



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the Audit Report on Economic Services Sector – Audits of Government Ministries and Departments for the period 2016-2017 Financial Year



PARLIAMENT OF THE REPUBLIC OF FIJI
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CHAIRPERSON'S FOREWORD



I am pleased to present the Committee review report on the 2017 Audit Report on Economic Services Sector. The Economic services sector included the Ministry of Agriculture, Ministry of Fisheries and Forests, Ministry of Lands and Mineral Resources, Ministry of Industry, Trade and Tourism, Ministry of Sugar Industry, Ministry of Public Enterprise and Government Printing and Ministry of Local Government, Town Country Planning and Environment.

The Auditor-General had issued three (3) unmodified audit opinion and four (4) Modified audit opinion to the various ministries and departments financial statements that were audited under this sector.

It is important to note that Ministries and Departments that were scrutinized by the Committee were not invited for interview because of the COVID 19 restrictions that were in place at that time but were requested instead to provide written response on audit issues that were raised in the audit report.

The Committee noted that some of the Ministries had addressed some of the audit issues raised in the audit report while some are working towards resolving these internal control issues. The Committee strongly recommends that immediate action is required by the respective Ministries and Departments Heads in order to improve financial accountability within each Ministry.

I sincerely thank all the Honourable Members of the Committee for their valuable contribution in the successful compilation of this bipartisan report, namely Hon. Joseph Nand, Hon. Vijendra Prakash (former MP), Hon. Aseri Radrodro and Hon. Ro Teimumu Kepa. I also extend my gratitude to Hon. Mikaele Leawere who stood in as an alternate Member.

I also wish to acknowledge the Secretariat for their support in the compilation and finalisation of this bipartisan report.

With those few words, I commend this report to Parliament.

A handwritten signature in blue ink, appearing to be 'Alvick Avhikrit Maharaj'.

Hon. Alvick Avhikrit Maharaj
Chairperson

COMMITTEE MEMBERS

The substantive members of the Standing Committee on Public Accounts are as follow:



Hon. Alvick Avhikrit Maharaj
(Chairperson)



Hon. Joseph Nitya Nand
(Deputy Chairperson)



Hon. Aseri Masivou Radrodoro
(Opposition Member)



Hon. Ro Teimumu Kepa
(Opposition Member)



Hon. Vijendra Prakash
(former Government Member)

ACRONYMS

AR	Accounts Receivable
BOS	Board of Survey
CIU	Construction Implementation Unit
EFT	Electronic Fund Transfer
Eol	Expression of Interest
FICAC	Fiji Independent Commission Against Corruption
FNPF	Fiji National Provident Fund
FS	Financial Statements
FSC	Fiji Sugar Corporation
FY	Financial Year
FMIS	Financial Management Information System
GPSD	Government Printing Services Department
iTLTB	iTaukei Land Trust Board
JEE	Job Evaluation Exercise
JV	Journal Vouchers
LWRM	Land Water Resource Management
IHRDP	Integrated Human Resource Development Programme
LPO	Local Purchasing Order
M&E	Monitoring and Evaluation
MOA	Memorandum of Agreement
OAG	Office of the Auditor General
PS	Permanent Secretary
PSA	Permanent Secretary Agriculture
RFA	Revolving Fund Account
RIE	Requisition to Incur Expenditure
SEG	Standard Expenditure Group
SOP	Standard Operating Procedures
TMA	Trading and Manufacturing Account
TRCO	Temporary Reliving Clerical Officer
VAT	Value Added Tax
VQR	Vehicle Quarterly Report

INTRODUCTION

Background

The 2017 Audit Report on Economic Services Sector (Parliamentary Paper No. 9 of 2019) was tabled in Parliament on Monday 11 February 2019 and was referred to the Standing Committee on Public Accounts, for its scrutiny pursuant to Standing Orders 38 (2).

Standing Orders 109 (2) (d) allows the Standing Committee on Public Accounts to “.....examine the accounts of the Republic of Fiji in respect of each financial year and reports of the Auditor-General, and for any other matter related to the expenditures of Government of the Republic of Fiji or an related body or activity (where directly or indirectly) that the Committee sees fit to review”

Standing Orders 110 (1) (c) authorises the Standing Committee to “scrutinise the government departments with responsibility within the committee’s subject area, including by investigating, inquiring into, and making recommendations relating to any aspect of such a department’s administration, legislation or proposed legislative programme, budget, rationalisation, restructuring, functioning, organisation, structure and policy formulation”.

1.1 COMMITTEE PROCEDURE

The Novel Coronavirus Disease renamed as COVID-19 was declared by the World Health Organization as a global pandemic on 11 March 2020. The Parliament of the Republic of Fiji therefore undertook necessary precautionary measures to control the spread of the new virus strand outbreak.

In view of the above, pursuant to SO 112 (1) (b), the Standing Committee has the powers to “compel the production of documents or other materials or information as required for its proceedings and deliberations” The Committee had requested the Ministry’s to provide a substantive written response to the questions raised by the Members of the Committee within a specific timeframe in relation to the 2017 Audit Report on Economic Services Sector.

