not provided for audit scrutiny.

¹ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.4

² Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.5

Date	Pay no	Cheque No	Amount (\$)	Audit Comments
05/09/2017	36/17	44429, 44430 44431, 44432 44433	17,040.32	<ul style="list-style-type: none"> • Payment voucher was not passed for payment. • Timesheets were not provided for audit scrutiny.
-	37/17	-	26,246.02	<ul style="list-style-type: none"> • Payment voucher was not provided
07/11/2017	45/17	44743, 44744 44746, 44747 44748, 44749	27,198.75	<ul style="list-style-type: none"> • Payment voucher was not endorsed by Manager Finance • Timesheets were not provided for audit scrutiny.
13/11/2017	46/17	44703, 44704 44705, 44706 44707, 44708 44709	23,156.87	<ul style="list-style-type: none"> • Payment voucher was not passed for payment. • Payment voucher was not endorsed by Manager Finance • Timesheets were not provided for audit scrutiny.
19/12/2017	51/17	44835 44836 44837	14,045.55	<ul style="list-style-type: none"> • Payment voucher was not passed for payment. • Payment voucher was not endorsed by Manager Finance • Timesheets were not provided for audit scrutiny.
-	52/17	-	11,612.03	<ul style="list-style-type: none"> • Payment voucher was not provided • Timesheets were not provided for audit scrutiny.
12/03/2018	11/18	45097, 45098 45099	9,096.97	<ul style="list-style-type: none"> • Payment voucher was not passed for payment. • Timesheets were not provided for audit scrutiny.

Root-Cause / Implication

The Ministry revealed that the above anomalies were due to unavailability of competent staff to carry out the necessary accounting work which includes checking of clerical officer's work and safe keeping of critical documents and accounting records.

The anomalies highlighted increases the risk of incorrect processing and payment of wages.

Recommendations

The Ministry should;

- take appropriate action against staff who had the responsibility to supervise the payroll section;
- ensure that there is adequate staffing in Accounts section to carry out the necessary internal control functions; and
- strengthen review function in the payroll section.

Agreed Management Action

A newly established accounts team has been recruited into the Ministry, of which a designated officer (Accounts Officer) has been tasked to verify all timesheets with accounting records before timesheet data has been logged into Government Payroll System. Also, the payroll data as per the batch edit report will be verified with the approved timesheet to verify that all timesheet data is accurately logged.

In addition to this, the wages reconciliations are performed on a weekly basis to verify any changes to employees' wages with accounting records and take appropriate actions accordingly.

Officer Responsible

Principal Accounts Officer

37.10 Absence of Disaster Recovery Plan

Disaster or Business Recovery Plan (DRP) involves a set of policies, tools and procedures to enable the recovery or continuation of vital infrastructure and systems following a natural or human-induced disaster.

The Ministry did not have an approved Disaster Recovery Plan in place to ensure that it continues to operate following a natural or human induced disaster.

Root-Cause / Implication

The Ministry has indicated that lack of capacity within the Ministry has delayed the development of the DRP.

In absence of a DRP there is a risk that Ministry will not be able to continue with its business operations or retrieve valuable data in a timely manner following a disaster.

Recommendation

The Ministry should prioritize development and implementation of the DRP. In addition, the Ministry could seek assistance from other Ministries who have developed their DRP.

Agreed Management Action

We have noted your comments. The Ministry has recruited an IT officer for the Ministry who commenced on 12th July 2019. The instructions have been sent to the ITO officer to establish the Disaster Recovery Plan on 30/10/2019 in consultation with Information Technology Services (ITC).

In the 2017-2018 accounting period, the Ministry was operating under a shared services basis, where the ITO officer from Department of Environment was providing the technical support services to the Ministry of Local Government, Department of Housing and Department of Environment respectively. With one IT officer, the Disaster Recovery Plan was not established for 2017-2018 period. However, the new IT officer in the Ministry is now scheduled to implement this plan before end of December 2019.

Officer Responsible

Director Corporate Services

37.11 Absence of Risk Management Policy

It is imperative that the Ministry establish and maintain an entity specific Risk Management Policy that outlines the following at least:

- Defines the Ministry's approach to the management of risk and how this approach supports its strategic plans and objectives;
- Defines the Ministry's risk appetite and risk tolerance; and
- Contains an outline of key accountabilities and responsibilities for managing and implementing the Ministry's risk management framework.

We noted that the Ministry does not have a Risk Management Policy.

Root-Cause / Implication

The above anomaly was due to the lack of capacity to develop a risk management policy in the Ministry.

In an absence of Risk Management Policy the Ministry will not be able to identify and mitigate risks that can affect Ministry's operation.

Recommendation

The Ministry should prioritize developing and implementing a Risk Management Policy.

Agreed Management Action

We have noted your comments.

The Ministry is in the process of advertising an Expression of Interest to establish the Risk Management Policy framework for the Ministry.

As part of the new restructure of the Ministry, to strengthen good governance and minimize the risk level within the Ministry, the Ministry has created the position of Risk and Compliance Officer who will ensure the establishment of Risk Management Policy.

The said plan was not established for the 2017-2018 period. However, with the recruitment of the new Risk and Compliance Officer, the Ministry will ensure to have this said plan in place before end of March 2020.

Officer Responsible

Director Corporate Services

37.12 Untimely Preparation of Reconciliations

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 Assistant Accountant must reconcile all accounts to be submitted to Ministry of Economy within two weeks after the closing of each monthly account.³ The Senior Accountant must verify all the reconciliations before signing and submitting it to Ministry of Economy.⁴

Our review of the general account balances revealed the following anomalies;

³ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.4

⁴ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.5

- The Ministry did not prepare and submit monthly reconciliations for various general ledger accounts for the period of August 2017 – July 2018 contrary to the monthly reconciliation requirements in the Finance Manual;
- The Ministry performed year-end reconciliations as opposed to monthly reconciliations. The reconciliation was prepared after the end of the financial year. Refer to Table below for details.