The Committee scrutinized the following entities which were audited and reported by the Office of the Auditor General are as follows:

2017 AUDIT REPORT ON SOCIAL SERVICES SECTOR (PP No. 9 of 2019)

No.	Head No.	Ministry/Department
1.	30	Ministry of Agriculture
2.	32	Ministry of Fisheries and Forest
3.	33	Ministry of Lands & Mineral Resources
4.	34	Ministry of Industry, Trade and Tourism
5.	35	Ministry of Sugar Industry
6.	37	Ministry of Local Government, Town Country Planning & Environment

1.2 COMMITTEE MEMBERS

Pursuant to SO 118 (1), “A majority of the members of the standing committee shall constitute a quorum”. The substantive members of the Standing Committee on Public Accounts are:–

1. Hon. Alvick Avhikrit Maharaj, MP (Chairperson)
2. Hon. Joseph Nitya Nand, MP (Deputy Chairperson)
3. Hon. Vijendra Prakash, MP (*former* Member)
4. Hon. Aseri Masivou Radrodro, MP (Member)
5. Hon. Ro Teimumu Kepa, MP (Member)

Types of audit opinions issued

In accordance with International Standard on Auditing:–

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

A **modified opinion (qualified)** 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 **adverse opinion** is expressed when we, having obtained sufficient appropriate audit evidence, conclude that misstatements, individually or in the aggregate, are both material and pervasive to the financial statements.

A **Disclaimer of Opinion** is issued when we are unable to obtain sufficient appropriate audit evidence on which to base the opinion, and we conclude that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

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

As at 30 September 2018, the Auditor-General issued audit opinions on 7 agency financial statements of ministries and departments in the Economic Services Sector for the 2016-2017 financial year.

Modified Audit Opinion

The Auditor-General issued modified opinions for the following Ministries:

- ✓ Ministry of Agriculture;
- ✓ Ministry of Fisheries and Forests;
- ✓ Ministry of Lands and Mineral Resources; and
- ✓ Ministry of Local Government, Town Country Planning and Environment.

The above listed Ministries were issued with a modified opinion for the following reasons:

1. Understatement of expenditure balance as a result of non-clearance of Standard Liability Account and Revolving Fund Advance account;
2. Unreconciled variance in cash balance between cash ledger and bank reconciliation;
3. Insufficient cash balance in the bank account to support cash received and utilized;
4. Lack of supporting documents to support expenditures recorded in the Statement of Profit and Loss for Trading and Manufacturing Accounts (TMA);
5. Lack of sufficient documents to support sales in the TMA account;
6. Lack of supporting documents for the Trust Fund Account balances;
7. Lack of supporting documents to substantiate occurrence of expenditure;
8. Lack of supporting documents to substantiate revenue;
9. Unreconciled variance of \$673,811 in Land and Property Rent collected as amount recorded in the Crown Land Lease System of \$12,745,771 while the FMIS general ledger had a balance of \$13,419,582; and
10. Incorrect posting of expenditure

Unmodified Audit Opinion

The Auditor-General issued unmodified opinions for the following Ministries:

- ✓ Ministry of Industry, Trade and Tourism;
- ✓ Ministry of Sugar Industry; and
- ✓ Ministry of Public Enterprise and Government Printing

COMMITTEE FINDINGS ON ECONOMIC SERVICES SECTOR

Head No. 30 – Ministry of Agriculture

PART A: FINANCIAL STATEMENT

30.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Agriculture resulted in a qualified audit opinion. The qualification was due to the following:

1. Included in the Land Water Resource Management ('LWRM') Trust Fund Account balance is retention fund of \$329,148 which has been carried forward from previous years. The Ministry was unable to provide appropriate supporting documents to ascertain whether the retention period for the projects of which retention funds were retained are valid. As a result, I was unable to ascertain the accuracy and obligation of the retention fund of \$329,148 included in the LWRM Trust Fund Account balance.
2. The Ministry suffered loss through expiration of drugs and livestock mortality amounting to \$63,405. Instead of being expensed, the amount was directly adjusted to the closing ending inventory balance thus overstating the cost of goods sold.

Without further qualifying the opinion above, attention was also drawn to the following matter:

3. Internal controls over payroll expenses and management of inventory for trading activity were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the future.

The Committee was informed that the LWRM Trust Fund had been reconciled and closed with balance of fund transferred to the Ministry of Waterways. A Board of Survey ('BOS') team was appointed to look into the issue of expired drugs and this had been written off.

The Committee noted the response of the Ministry and recommends that OAG provides an update on their next audit report.

30.2 Statement of Receipts and Expenditure

The Ministry collected revenue totaling \$638,213 and incurred a total expenditure of \$56,141,296 for the year ended 31 July 2017.

Statement of Receipts and Expenditure for 2017

Description	31 July 2017	31 July 2016
	\$	\$
Agricultural Produce & Inspection Fees	339	203
License	41,075	30,662
Meat Inspection	19,280	14,336
Veterinary and Animal Quarantine	12,327	8,518
Sale of Sheep and Wool	30,126	4,660
Rest House	9,234	2,651

Description	31 July 2017	31 July 2016
Rental for Quarters	61,084	35,344
Registration	6,943	2,154
Commission	24,227	14,221
Sale of Farm Produce	32,227	21,935
Clearance of previous years trust	41,476	---
Miscellaneous Revenue	280,751	117,693
Overpayment Recoveries	77,745	20,767
Water Charges	661	199
Rural electrification	718	344
Total Revenue	638,213	273,783
Established Staff	12,431,521	7,469,249
Government Wage Earners	5,444,014	3,438,174
Travel & Communications	774,032	449,730
Maintenance & Operations	2,113,395	1,387,954
Purchase of Goods & Services	624,846	388,589
Operating Grants & Transfers	3,169,595	2,716,499
Special Expenditure	2,289,910	1,036,921
Total Operating Expenditure	26,847,313	16,887,116
Capital Construction	17,474,568	7,860,937
Capital Purchases	1,078,114	5,219
Capital grants and transfers	8,596,684	4,654,588
Total Capital Expenditure	27,149,366	12,520,744
Value Added Tax	2,144,617	1,000,364
Total Expenditure	56,141,296	30,408,224

In addition, the following factors contributed to the increase in balances for some account areas:

4. The significant increase in revenue for the 2017 financial year was attributed to the increase in miscellaneous revenue collections arising from the sale of agro inputs to farmers. Moreover, there was also an increase in the sale of the new breeds of sheep and goat that was imported by the Ministry and the increase in salary recovery from staffs for government quarters rent during the year.
5. Capital Construction expenditure increased by \$9,613,631 in 2017 compared to 2016 due to various agriculture rehabilitation programmes implemented by the Ministry after the TC Winston. Capital programs undertaken during the year were mainly related to the Crop Extension Services Livestock Extension Services, Research, irrigation improvement and land, drainage and flood protection services provided by the Ministry.
6. Capital purchase increased in 2017 due to the implementation the Farm Mechanisation Programme which includes purchase of 10-wheeler truck and digger for the central division and purchase of six tractors for respective farmers and agriculture stations. The Ministry also incurred expenditures for the purchase of equipment for the Agricultural Chemistry Lab during the year.

30.3 Appropriation Statement

The Audit noted that the Ministry incurred expenditure totaling \$56.1 million in 2017 against a revised budget of \$74.4 million in accordance with Section 19 of the Financial Management Act 2004, resulting

in savings of \$18.2 million or 25 per cent.

The significant savings in Capital Construction expenses was mainly attributed to the delay in the tender process, vetting/finalization of contract documents and requisition to incur funds (RIE) applications. These includes projects funds allocated under the Farm Access Roads, Construction of Office & Staff Quarters, Ginger Development Programme, Rice Revitalisation Programme Development, Export Promotion Programme, BTEC, Livestock Rehabilitation Programme, Land Drainage and Flood Protection programme that were under-utilised at year end. Animal waste management and Fiji Agriculture Partnership Project funds were also not utilised.

The savings in Capital Grants and Transfers was due to the under-utilization of budgeted funds for land clearing, Rural and Outer Island Programme and Sheep Multiplication Programme. The underutilization of funds was also attributed to the delay in the tender process and vetting/finalization of contract documents.

Appropriation Statement for 2017

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
1	Established Staff	14,162,452	---	14,162,452	12,431,521	1,730,931
2	Government Wage Earners	6,112,962	---	6,112,962	5,444,014	668,948
3	Travel & Communication	797,300	---	797,300	774,032	23,268
4	Maintenance & Operations	2,427,081	---	2,427,081	2,113,395	313,686
5	Purchase of Goods & Services	704,800	---	704,800	624,846	79,954
6	Operating Grants & Transfers	3,564,931	---	3,564,931	3,169,595	395,336
7	Special expenditure	2,811,500	---	2,811,500	2,289,910	521,590
	Total Operating Costs	30,581,026	---	30,581,026	26,847,313	3,733,713
8	Capital Construction	27,442,415	---	27,442,415	17,474,568	9,967,847
9	Capital Purchase	1,626,450	---	1,626,450	1,078,114	548,336
10	Capital Grants & Transfers	11,560,000	---	11,560,000	8,596,684	2,963,316
	Total Capital Expenditure	40,628,865	---	40,628,865	27,149,366	13,479,499
13	Value Added Tax	3,222,900	---	3,222,900	2,144,617	1,078,283
	TOTAL	74,432,791	---	74,432,791	56,141,296	18,291,495

The Committee was informed of the following factors that contributed to the delay in the tender process, vetting of contract documents and Requisition to incur Expenditure application:—

a) Tender Process

The tender process cycle was independent and the tender committee members and management are fully accountable for the processes involved. If there was a demand for technical input such as road or civil works, it takes approximately 3 to 4 months from the calling to award of tender. The initial concept was drawn up by the Agricultural Officers. This proved to be a challenge in terms of getting the right scope or specifications of the tender products given that the work/products can range from machines, construction of infrastructure to renovation of office buildings and staff quarters.