Table 37.4: Details of Anomalies of Untimely reconciliations

FMIS GL Allocation	Description	GL balance as at 31/07/18 (\$)	Remarks
1-37000-00000-010000	Established Staff	535,799	<ul style="list-style-type: none"> • All Reconciliations from Pay 16/2017-26/2017 and 01/2018 to 15/2018 were prepared on 30/4/19. • Lapse of 19 months from the first month of reconciliations due (Sept 2017 to April 2019)
1-37000-00000-020000	Government wage earners	52,235	<ul style="list-style-type: none"> • All Reconciliations from Pay 33/2017-52/2017 and 01/2018 to 32/2018 were prepared on 30/4/19. • Lapse of 19 months from the first month of reconciliations due (Sept 2017 to April 2019)
1-37000-00000-860000	Operating Trust Fund	(9,948.08)	<ul style="list-style-type: none"> • August Recon prepared on 24/03/2018 • September 2017-July 2018 reconciliations were prepared on 15/10/2018.
1-37000-00000-570000	Advances	133,794.64	<ul style="list-style-type: none"> • Reconciliations were not prepared on a monthly basis. Instead, only one reconciliation was prepared for the whole year in October 2018 which was two months after the period end.
1-37101-37999-530301	Drawings	386,606.10	<ul style="list-style-type: none"> • Reconciliations were not prepared on a monthly basis. Instead, only one reconciliation was prepared for the whole year on 13/12/2018, a lapse of 4 months.
1-37000-00000-840000	SLG84	(3,477.06)	<ul style="list-style-type: none"> • Reconciliations were not prepared on a monthly basis. Instead, only one reconciliation was prepared for the whole year on 13/12/2018, a lapse of 4 months.

Root-Cause / Implication

Human resource constraints and weak supervision and monitoring by the supervisors has resulted in the delay in preparation of reconciliations.

Delays in preparing reconciliations can result in errors, omissions or mis-postings not being detected and rectified in a timely manner. In addition, delays in reconciliation can increase opportunity for fraudulent activities to occur.

Recommendations

The Ministry should ensure that;

- all reconciliations are prepared and supervised in a timely manner; and
- there is adequate staffing in Accounts section to carry out the control functions required.

Agreed Management Action

We have noted your comments and the Ministry has now recruited a qualified accounts team namely; Senior Accounts Officer, Accounts Officer, and two Assistant Accounts Officer who are responsible for the timely closure and reporting of the financials for the Ministry for all underline accounts on a monthly basis.

The underline reconciliations are performed on a weekly, fortnightly and monthly basis by the two Assistant Accounts Officers and an Accounts Officer, which are then verified by the Senior Accounts Officer in concurrence with Manager Finance before it is submitted to Ministry of Economy.

All underline reconciliations for 2019-2020 accounting period are submitted to Ministry of Economy on timely basis.

Officer Responsible

Principal Accounts Officer

37.13 Anomalies in Payments

The Senior Accountant must not certify a payment as correct unless they are satisfied that: it is in accordance with an LPO, indent, contract, invoice, statement or other authorisation; there is documentation that the goods, services or works have been received; sufficient uncommitted funds are available for payment of the account; the account is not fraudulent and has not been previously paid and the expenditure account it is charged to is correct.⁵

Our review of payments records revealed that there were instances when:

- (i) Payment vouchers were not authorised;
- (ii) Supporting documents were not attached to payment vouchers;
- (iii) Supporting documents attached to payment vouchers were not stamp “PAID”;
- (iv) Expenditure were not recorded in the correct general ledger account in the general ledger system. Refer to Table below for detail.

Table 37.5: Details of Payment Anomalies

Date	Cheque/ EFT No.	Payee	Particulars	Amount (\$)	Comments
31/8/17	4244	Service Provider	JV 123/12/2018	6,051	<ul style="list-style-type: none"> Quotations not attached. Payment voucher was not checked or passed for payment.
31/8/17	44400	Individual	JV 123/12/2018	4,719.33	<ul style="list-style-type: none"> Supporting documents not attached to support the payment.
5/3/18	45086	Service Provider	JV 123/12/2018	4,481.75	<ul style="list-style-type: none"> Quotations not attached.
8/12/17	4470	Service Provider	JV 123/12/2018	11,480.00	<ul style="list-style-type: none"> Payment voucher not checked or passed for payment
8/12/17	4470	Service provider	JV 118/12/2018	11,480.00	<ul style="list-style-type: none"> Payment voucher not checked or passed for payment
31/10/17	44664	Individual	JV 117/12/2018	25,067.81	<ul style="list-style-type: none"> Payment voucher not passed for payment

⁵ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 2.8.4

Date	Cheque/ EFT No.	Payee	Particulars	Amount (\$)	Comments
					<ul style="list-style-type: none"> Payment voucher not authorised by Manager Finance
29/9/17	4302	Service Provider	JV 97/12/2018	1,060.11	<ul style="list-style-type: none"> Payment voucher not passed for payment Payment voucher not authorised by Manager Finance
14/7/18	5010	Service Provider	-	2,766.76	<ul style="list-style-type: none"> Payment voucher not passed for payment
18/01/18	44926	Service Provider	-	4,037.61	<ul style="list-style-type: none"> Payment voucher not passed for payment
7/3/18	4695	Service Provider	-	2,808.57	<ul style="list-style-type: none"> Payment voucher not passed for payment
6/11/17	44710	Service Provider	JV 104/12/2018	2,594.78	<ul style="list-style-type: none"> Payment voucher not passed for payment
28/12/17	44860	Service Provider	JV 104/12/2018	2,435.56	<ul style="list-style-type: none"> Payment voucher not passed for payment
5/3/18	4650	Supplier	-	5,865.84	<ul style="list-style-type: none"> Payment voucher not passed for payment
9/7/18	5125	Supplier		11,950.00	<ul style="list-style-type: none"> Payment voucher not passed for payment
5/10/18	-	JV 122/12/2018		2,715.24.	<ul style="list-style-type: none"> Journal Voucher authorised by Manager Finance on 6/10/2018. 'Double Posting' of 2 items in JV 99/12/18 and JV 122/12/18. From 137201-37999-010101 to 137201-37999-030401- \$2715.24 From 137201-37999-010101 to 137201-37999-040101- \$6535.44
6/10/18	-	JV 99/12/2018		6,535.44	
23/01/18	44962	Service Provider	JV 104/12/2018	2,427.74	<ul style="list-style-type: none"> Payment Voucher not passed for payment. VAT portion not accounted for.
29/08/17	4236	Service Provider	JV 108/12/2018	4,537.00	<ul style="list-style-type: none"> No LPO issued, No invoice nor delivery docket attached. Payment amount does not agree to quote.
14/6/18	4917	Service Provider	JV 118/12/2018	3,088.40	<ul style="list-style-type: none"> LPO not signed by authorised officer. Payment Voucher not checked and passed for payment. – Payment Voucher not certified for payment
31/8/17	4251	Individual	JV 96/12/2018	15,712.50	<ul style="list-style-type: none"> Payment voucher not passed for payment by another officer and not certified by Senior Accountant. Delivery Note/Signed Invoice/Receipt not attached.

Root-Cause / Implication

The anomalies indicate that proper process for procurement were not followed when procuring goods and services. In addition, it also indicates that supervisory and review functions were not adequately performed.