The Ministry did not have the capacity to conduct electrical, civil and mechanical work due to job specification of technical people and the relocation of the Land Water Resources Management were moved to the new Ministry of Waterways. Therefore, the Ministry continued to rely on Engineers who are with Ministry of Waterways, Ministry of Infrastructure and Transport. There are now serious discussions at management level on the possibility of recruiting a qualified engineer to look after these tasks which would greatly fast track the process.

To help resolve this issue, the Ministry had:–

- *Appointed a tender committee to look after the whole tender process and also liaise with all stakeholders especially for those that require technical specifications;*
- *The tender committee and management took a lead role in facilitating timely calling and awarding of the tender; and*
- *The Ministry was also looked at created trade positions on civil works/engineers for timely scoping works.*

b) Vetting and Finalization of Contract

The Ministry relied on the Office of the solicitor general for the vetting of contracts. The Ministry was proactive in the provision of detail and complete information in a timely manner to fast track the process. The management had also taken a lead role in liaising directly with the Solicitor General on urgent agreements.

c) Requisition to Incur Expenditure (RIE)

In 2018, the Ministry was able to obtain early approval of RIE's due to better planning and early submission of RIE's.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

30.4 Assessment of Financial Governance

The Auditor-General's assessment of the internal controls of the Ministry was ineffective as there were significant deficiencies identified in the internal control. The Audit also noted that assessment on the timeliness of provision of management comments and signing of financial statements revealed ineffective.

The Committee was informed that the Ministry had worked closely with both our external and internal auditors in order to strengthen and communicate internal control policies to all staff of the Ministry.

The Ministry had worked towards strengthening and improving the following areas:–

1. Control Environment

- a) The Ministry had taken disciplinary actions on twenty six officers since 2018.

Issue	Number of Officers
Fraud	5
Abuse of Office	11
Non-performance	10

- b) The Ministry is currently investigating another thirty two officers who have breached internal control with possible disciplinary action through suspension or termination of their contracts.

Issue	Number of Officers
Fraud	15
Abuse of Office	6
Non-performance	11

- c) Improved on OMRS compliance rating from 47 per cent in 2017 to 66 per cent in 2018. The Ministry aims to achieve 90 -100 per cent in relation to OMRS compliance.
- d) The Ministry had conducted 30 in-house training including overseas training to build internal capacity.

2. Risk Assessment

- e) The Ministry had investigated 2 cases related to fraud and also had drawn up various Standard Operating procedures to help mitigate these risks. The Ministry also had a Compliance and Ethics Unit to train and handle all internal investigation.

3. Control Activities

- f) The Ministry had developed SOPs and also trained officers on SOP to aid in internal control. The Ministry recently engaged two consultants from the Civil Service Reform Unit to train our staff on how processes and systems could be reengineered to protect the interest of both, the government and the customers.

4. Information and Communication

- g) Management had developed a Dashboard system where it tracks critical issues as well as those related to internal controls. This allowed Executive Management to pinpoint possible deficient areas and took corrective measures early. These were either communicated through Skype meetings with our key divisional officers or through internal circulars on process and procedures that need to be strengthened.

5. Monitoring Activities

- h) The Ministry had commenced its quarterly spot check on financial procedures and also stock take for TMA. The Divisions along with the M&E Unit had monitored their respective programs which were an on-going process. The ministry had also strengthened its M&E unit for all capital programs with regular reporting to Executive Management. During the last financial year, the HQ M&E unit conducted monitoring exercise for all major capital projects. The Ministry in recognition of the importance of monitoring activities had also included this in our 5 year Strategic Development Plan.

The Committee noted the explanation given by the Ministry and recommends that it improves its financial governance structure/framework.

PART C: OTHER SIGNIFICANT MATTERS

a) Non-Preparation of Wages Reconciliation

Audit noted that the Ministry did not prepare the wages reconciliation for all the pays during the 2016-2017 financial year. The last reconciliation was prepared for pay number 10/2016. As at date of audit, the Ministry was still in the process of updating the reconciliations backlog.

The Ministry had noted the audit recommendation and put on all concerted effort to update the period reconciliation.

The Committee noted the delays in the preparation of wages reconciliation. Therefore, the Committee recommends that the Ministry should ensure that salaries and wages reconciliations are prepared on a timely basis.

b) Anomalies in Salary Reconciliation Balances

The audit review of the certified salary reconciliations prepared by the Ministry and noted the following anomalies:—

1. The salary reconciliation for 3 pays were not provided to audit despite numerous requests, hence the audit could not review the reconciliations for accuracy. This includes the fortnightly salary reconciliation for pay numbers 16/2016, 26/2016 and 13/2017.
2. Variances were noted between the opening balance of the current pay reconciliation and ending balance from the previous pay reconciliation for pay numbers 18/2016 to 22/2016 and pay 24/2016. No explanation was provided by the Ministry to explain the variances.