Absence of critical internal control activities increases the risk of double, unauthorised and fraudulent payments.

Recommendations

The Ministry should:

- **strengthen compliance with internal controls for processing of payments;**
- **strengthen supervisory and review functions and hold staff accountable for non-compliance; and**
- **ensure that there is adequate personnel in the Accounts section to carry out the control functions as required**

Agreed Management Action

We have noted your comments. The Ministry has worked on the anomalies noted in the payments processes whereby the accounts team was tasked to have the payment vouchers authorized, supporting documents to be attached and also stamped “PAID” once processed.

Upon completion of all payment processes, monitoring is carried out by the Accounts Officer to ensure that documents are attached and stamped “PAID” with an authorized signature before it is filed.

Officer Responsible

Principal Accounts Officer

37.14 Incomplete and Delayed Capital Works

Expenditure of money appropriated by an Appropriation Act may be incurred only in accordance with the authorisation effected by the Appropriation Act as indicated in the Act and any applicable appropriation categories specified in relation to the head of appropriation.⁶

Each year the Appropriation Act and the Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency.⁷

We noted that some capital projects were not completed during the year. In addition, although funds were utilised for some projects in prior years, these were not completed. Refer to table below for details.

Table 37.6: Details of Capital Works

Project		Budget Amount (\$)	Utilised Amount (\$)	Percentage Utilised (%)	Status
2016					
Department of Local Government					
Valelevu Sports Complex		500,000	0	0%	

⁶ Financial Management Act 2004 – Section 14 (1)

⁷ Finance Instructions 2010 – Section 7

Project	Budget Amount (\$)	Utilised Amount (\$)	Percentage Utilised (%)	Status
Lautoka Botanical Garden Swimming Pool	250,000	0	0%	The Department revealed that the project was delayed due to the Cyclone Winston in February 2016.
Department of Town and Country Planning				
New Town Development- Nabouwalu, Bua,	1,920,000	0	0%	The subdivision scheme plan had not been approved by TLTB as the formal development lease from TLTB was returned to TLTB due to typo errors and other anomalies noted in the formal development lease document. The Ministry received the formal Development lease in December 2016. Only then can the subdivision scheme plan be cleared for approval.
Total	2,670,000			
2017				
Valelevu Sports Complex	350,000	350,000	100%	The Valelevu Sports Ground was allocated \$350,000 from the 2016/17 National Budget to address the consultancy cost, Geo Tech, Traffic Impact Assessment and preliminary works. Council have already called for tender and has recommended that the consultancy work for Valelevu Ground is awarded to Erasito Consultants.
Lautoka Botanical Garden Swimming Pool	750,000	750,000	100%	The grant was for consultancy and preliminary work on the swimming pool. Consultancy has commenced and Geo Tech and Engineering designs being finalized. The current budget of \$750,000 shall be utilized for the partial payments to consultants and commencement of construction works.
2018				
Lautoka Botanical Garden	3000,000	0	0%	The Ministry could not provide reasons for not releasing the funds.
Construction of new swimming pool – Nasinu	250,000	0	0%	The Ministry could not provide reasons for not releasing the funds.
Preparation works for new Indoor Sports Facility – Lautoka	400,000	0	0%	The Ministry could not provide reasons for not releasing the funds.
New Town Development	3,615,660	778,314	22%	The Nabouwalu Town Development is currently suspended as they want to redesign the subdivision due to rain events that has seen overspill of water from the creek onto the site. They want the site to be raised to mitigate future flooding issues. The consultant tendered an approved copy of the Nabouwalu Engineering drawing, Tender Documents and Tender Evaluation report for Civil Works for the proposed Nabouwalu Town Development.
Purchase of GIS Equipment (1-37201-37999-090133)	474,100	83,262	18%	The Ministry could not provide reasons for not releasing the funds.
Laqere market Construction	6,900,000	6,875,982	99%	The project is delayed by seven months as it was supposed to be completed by March 2019. Department revealed that the project was delayed due to wet weather conditions, delay in supply of materials due to delay in payments and coordination of works.

Project	Budget Amount (\$)	Utilised Amount (\$)	Percentage Utilised (%)	Status
Namaka Market	4,940,796	3,937,188	80%	The Project is 93% complete and is delayed by four months as it was supposed to be completed by June 2019. The Ministry revealed that the project was delayed due to poor co-ordination of works by the Stakeholders and contractor.

Root-Cause / Implication

The delays are mostly due to lack of detailed planning and communication with relevant stakeholders in regards to construction at the preliminary stage.

Non-implementation of projects denies the social economic development which can hinder standard of living. In addition, the incomplete projects or projects which were not commenced in 2017/2018 financial year will become backlog which may affect projects proposed for 2018/2019 financial year.

Recommendations

The Ministry should:

- ensure proper planning and project management is carried out for timely commencement and completion of projects; and
- continue dialogue with Construction Implementation Unit and TLTB for progress of the projects.

Agreed Management Action

Audit comments are noted. Refer below our responses to individual capital projects:

PROJECT	BUDGET (\$)	UTILISED (\$)	REMARKS
Lautoka botanical Garden	3,000,000	0	The Ministry submitted the RIE request for release of funding, to Ministry of Economy, in May 2018. However, funds were not release and upon following up with the Budget division, we were advised that this has been put on hold by the Construction Implementation Unit and to be further discussed. As a way forward, the Construction Implementation Unit and the Ministry are having monthly project meetings to ensure that the two Ministries have a better understanding of the project's financial and physical progress. Also to note, that the Construction Implementation Unit is leading the project management role in the implementation of the projects now. This is to strengthen the monitoring and improve the project implementation through risk assessments, quality and variation control also financial implication.

PROJECT	BUDGET (\$)	UTILISED (\$)	REMARKS
Construction of new Swimming Pool - Nasinu	250,000	0	The project planning phase was progressing until the Office of the Prime Minister and Fiji Rugby League informed the Ministry that they will be constructing an International standard stadium on the Narere ground. We had to delay the pool project planning and clarify the need of the Fiji Rugby League and the size of the land they would be interested in and how we could divide the land to accommodate both the projects. The above discussion and the associated survey works resulted in the delay and the late implementation of the Nasinu pool.
Preparation Work for Indoor Sports Facility	400,000	0	The budget submission request for release of funding (RIE) was submitted to Ministry of Economy and Ministry of Local Government was informed by the Construction Implementation Unit that the project is on hold as the design phase is to be further discussed. There was no further progress on the above.
New Town Development	3,615,660	778,314	The Project was discussed on the 17 th of October 2019 with the Construction Implementation Unit and the Budget Unit of the Ministry of Economy to determine on the way forward.
Purchase of GIS Equipment			The balance fund was not utilized as the tender process to procure the software, (Arc GIS) was not facilitated by Government Tender Board.
Laqere Market Construction	6,900,000	6875,982	We agree that the project implementation has been delayed as per the reasons provided in the audit report. The Ministry has strengthened the monitoring process with monthly project meetings with the Construction Implementation Unit to improve the projects timely implementation. To date, the major pending work for the Laqere market is the rear car park which is progressing and is to be opened by December, 2019.
Namaka Market	4,940,796	3,937,188	We agree that the project implementation has been delayed but not due to the poor co-ordination of work by Nadi Town Council but rather by the process involved in land acquisition and site clearing works, as other agencies are also involved. To date, the Namaka market is near completion and targeted to open by December, 2019.

Officer Responsible

Director Corporate Services

Head 38**Ministry of Environment****Role and Responsibilities**

The newly formed Ministry of Environment is responsible for protecting Fiji's natural environment, given the vast importance that Fijian flora and fauna have for Fiji's national Development and the cultural significance they bear for the Fijian people.

By implementing various environmental legislations, policies and programs, the Ministry seeks to drive a cultural values shift in Fijian society by expanding awareness on environmental protection and enforcing strict adherence to the laws that preserve Fiji's environment and natural resources for future generations.

The Ministry will carry out this role through the enforcement of the Environment Management Act 2005 and other legislations such as the Environment Management (EIA Process) Regulations 2007, Environment Management (Waste Disposal and Recycling) Regulations 2007, Ozone Depleting Substances Act 1998, Ozone Depleting Substances Regulations 2010, the Endangered and Protected Species Act 2002 and the Litter (Amendment) Act 2010.

As the national focal point for the United Nations Convention on Biological Diversity, the Ministry will also be responsible for implementing the National Biodiversity Strategy Action Plan.

Table of Contents

PART A: FINANCIAL STATEMENTS	2
38.1 Audit Opinion.....	2
38.2 Statement of Receipts and Expenditure.....	2
38.3 Appropriation Statement.....	3
38.4 Main Trust Fund Account.....	4
PART B: ASSESSMENT OF FINANCIAL GOVERNANCE.....	5
38.5 Internal Controls.....	5
38.6 Submission of FY 2017-2018 Draft Agency Financial Statements.....	6
38.7 Quality of Draft Financial Statements by Entities.....	7
38.8 Timeliness of Draft Financial Statements.....	7
38.9 Timeliness of Provision of Management Responses and Signing of Financial Statements.....	7
PART C: SIGNIFICANT AUDIT FINDINGS	8
38.10 Approved timesheets not provided	8
38.11 Absence of Disaster Recovery Plan	9
38.12 Absence of Risk Management Policy	10
38.13 Variances in Payroll Records	11
38.14 Untimely Preparation of Reconciliations	12
38.15 Main Trust Journals Not Approved	14
38.16 Anomalies in Drawings Account	15
38.17 Payment Anomalies.....	16
38.18 Unreconciled Main Trust Fund Account Balance- Department of Environment	18

PART A: FINANCIAL STATEMENTS

38.1 Audit Opinion

The audit of the 2018 accounts of the Ministry of Environment resulted in a qualified audit opinion. The qualifications are as follows:

1. An unreconciled variance of \$2,401,404 exists between the Trust balance sheet cash at bank balance of \$7,048,379 recorded in the general ledger and bank reconciliation balance of \$10,144,358 as at 31 July 2018. Consequently, I could not confirm the accuracy and completeness of the Trust Fund Account balance of \$7,048,380 stated in the Environment Trust Fund Account Statement of Revenue and Expenditure as at 31 July 2018.
2. An unreconciled variance of \$469,718 exists between the Established staff payroll report balance of \$631,121 and Established staff general ledger balance of \$1,100,840 as at 31 July 2018. Consequently, I could not confirm the accuracy and completeness of the Established staff expenditure balance of \$1,194,293 stated in the Statement of Revenue and Expenditure as at 31 July 2018.
3. An unreconciled variance of \$353,890 exists between the Government Wage Earners payroll report balance of \$402,266 and Government Wage Earners general ledger balance of \$48,376 as at 31 July 2018. Consequently, I could not confirm the accuracy and completeness of the government wage earners expenditure balance of \$48,376 stated in the Statement of Revenue and Expenditure as at 31 July 2018.

Attention is also drawn to the state of internal controls of the Ministry where necessary controls such as timely reconciliations were not performed for Drawings Account, Accounts Payable, Operating Trust Fund, Environment Trust Fund Account, Advances, Salaries and Wages Account during the year. These are critical areas of the Ministry's operation and if not addressed promptly may result in financial losses or financial irregularities in the near future.

38.2 Statement of Receipts and Expenditure

The Ministry of Environment incurred a total expenditure of \$6,436,903 for the year ended 31 July 2018. Details are provided in Table 38.1.

Table 38.1: Statement of Receipts and Expenditure for 2018

Expenditure Account	31 July 2018	31 July 2017
EXPENDITURE		
Operating Expenditure		
Established Staff	1,194,293	1,083,240
Government Wage Earners	48,376	66,734
Travel & Communications	95,545	49,648
Maintenance & Operations	96,581	71,948
Purchase of Goods & Services	81,928	62,502
Operating Grants & Transfers	1,013,347	388,238
Special Expenditures	740,160	1,098,102
Total Operating Expenditure	3,270,230	2,820,412
Capital Expenditure		
Capital Construction	2,851,628	721,796

Expenditure Account	31 July 2018	31 July 2017
Total Capital Expenditure	2,851,628	721,796
Value Added Tax	315,045	83,968
TOTAL EXPENDITURE	6,436,903	3,626,176

Operating grants and transfers increased by \$625,109 due to increase in payment of subsidy for Naboro Landfill in 2018.

Special Expenditures decreased by \$357,942 or 33% due to non- utilisation of funds for waste minimization, recycling promotion program and research and development of national environment report.

Capital Construction expenditures increased by \$2,129,832 due to the increase in payments for the construction of Naboro Landfill Stage 2 as works significantly progressed during the year.

38.3 Appropriation Statement

The Ministry of Environment incurred expenditure totalling \$6.43 million in 2018 against a revised budget of \$7.3 million resulting in saving of \$899,233 or 12%. The savings was mainly attributed to unutilised funds for special expenditures for waste minimization, Recycling promotion program and research and development of National environment report. In addition, there was savings arising from the construction for the Naboro Landfill Stage 2 as payments were only made upon receipt of claims from the contractor.

Details of expenditure against the revised budget are provided in Table 38.2.