Variance in Opening and Closing Monthly Salary Reconciliation

Pay Number	Opening Balance as per Reconciliation	Closing Balance as per Reconciliation
	(\$)	(\$)
17/2016	---	394,270.62
18/2016	389,729.77	390,143.71
19/2016	389,656.79	396,899.26
20/2016	395,436.95	385,903.40
21/2016	384,289.95	426,765.85
22/2016	422,670.79	383,933.12
23/2016	383,933.12	404,912.75
24/2016	404,425.83	392,653.07

The Committee was informed that the Ministry invited the Salary Section from the Ministry of Economy to conduct training on issues highlighted above on 5 May 2019. The training was instrumental in our performance in the 2018/2019 FY where our reconciliation on salary and wages was consistent and the required information was correctly submitted to the Ministry of Economy. The Ministry was strived to maintain the same for the 2019/2020FY.

The Committee was concerned on the delays by the Ministry in addressing these reconciliation anomalies especially regarding salary reconciliation which increases the risk of errors and fraudulent salary payments occurring within the Ministry.

The Committee recommended that the Ministry should provide trainings, supervision and monitoring on a regular basis to its staff. Salary reconciliation should be prepared and monitored on a regular basis.

3. Governance Issue - Trading and manufacturing Account Operation

The Audit review of internal control environment for the Trading and Manufacturing Accounts operated by the Ministry revealed the following weaknesses:

- The Ministry of Agriculture did not have an approved Business Plan during the 2016/2017 financial year for the operation of the TMAs contrary to section 29 of the Finance Instructions 2010;
- The Ministry had also not instituted specific policies and procedures to guide key financial processes and controls for the management of its TMA sales, expenditure, personnel expenditure, inventory and its liabilities;
- Proper monitoring of the TMA operational activities was not carried out by the Ministry during the year. Monthly stock reports were not submitted while monthly financial reports were not prepared in order to assess the TMAs financial performance during the year and determine its profitability or viability.

The Committee was informed that the Ministry had prepared a business plan however; it was not submitted to the Ministry of Economy. There were some amendments required by the PS on the report. This had been updated and will be incorporated in this year's report.

The Committee was further informed that the Ministry in its efforts to address its TMA governance issue had:

- Created an Assistant Accountant post who now is responsible for the monthly submission of financial reports, monitoring TMA sales, liabilities and expenditure;
- The Ministry has also improved its processes whereby Divisions are submitting their monthly return in a timely manner whereby deficiencies are detected early. This report includes monthly stock take and loss of livestock report.
- Appointed an agricultural officer to review its TMA operation and draw up operational SOPs.

RECOMMENDATIONS

- The Committee concurred with the recommendation of the Auditor-General that the Business Plan is approved by the Permanent Secretary and a copy is submitted to Ministry of Economy by 30 June every year;***
- The Committee encouraged the Ministry to strengthen its monitoring activities of the TMA operations and financial performance; and***

(iii) The Committee recommended that the Ministry adheres to the Financial Instruction 2010- Section 29.

4. Inventory Obsolescence and Mortality of Livestock

The audit noted that the Ministry suffered loss through expiration of drugs and livestock mortality amounting \$63,405 during the year. It was also noted that instead of the cost of the drugs/animals being expensed, it was directly adjusted to the closing inventory balance thus overstating the cost of the goods sold.

Details of Expired Stock and Livestock Mortality

Items grouping	Item	Value
		(\$)
Drugs (Expired)	Tylan Soluble CCD	113.70
	Amprolium	132.70
	Utozyme Pessaries 10's	3,354.45
	Xylazil 100	782.10
	Dimmitrol 200mg tabs	119.70
	Equivac T	44,021.25
	Recombitek C6	3,400.00
	Savlon	152.00
Livestock	Pig	1,613.00
	Cattle	9,716.00
Total		63,404.90

The Committee was informed that the Ministry had recruited three veterinarians that help management ensure proper forecasting of stocks were carried out, avoid overstocking, assisting our clerks in forecasting threshold of expired drugs, monitor monthly stock return and submit quarterly stock take whereby expired drugs could be detected early and boarded. At the same time new stock can be ordered on time to replenish existing stock. In regards to livestock mortality, the Ministry had worked with a consultant to address worm resistance, frequent dog trapping and safely close up stock at night.

The Committee noted the explanation given by the Ministry and recommended that the Ministry should take corrective measures such as proper procurement planning, frequent stock monitoring, improve public awareness and provide adequate trainings to livestock supervisors and farm hands.

5. Variances in inventory quantity during annual stock take

Audit noted that the physical count of inventory noted significant variances between the inventory quantity as per the stock cards and the actual quantity of inventory physically held in stock.

Details of inventory items with variance

Item	Quantity in stock	Quantity as per stock cards	Variance	Unit cost	Value
				(\$)	(\$)
18kg barbed wire	0	25	(25)	110.00	2750.00
25kg barbed wire	109	119	(10)	120.00	1200.00

Item	Quantity in stock	Quantity as per stock cards	Variance	Unit cost	Value
				(\$)	(\$)
3 ft goat fence	0	90	(90)	110.00	9900.00
4 ft goat fence	50	0	50	130.00	6500.00
Pine Post - 1.8m x 75mm	311	245	66	12.50	825.00
Pine Post - 1.8m x 100mm	522	417	105	14.50	1522.50
Pine Post - 1.8m x 125mm	132	300	(168)	22.50	3780.00
Pine Post - 1.8m x 150mm	119	352	(233)	30.50	7106.50
Pine Post - 3m x 100mm	30	99	(69)	30.50	2104.50
Pine Post - 3m x 125mm	5	56	(51)	37.00	1887.00
Pine Post - 3m x 150mm	213	255	(42)	55.50	2331.00
Total					39,906.50

Moreover, it was noted that the inventory cards were not updated on a regular basis and the Ministry could not reconcile the above variances during the stocktake.

Ministry's comments in the Audit Report stated that the anomalies between the physical and the inventory records were due to poor and inadequate record keeping. This was due to the following:–

- ✓ There was no regular stock take and updating of inventory; and
- ✓ The CUT unit was also challenged with lack of staff.

Going forward, the Ministry would address the above issues by:–

- Reviewing the processes of inflow & outflow of inventories;
- Undertake quarterly stock take from the new financial year;
- Job descriptions of the three casual labourer positions, recorder has been prepared to be advertised for recruitment in the next financial year;
- Expression of Interest (EOI) for the AACUT positions had been prepared for recruitment;
- All sales and inventory documents to be countersigned by AO CUT weekly; and
- Conduct monthly stock take and update inventories with countersigning by AO CUT.

The Committee noted with concern that this was an on-going issue as this reflected poorly on improper record management of the Ministry.

The Ministry should ensure that proper inventory records are maintained and stock cards are updates on a regular basis. The Ministry should consider conducting monthly stocktake to detect and investigate stock variance.

6. Anomalies in TMA closing inventory for drugs

The Audit review of the stock take report for drugs noted the following anomalies:

- Drugs were being valued at the selling price contrary to Section 39 of the Finance Instructions 2011. As a consequence, the valuation of drugs was overstated by \$32,000.

- The closing stock balance for drugs included expired stock of \$17,835.16 which were kept at the Vatuwaqa VET Stores. However, the amount did not include the expired stock kept in other clinics in Fiji as the clinics did not state the expired date of items in their TMA annual stocktake report.
- Different unit prices were used to value the closing inventory balances for livestock (cattle) for each of the different stations namely the Koronivia Research Station and Sigatoka Research Station. The weight of the cattle was not considered when valuing the cattle held at the Koronivia Research Station.

The Ministry's commented in the audit report and stated that the audit comments were noted.

For the 2017/2018 financial year the stock value at cost price would be used instead of the stock selling price. The Ministry would appoint a BOS team to include a veterinarian to certify the proposal for the writing off of expired drugs.

7. Difference in prices of cattle at Koronivia and Sigatoka

The cattle at Koronivia were of the dairy breeds of cattle imported from New Zealand in 2011. They're pure Friesian dairy breeds' pregnant cows and growing heifers and bulls. They were brought in to rehabilitate the farms where the animals were condemned due to brucellosis. The cattle were primary grown for milk production. The price was set at a standard of \$1000.00 per head for adult mature cattle and \$250.00 per head for younger animals less than 6 months of age. A committee was set up by the Ministry of Agriculture, which had operated on the approved mentioned price. At point of sale the weight was not considered due to the fact that it was government initiative to support the dairy industry in Fiji.

The price for the New Zealand cattle was approved by the Ministry. A proposal will be prepared to consider a price restructure to match the dilution of the genetics in the stock and also the status. No sale will be conducted due to the positive TB status of the Koronivia farm.

The cattle at Sigatoka were all beef breed type and they're primarily raised to produce meat. The breeds were crosses of Limousine, Santa Gertrudis, Hereford, Brahman breeds. The stocks were weighed at point of sale to determine the cost per head with the class/age of the animal.

The cattle at Sigatoka were sold at the approved government rates. The Committee was informed that the Ministry had taken necessary measures to inform sections to abide with the procurement regulations accordingly and this included the recording of stock at cost price. The 2018-2019 financial stock take report had been reported on cost price and not on sales price.

8. Anomalies noted in Main Trust Fund (LWRM)

Audit noted that the main trust fund account had a balance of \$817,357.60 as at 31 July 2017 out of which a sum of \$ 329,147.89 related to retention monies which were carried forward from prior years and were not paid out of the account when the defects liability period for the projects had expired.