Table 38.2: Appropriation Statement for 2018

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$) a	Actual Expenditure (\$) b	Lapsed Appropriation (\$) (a-b)
Operating Expenditure						
1	Established Staff	1,381,919	(154,630)	1,227,289	1,194,293	32,996
2	Unestablished Wage Earners	60,068	-	60,068	48,376	11,692
3	Travel & Communication	51,000	49,100	100,100	95,545	4,555
4	Maintenance & Operations	89,000	25,800	114,800	96,581	18,219
5	Purchase of Goods & Services	114,400	-	114,400	81,928	32,472
6	Operating Grants & Transfers	1,256,220	(104,100)	1,152,120	1,013,347	138,773
7	Special Expenditure	1,300,000	(44,300)	1,255,700	740,160	515,540
	Total Operating Costs	4,252,607	(228,130)	4,024,477	3,270,230	754,247
Capital Expenditure						
8	Capital Construction	2,717,129	209,293	2,926,422	2,851,628	74,794
9	Capital Purchases	-	-	-	-	-
10	Capital Grants & Transfers	-	-	-	-	-
	Total Capital Expenditure	2,717,129	209,293	2,926,422	2,851,628	74,794
13	Value Added Tax	366,400	18,837	385,237	315,045	70,192
	TOTAL EXPENDITURE	7,336,136	-	7,336,136	6,436,903	899,233

38.4 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 Environment maintains the Environment Trust Fund Account as per detail below.

Environment Trust Fund Account

The Environment Management Act 2005 establishes the Environment Trust Fund Account into which shall be paid, money appropriated by Parliament, any environmental bond, any contribution or donation, fines of fixed penalties or any other money required under the Act or any other written law to be paid into the fund.

The Department of Environment administers the trust fund for various purpose including payment for debts for nature swaps, payment for necessary expenses incurred in the negotiation, monitoring, investigation or analysis of any matter or the undertaking of any environmental monitoring or audit programme, payment for environmental rehabilitation work, research programmes, refund of environmental bonds and security of costs and rewards under the Act.

The Environment Trust Fund Account recorded a balance of \$7,048,380 for the financial year ending 31 July 2018. The Ministry recorded receipts totalling \$5,383,935 and expenses totalling \$2,866,495 resulting in a surplus of \$2,517,441 for the financial year ending 31 July 2018.

Details of receipts against the payments are provided in Table 38.3

Table 38.3: Trust Account Statement of Receipts & Payments for 2018

Description	31 July 2018 (\$)	31 July 2017 (\$)
RECEIPTS		
Ozone Depletion Substance (ODS) Fines	1,009,933	217,917
Waste and Environment Impact Assessment	3,018,241	3,525,874
Environment Trust	1,333,541	319,539
Convention on International Trade in Endangered Species	22,220	44,368
Total Receipts	5,383,935	4,107,698
PAYMENTS		
Ozone Depletion Substance (ODS) Fines	38,506	200
Waste and Environment Impact Assessment	2,809,989	2,358,548
Environment Trust	18,000	-
Total Payments	2,866,495	2,358,748
Net Surplus	2,517,441	1,748,950
Balance as at 1 January	4,530,939	2,781,989
Closing Balance as at 31 July	7,048,379	4,530,939

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

38.5 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 that non-existent, individuals are not held accountable for breaches in control or entities code of ethics, staff recruitment, and training and professional development, performance assessment and succession planning matters.

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

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

- **Control Activities (CA)** – these are established by policies and procedures to help ensure that management's directives to mitigate risks to the achievement of objectives are carried out.

Control activities are performed at all levels of an entity and at various stages within business processes, and over the technological environment.

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

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

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

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

Examples of issues which would fall under this category are self-assessment by 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:

Ratings	Internal control assessment
✖ Ineffective	Significant deficiencies identified in internal controls

38.6 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
- Monitoring of stale 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 virement by 31 July 2018
- Completion of reconciliations by 29 August 2018


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

Ratings	Internal control assessment
✖ Ineffective	Less than five of 9 key processes completed within two weeks of due date

38.7 Quality of Draft Financial Statements by Entities

The extent of audit adjustments made to draft financial statements indicates the effectiveness of Ministry'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 of the Ministry subject to our audit. Our assessment for the Ministry was:

Ratings	Internal control assessment
 Generally effective	Audit adjustments were less 1% of the total expenditure


38.8 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:

Ratings	Internal control assessment
 Ineffective	Acceptable draft financial statements received after 31 October 2018

38.9 Timeliness of Provision of Management Responses 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 21 days

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

PART C: SIGNIFICANT AUDIT FINDINGS

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

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

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

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

38.10 Approved timesheets not provided

The timecards and timesheets shall be checked for accuracy and signed by the Assistant Accountant for wage employees before transferring to the Wages Section for processing payment.¹

We noted that timesheets were not maintained and submitted to audit to justify the payment of overtime totalling \$52,656. Refer table below for details.

Table 38.4: Approve Timesheets Not Provided

Date	Pay no.	Cheque No.	Amount (\$)	Audit Comments
5/2/18	51/17	62-65	\$ 13,381	- Timesheet not available, Payment voucher not checked, not passed for payment and not authorised by Manager Finance
5/2/18	52/17	66-70	\$ 13,882	- Timesheet not available. Payment voucher not checked, not passed for payment, and not authorised by Manager Finance
15/5/18	20/18	244-248	\$ 12,657	- Timesheet not available
9/7/18	28/18	315-318	\$ 12,736	- Timesheet not available
Total			\$52,656	

Root Cause/Implication

The findings indicates that appropriate supervision was not carried out in the payroll section and laid down processes were not followed in processing and payment of wages.

The above anomaly increases the risk of incorrect payment of overtime.

¹ Ministry of Local Government, Urban Development, Housing Pro-forma Finance Manual Section 4.14.3

Recommendations

The Ministry should:

- **hold staff accountable and take appropriate disciplinary actions against staff who had the responsibility to supervise the payroll; and**
- **Implement stringent procedures in place for maintenance of accounting records and increase supervision in this high risk area.**

Agreed Management Action

We have noted your comments. The team has extracted the detailed listings of the total overtime payment facilitated amounting to \$52,656 together with the management approvals subsequent to overtime work being carried out. The requested information shall be provided before 29/11/2019. A newly established accounts team has been recruited into the Ministry, of which a designated officer (Accounts Officer) has been tasked to verify all timesheets with accounting records before timesheet data has been logged into Government Payroll System. Also, the payroll data as per the batch edit report will be verified with the approved timesheet to verify that all timesheet data is accurately logged. In addition to this, the wages reconciliations are performed on a weekly basis to verify any changes to employees' wages with accounting records and take appropriate actions accordingly.

Officer Responsible

Principal Accounts Officer

38.11 Absence of Disaster Recovery Plan

Disaster Recovery Plan (DRP) is a set of policies, tools and procedures to enable the recovery or continuation of vital technology infrastructure and systems following a natural or human-induced disaster.

The Ministry did not have an approved Disaster Recovery Plan in place to ensure that data and vital records are recoverable following a natural or human induced disaster.

Root Cause/Implication

The anomaly was due to the lack of capacity in the Ministry to prepare a disaster recovery plan.

In absence of a disaster recovery plan the Ministry may not be able to continue with its business operations effectively following any unforeseen natural disaster.

Recommendation

The Ministry should prioritize the formulation and implementation of Disaster Recovery Plan. In addition, the DRP should be tested to ensure that it is working effectively.

Agreed Management Action

We have noted your comments. In the 2017-2018 accounting period, the Ministry was operating under a shared services basis, where the ITO officer from Department of Environment was providing the technical support services to the Ministry of Local Government, Department of Housing and Department of Environment

Respectively. With one IT officer, the Disaster Recovery Plan was not established for 2017- 2018 period. However, since the Ministry of Local Government and Housing have recruited their IT officers, the Ministry is now scheduled to implement this plan before end of December 2019.

Officer Responsible

Director Corporate Services

38.12 Absence of Risk Management Policy

It is imperative that an entity must establish and maintain an entity specific Risk Management Policy that outlines the following at least:

- Defines the entity's approach to the management of risk and how this approach supports its strategic plans and objectives;
- Defines the entity's risk appetite and risk tolerance; and
- Contains an outline of key accountabilities and responsibilities for managing and implementing the entity's risk management framework.

We noted that the Ministry does not have a Risk Management Policy.

Root Cause/Implication

The Ministry could not prepare a Risk Management Policy due to lack of appropriate personnel in the Ministry to develop the policy.

In absence of the Risk Management Policy the Ministry will not be in a position to identify potential threats to the business operations and will not have mitigating controls in place to counter such threats.

Recommendations

- **The Ministry should be proactive and prioritize developing and implementing a Risk Management Policy.**
- **The Ministry should consider outsourcing or consider assistance from other Ministries in absence of capacity to develop this policy within.**

Agreed Management Action

Recommendations made are acknowledged.

As the Ministry has filled the key positions, now the Ministry is in a position to draft "Risk Management Policy" for the Ministry.

Ministry will ensure that this is done. We have noted your comments. The Ministry is in the process of establishing the Risk Management Policy framework for the Ministry. The said plan was not established for the 2017-2018 period. However, with the goal of strengthening good governance and minimizing the level of risk within the ministry, the Ministry will ensure to have this said plan in place before end of March 2020.

Officer Responsible

Director Corporate Services

38.13 Variances in Payroll Records

The need to improve record management in all agencies is vital for promoting Good Governance, Transparency and Accountability in the Public Sector.⁴ Salaries and wages constitute a major portion of the agency's budget. Proper controls over engaging new employees, salary payments and resignations reduce the risk of fraudulent or unauthorized payments, inaccurate payroll reports and invalid pay rates.⁵

We noted that variance exists between the Financial Management Information System (FMIS) and the pay reports from which reconciliation is made for Established Staff and Government Wage Earners (GWE's) respectively. Refer to table below for details.

Table 38.5: Variances in Payroll Records

Payroll Summary Analysis	Established Staff (\$)	Government Wages Earners (\$)
FMIS Personal Emoluments/ Wages as at 31/7/18	1,020,372	26,925
Add: Allowances	77,221	10,274
Add: Overtime	3,246	9,920
TOTAL	1,100,840	47,119
Less Payroll Summary Report as at 31/07/18	631,122	402,266
Average of pay for pay 48/17		11,174
Variance	469,718	(366,321)

Root Cause/Implication

The anomalies were due to absence of timely reconciliations and reviews by the preparer and reviewer.

Variance between payroll report and general ledger will result in incorrect financial reporting.

Recommendations

The Ministry should ensure:

- that all reconciliations are prepared in a timely manner and variances are rectified; and
- that there is adequate staffing in the Accounts section to carry out the control functions required.

Agreed Management Action

We have noted your comments. The Ministry had facilitated the payment of wages for Government Wage Earners for Ministry of Environment (Head 38) from pay 32/2017 to 47/2017 which were processed and paid from Ministry of Local Government drawings account.

Officer Responsible

Principal Accounts Officer

38.14 Untimely Preparation of Reconciliations

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 Assistant Accountant must reconcile all accounts to be submitted to Ministry of Economy within two weeks after the closing of each monthly account.² The Senior Accountant must verify all the reconciliations before signing and submitting it to Ministry of Economy.³

Our review of the general account balances revealed the following anomalies;

- The Ministry did not prepare and submit monthly reconciliations for various general ledger accounts for the period of August 2017 – July 2018 contrary to the monthly reconciliation requirements in the Finance Manual; and
- Ministry performed year-end reconciliations as opposed to monthly reconciliations. Refer below for details.

Table 38.6: Details of Untimely Reconciliations

FMIS GL Allocation	Description	GL balance as at 31/07/18	Remarks
1-38000-00000-010000	Established Staff	\$1,194,293	<ul style="list-style-type: none"> • Reconciliations from Pay 25/2017-26/2017 were prepared on 20/3/19. • Reconciliations from Pay 01/2018-15/2018 were prepared on 07/05/19 • Lapse of 18 months from the first month of reconciliations due (Sept 2017 to March 2019)
1-38000-00000-020000	Government wage earners	\$48,376	<ul style="list-style-type: none"> • All reconciliations from Pay 33/2017-52/2017 and 01/2018 to 32/2018 were prepared on 30/4/19. • Lapse of 19 months from the first month of reconciliations due (Sept 2017 to April 2019)
93810188999895009	ODS Fines Environment	(3,302,942)	<ul style="list-style-type: none"> • Monthly reconciliations were not done. However, one consolidated reconciliation was done on 30/4/2019.
93810188999895010	TF HUD Litter Decree	(1,674,415)	
93810188999895011	Environment Trust	(1,776,530)	
93810188999895050	CITES Trust	(294,492)	
93810188999520301	Environment Trust Bank A/c	7,742,954	
1-38000-00000-860000	Operating Trust Fund	\$(37,569)	<ul style="list-style-type: none"> • August-November 2017 Recon not prepared

² Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.4

³ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.5

FMIS GL Allocation	Description	GL balance as at 31/07/18	Remarks
			<ul style="list-style-type: none"> December 2017-June 2018 reconciliations were prepared on 15/10/2017 whilst the July 2018 recon was prepared on 29/11/2018.
1-38101-88999-530301	Drawings	\$472,599	<ul style="list-style-type: none"> Reconciliations were not prepared on a monthly basis. Instead, only one reconciliation was prepared for the whole year on 13/12/2018, a lapse of 4 months.
1-38000-00000-840000	SLG84	\$ (76,930)	<ul style="list-style-type: none"> Reconciliations were not prepared on a monthly basis. Instead, only one reconciliation were prepared on 21/09/2018 and 15/10/2018, a lapse of 2 months.
1-38000-00000-840000	Revolving Fund Account	\$1,327.50	<ul style="list-style-type: none"> Reconciliations were not prepared on a monthly basis. Instead, only one reconciliation was prepared for the whole year in October 2018 which was two months after the period end.