Details of Retention Monies carried forward from prior years

Name of Company	Contract/RR Number	Amount (\$)
Company A	RR # 321709	11,463.78
Company B	Not Provided	18,000

Name of Company	Contract/RR Number	Amount (\$)
Company C	RR # 663020	2,490.33
Company D	(CTN # WSC 01/2009)	558.29
Company E	(CTN # WSC 14/2010)	1,261.63
Company F	(CTN # WSC 16/2010)	722.53
Company G	(CTN # WSC 19/2010)	171.71
Company H	(CTN # WSC 20/2010)	21,916.32
Company E	(CTN # WSC 21/2010)	15,987.00
Company D	(CTN # WSC 29/2010)	4,397.69
Company E	(CTN # WSC 30/2010)	29,054.84
Company I	(CTN # WSC 31/2010)	301.36
Company J	(CTN # WSC 41/2010)	39,284.93
Company H	(CTN # WSC 44/2011)	10,465.77
Company D	(CTN # WSC 157/2011)	314.03
Company I	(CTN # WSC 218/2012)	12,546.03
Company K	(CTN # WSC 219/2012)	7,297.31
Company L	(CTN # CSC 21/2013)	5,414.20
Company M	(CTN # WSC 32/2013)	65,116.51
Company N	(CTN # WSC 43/2013)	34,610.84
Company N	(CTN # WSC 110/2013)	19,690.65
Company O	(CTN # WSC 159/2013)	11,145.86
Company P	(CTN # CSC 35/2014)	2,153.03
Company Q	(CTN # CSC 21/2013)	3,743.25
Company M	(CTN # WSC 37/2014)	11,040.00
Total		329,147.89

The Ministry's commented in the audit report stated that the audit comment was noted. The trust fund account was no longer handled by the Ministry of Agriculture but now handled by the Ministry of Waterways. Necessary adjustments were processed and unidentified balances were currently being verified before transfer was made to Revenue. This would be finalised within the current financial year.

9. Unsubstantiated TMA VAT charges

Audit noted that although Ministry of Agriculture's TMA was exempted from VAT, the general ledger showed a VAT payable balance of \$22,113.13. It was noted that this amount had been carried forward from prior years without any action taken by the Ministry to rectify the balance. As a result, the VAT payable amount was incorrectly stated in TMA balance sheet.

The Committee was informed that the Ministry had collected the source document related to TMA VAT charges and had completed the necessary adjustments.

10. Long Outstanding Underline Accounts

Audit review of the Underline Accounts reconciliation revealed the following anomalies:

- "VAT from provision of goods and services" component of Operating Trust Fund Account had accumulated from previous years to \$184,970.53 and comprised of 50 per cent of the closing balance \$367,233.77 as at 31 July 2017.

- “Withholding tax payable” component of SLG 84 Account had accumulated from previous years to \$160,170.95 of which \$159,799.59 was yet to be cleared by the Ministry.

Long Outstanding Underline Accounts

Account	Description	Actual 2017	Actual 2016	Actual 2015	Actual 2014	Actual 2013
1-30101-30999-863201	VAT from provision of goods and services	(184,971)	(163,082)	(162,376)	(166,018)	(139,538)
1-30101-30101-840602	Withholding Tax Payable	(160,171)	(159,800)	(164,125)	---	---

The increasing liability balances indicate that VAT and withholding taxes were not remitted to the Fiji Revenue and Customs Service (FRCS) on a timely manner. Delays in payments to FRCS may result in the Ministry incurred penalties for late payment.

The Ministry's commented in the audit report and stated that the audit comments were noted. The Ministry of Agriculture had been consistent in its VAT payments to FRCS. The brought forward balance of withholding tax which amounts to \$159,799.59 was the accumulated balance from previous years (2013). This consisted of mispostings and provisional tax deducted from contractors engaged by the Ministry. The Ministry was liaising with the Ministry of Economy on ways to appropriately adjust this outstanding amount.

11. Unauthorized losses recorded in the Statement of Losses

As at the date of audit the losses amounting to \$39,420 disclosed in the Statement of Losses was not endorsed by the Permanent Secretary and forwarded to the Permanent Secretary of the Ministry of Economy for approval. The losses include Loss of Assets (Office Equipment) of \$9,996 and Loss of Assets (Livestock) of \$29,424.

The Ministry commented in the audit report and stated that the Ministry had established a fixed assets register. The Board of survey officer should exercise procedure and apply provision 14.1 on incurred losses for every losses incurred (AFM 2017). Quarterly reports on losses should be submitted to PSA and PS Economy a week after the end of each quarter vide AFM 14.2 of 2017.

The Committee noted with concern the amount of losses disclosed in the Statement of Losses which was not endorsed by the Permanent Secretary and forwarded to the Permanent Secretary of the Ministry of Economy for approval. Therefore, the Committee strongly recommends that the Ministry should strictly adhere to its Finance Manual to only disclose approved write offs in the Statement of Losses.

Head No. 32 – Ministry of Fisheries and Forests

PART A: FINANCIAL STATEMENT

32.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Fisheries and Forests resulted in a qualified audit opinion. The reasons for the qualification were as follows:

Operating Fund Account

1. Expenditures amounting to \$276,181 were not recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2017. This amount related to unrecorded expenditures of \$191,147 paid from Standard Liability Account 84 and retired Accountable Advances of \$85,034 for the current year which were not cleared from the Revolving Fund Account. As a result, the expenditure balance of \$23,012,137 for the year ended 31 July 2017 is understated by \$276,181.