Root Cause/Implication

Human Resource constraints and weak supervision and monitoring by the supervisors has resulted in the untimely preparation of reconciliations.

Untimely reconciliations increase risk of errors, omissions and accuracy of financial reporting. In addition, there is a high risk of occurrence of fraudulent activities.

Recommendations

The Ministry should ensure:

- that all reconciliations are prepared in a timely manner;
- supervisory and review process is strengthened; and
- there is adequate staffing in Accounts section to carry out the control functions required.

Agreed Management Action

We have noted your comments and the Ministry has now recruited a quality with requisite accounting and book keeping accounts team namely; Senior Accounts Officer, Accounts Officer, and two Assistant Accounts Officer who are responsible for the timely closure and reporting of the financials for the Ministry for all underline accounts on a monthly basis.

The underline reconciliations are performed on a weekly, fortnightly and monthly basis by the two Assistant Accounts Officers and an Accounts Officer, which are then verified by the Senior Accounts Officer in concurrence with Manager Finance before it is submitted to Ministry of Economy.

All underline reconciliations for 2019-2020 accounting period are submitted to Ministry of Economy on timely basis.

Officer Responsible

Principal Accounts Officer

38.15 Main Trust Journals Not Approved

Journal vouchers shall be used to correct accounting errors and make other required transfers between accounts.⁴ Only the Senior Accountant or Assistant Accountant shall approve journal adjustments.⁵ Once the journal voucher has been approved, it shall be posted into the appropriate ledger and the general ledger system.⁶

Our review of the main trust fund journal entries recorded in the general ledger system revealed that journal vouchers were not signed by the officer preparing the journal voucher. It was also noted that the journal vouchers were not approved by Senior Accountant or the Assistant Accountant.

Table 38.7 – Main Trust Journals Not approved

Date	JV	RR#	Journal Description	Amount (\$)	Type of Trust Fund Account
Feb-18	75	596927	Environment trust	43,380	ODS Fines Environment
Feb-18	69	596893	Environment trust	43,636	ODS Fines Environment
		596895		31	
		596896		97	
		596898		31	
		596900		97	
Aug-18	01	660080-84	Environment trust	57,422	ODS Fines Environment
Feb-18	27	59664	Naboro landfill	320,000	TF HUD Litter Decree
Feb-18	9	596435	Naboro landfill	302,289	TF HUD Litter Decree
Apr-18	9	597575/597588	Naboro landfill	1,168,175	TF HUD Litter Decree
Aug-18	01	660147	Naboro landfill	1,000,000	TF HUD Litter Decree
Jul-18	01	597604/609/63864	Environment lodgement	108,326	Environment Trust
Jul-18	01	660139/141/66025	Environment lodgement	700,421	Environment Trust
Feb-18	81	597070/73/79/80/84/95/96/597100	CITES FUND	3,410	CITES FUND
				3,747,315	

Root Cause/Implication

The Ministry has attributed the above anomalies to the inadequate staffing in the Accounts Section.

In the absence of proper approval of the journals, there is a risk that the incorrect amount could be posted in the general ledger.

Recommendations

The Ministry should:

- **strengthen compliance with internal controls over journal adjustments and take appropriate action for any breaches; and**

⁴ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 16.1.1

⁵ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 16.1.2

⁶ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 16.1.5

- **ensure that there is adequate staffing in the Accounts section to carry out the control functions required.**

Agreed Management Action

We have noted your comments. The Department has worked on the anomalies noted in the processing of Journal Vouchers, whereby the accounts team was tasked to have the journal vouchers authorized, supporting documents to be attached, approved by the Senior Accounts Officer and also marked “POSTED” once processed.

Upon completion of all journal processes, monitoring is carried out by the AO to ensure that documents are attached and marked “POSTED” with an authorized signature before it is filed.

Officer Responsible

Principal Accounts Officer

38.16 Anomalies in Drawings Account

The Assistant Accountant must reconcile all accounts to be submitted to Ministry of Finance within two weeks after the closing of each monthly account.⁷ The Senior Accountant must verify all the reconciliations before signing and submitting it to Ministry of Economy.⁸

The Permanent Secretary shall appoint three officers to be part of a Board of Survey to conduct a physical stocktake of all money on hand and other stock held in safes.⁹

Our review of the Drawings Account reconciliation revealed the following anomalies:

- The Board of Survey for the drawings account was not carried out on a timely basis; and
- The Ministry performed year end bank reconciliation of its drawings account contrary to the monthly reconciliations as per Finance Manual. In addition, this reconciliation was performed in December 2018 which is four months after the end of the financial period.

Root Cause/Implication

The Ministry has attributed the above anomalies to the inadequate staffing in the Accounts Section.

Bank Reconciliations not carried out on a monthly basis increase the risk of errors, omissions and fraudulent activities which may not be detected on time.

Recommendations

- **The Ministry should strengthen compliance for internal controls in the Accounts section to ensure that monthly reconciliations are prepared in a timely manner and a Board of Survey conducted at year-end; and**
- **The Ministry should ensure that there is adequate staffing in Accounts section to carry out the control functions required.**

⁷ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.4

⁸ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 17.2.5

⁹ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 7.2.1

Agreed Management Action

We have noted your comments. For the 2017-2018 fiscal year, staffing capacity was the main issue encountered by the Department's accounts team which led to the delay in the submission of the department's Annual Board of Survey and Drawings Reconciliation.

However, through the assistance of the Ministry of Economy, we were able to perform the Board of Survey and Reconciliations for the department's drawings account for 2017-2018 financial year and submit it to respective agencies.

As a control measure, the Drawings Account reconciliations are performed on a monthly basis by the Assistant Accounts Officer whereby unrepresented cheques are identified and follow-ups are made to respective vendors. Also, EFT processes are monitored to be completed and confirmed with the bank confirmation and bank statement to ensure it does not exist in Unrepresented cheque Listings.

Officer Responsible

Principal Accounts Officer

38.17 Payment Anomalies

The Senior Accountant must not certify a payment as correct unless they are satisfied that: it is in accordance with an LPO, indent, contract, invoice, statement or other authorisation; there is documentation that the goods, services or works have been received; sufficient uncommitted funds are available for payment of the account; the account is not fraudulent and has not been previously paid and the expenditure account it is charged to is correct.¹⁰

Our review of the payments records revealed the following anomalies:

- I. Payment vouchers were not always authorised;
- II. Supporting documents were not attached to payment vouchers;
- III. Supporting documents attached to payment vouchers were not stamped "PAID"; and
- IV. Expenditure were not recorded in the correct general ledger account in the general ledger system. Refer to below for details.

Table 38.8: Details of Payment Anomalies

Date	Payment ID	Type	Payee	VIP Amount (\$)	Description
06-04-18	329	EFT	Hotel	\$ 8,700	<ul style="list-style-type: none"> Payment Voucher not passed for payment by another officer. Payment Voucher certified by Senior Accountant. Expenditure incurred not for the allocation's intended purpose.
16-03-18	258	EFT	Hotel	\$ 10,800	<ul style="list-style-type: none"> Payment Voucher not properly authorized. Receipt not attached.
23-04-18	356	EFT	Hotel	\$ 9,980	<ul style="list-style-type: none"> Receipt not attached. Payment Voucher not passed for payment by another officer Expenditure incurred not for the allocation's intended purpose.

¹⁰ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 2.8.4

Date	Payment ID	Type	Payee	VIP Amount (\$)	Description
30-04-18	366	EFT	Hotel	\$ 7,230	<ul style="list-style-type: none"> Receipt not attached. Payment Voucher not passed for payment by another officer Expenditure incurred not for the allocation's intended purpose.
12-04-18	331	EFT	Ba Town Council	\$ 29,000	<ul style="list-style-type: none"> Previous year's grant acquittals not submitted. Grant agreement not provided. Current acquittals not provided. Audit noted that only \$2,000 was approved by Permanent Secretary to be paid to Lautoka, Nadi and Nausori Town Councils. However, they were paid \$6,000 each.
11-07-18	481	EFT	Supplier	\$ 12,880	<ul style="list-style-type: none"> Receipt of goods not verified. Payment Voucher not passed for payment by another officer. Payment Voucher not certified by Senior Accountant.
31-07-18	605	EFT	Nasinu Town Council	\$ 20,000	<ul style="list-style-type: none"> Expenditure incurred not for the allocation's intended purpose.
23-07-18	526	EFT	Supplier	\$ 10,974	<ul style="list-style-type: none"> Receipt of goods not verified. Expenditure incurred not for the allocation's intended purpose.
23-10-17	51	EFT	Service provider	\$ 9,263	<ul style="list-style-type: none"> Payment Voucher not passed for payment by another officer. Payment Voucher not certified by Senior Accountant.
23-12-17	134	EFT	Service Provide	\$ 8,151	<ul style="list-style-type: none"> Payment Voucher not passed for payment by another officer. Payment Voucher not certified by Senior Accountant.
06-04-18	322	EFT	Service Provider	\$ 8,151	<ul style="list-style-type: none"> Payment Voucher not passed for payment by another officer. Payment Voucher not certified by Senior Accountant.
22-11-17	79	EFT	Service Provider	\$ 8,151	<ul style="list-style-type: none"> Payment Voucher not passed for payment by another officer. Payment Voucher not certified by Senior Accountant.
31-07-18	232	EFT	Employee	\$ 4,848	<ul style="list-style-type: none"> Payment Voucher was not passed for payment
31-07-18	234	EFT	Employee	\$ 2,424	<ul style="list-style-type: none"> Payment Voucher was not passed for payment
06-12-19	235	EFT	Supplier	\$ 1,995	<ul style="list-style-type: none"> Payment Voucher not checked for payment Payment Voucher not passed for payment. Payment Voucher not signed by Manager Finance

Root Cause/Implication

The anomalies indicate that procurement procedures were not consistently applied. In addition, review process has not been carried out to ensure necessary approvals has been obtained.

The payment anomalies increase high risk of unauthorized payment.

Recommendations

The Ministry should:

- strengthen internal controls for processing of payments; and
- take appropriate action against officers who have not carried out their duties diligently.

Agreed Management Action

We have noted your comments. The Ministry has worked on the anomalies noted in the payments processes whereby the accounts team was tasked to have the payment vouchers authorized, supporting documents to be attached and also stamped “PAID” once processed.

Upon completion of all payment processes, monitoring is carried out by the AO to ensure that documents are attached and stamped “PAID” with an authorized signature before it is filed.

Officer Responsible

Principal Accounts Officer

38.18 Unreconciled Main Trust Fund Account Balance- Department of Environment

Within 5 days after the end of each month, the assistant accounts officer shall prepare trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account¹¹

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger account. 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. Unreconciled items must be investigated and resolved promptly.¹²

All bank accounts must be reconciled monthly. The bank reconciliation shall list the outstanding cheques and other reconciling items and must be signed and dated by the responsible officer.¹³

We noted that general ledger balance of the Trust Fund cash account did not reconcile to the bank reconciliation statement. A variance of \$2,401,404 was noted, details of which are shown in Table below.

Table 38.9: Variance in Trust Fund Cash at Bank Balance

Description	Amount (\$)
Bank Reconciliation balance	10,144,357
Cash recorded in the general ledger system	7,742,953
Variance	2,401,404

Root Cause/Implication

The above variance is largely attributed to absence of timely reconciliations.

Due to the variance, the accuracy of trust fund account balance reported in the Environment Trust Fund Account Statement of Receipts and Payments could not be substantiated.

¹¹ Ministry of Local Government, Housing and Environment Finance Manual 2013, Section 15.4.1

¹² Finance Instructions 2010, Section 58 (2-3)

¹³ Finance Instructions 2010, Section 32 (6)

Recommendations

The Ministry should:

- ensure that monthly reconciliations are properly carried out and reconciled to the general ledger and variances are investigated and rectified in a timely basis; and
- monthly reconciliations are reviewed and signed-off by a responsible officer taking responsibility of any irregularities in the reconciliation process.

Agreed Management Action

Audit comments are noted. The department has worked closely with the Ministry of Economy's FMIS team to provide further assurance on the Main Trust Fund anomalies accumulated within the Department of Environment True Trust account from 2008-2018.

In light of the above, the Department has made a submission for a book entry adjustment to Ministry of Economy on the 14/10/2018 to regularize the anomalies that exist in the Main Trust Fund Account which is currently being considered for adjustment.

Officer Responsible

Principal Accounts Officer



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