Trading and Manufacturing Account

2. There was an unreconciled variance of \$104,597 between the 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 \$1,896,419 recorded in the TMA Balance Sheet as at 31 July 2017.
3. The Ministry paid a sum of \$2.5 million to the Trading and Manufacturing Activity (TMA) account from its operating budget for the purpose of salvaging logs after Tropical Cyclone Winston. Out of this amount, a sum of \$301,451 was utilised for this purpose in 2017 leaving a balance of \$2,198,459 as at 31 July 2017. The cash at bank balance of \$1,896,419 recorded in the TMA Balance Sheet was not sufficient to support the remaining balance of \$2,198,459.
4. The Ministry recorded total expenses of \$1,288,574 in the TMA - Profit and Loss Statement for the year ended 31 July 2017. The Ministry was not able to provide documentations to support expenditures totalling \$515,515. As a result, the Auditor-General was not able to verify the accuracy and completeness of the total expenses recorded in the Profit and Loss Statement.
5. The Ministry recorded sales of \$1,161,623 in the TMA - Trading Account for the year ended 31 July 2017. The Ministry was not able to provide documentations to support transactions totalling \$306,623. As a result, the Auditor-General was not able to verify the accuracy of the Sales amount recorded in the Trading Account.

Trust Fund Account

6. The Ministry did not maintain a detailed listing of the beneficiaries of the Trust Accounts. Consequently, the Auditor-General was not able to substantiate the completeness of the closing balances of \$190,095 reflected in the Statement of Receipts and Payments for the Trust Fund Account.

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

- The Ministry did not carry out a board of survey to verify the existence and condition of the assets under its authority contrary to Section 49 of the Finance Instruction 2010.
- The TMA account continued to operate at a loss for eight consecutive years from 2010.
- There was an overall excess of liabilities over assets of \$111,344 in the TMA balance sheet as at 31 July 2017.

The Committee noted with concern that the Ministry did not carry out a board of survey to verify the existence and condition of the assets under its authority contrary to Section 49 of the Finance Instruction 2010. Even though the TMA account continues to operate at a loss for eight consecutive years from 2010, there was an overall excess of liabilities over assets of \$111,344 in the TMA balance sheet as at 31 July 2017. The Ministry had rectified the records in the Statement of Receipts and Expenditure for the year ended 31 July 2017 as follows:

- SLG 84 Account had been reconciled and recorded accordingly
- The Ministry had requested the Ministry of Economy to write off the un-reconciled accountable advances carried forward from the previous years.
- The Ministry had reviewed their Accountable Advance implementation processes as they had implemented advance checklist. For all advance less than \$20k this must be approved by the Conservator of Forests and Director Corporate Services. Advances over \$20k but less than \$50k must be approved by the Permanent Secretary for Forestry.
- True Trust Fund Account for One Third Subsidy Scheme had been referred to Ministry of Fisheries.
- The Ministry had improved their revenue collection strategies on scaling fees for the Native Timber and miscellaneous revenue. Timber Revenue System (TRS) data have been implemented at HQ Accounts Section whereby data sent from the divisions is reconciled with FMIS GL Account.
- The Ministry had improved on the internal control environment and risk management strategies to curb any anomalies.

The Committee during the time of its deliberation on the Ministry of Fisheries and Forests were faced with challenges in getting appropriate responses because now the Ministry had been separated into two (2) as compared to the time of audit.

The Committee was informed that the total of \$2.5 million paid into the TMA Account for the purpose of salvaging of logs after TC Winston are paid from respective sites to Nasinu as detailed below.

Name Of The Company	Total Amount Till December 2017	Remarks
Kishore Kumar	\$149,951.87	Hauling of Logs from Dawasamu and Navua
New Time Limited	\$380,235.04	Hauling of logs from Nadarivatu
Nadarivatu Sawmillers	\$116,732.82	Hire of Loaders for Mobilization of Logs In Yard
Total	\$646,919.73	

The Committee still concerned that whilst the Financial Year ended on 31/07/2017, the Operations continued until December 2017 and there is still a variance of \$43,338.73 between the ending Bank Balance figure for audit and Ministry.

32.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$2,718,654 and incurred a total expenditure of \$23,012,137 for the year ended 31 July 2017. Revenue mainly comprised of Native Timber Measurement, Sale of Fish & Ice, Off-shore Fisheries Management fees, Access Fees, Application Fees, Activity Fees, Permitting Fees and Miscellaneous Revenue.

Statement of Receipts and Expenditure for 2017

Description	31 July 2017	31 July 2016
Native Timber Measurement	332,913	228,092
Sale of Fish and Ice	389,814	232,490
Offshore fees	1,653,606	751,141
Other fees	342,321	176,979
Total Revenue	2,718,654	1,388,702
Established staff	7,368,289	4,801,264
Government wage earners	2,589,736	1,278,765
Travel and communications	652,581	412,304
Maintenance and operations	2,251,312	1,791,308
Purchase of goods and services	1,009,182	779,516
Operating grants and transfers	767,116	690,517
Special expenditures	1,639,374	955,788
Total Operating Expenditure	16,277,590	10,709,462
Capital construction	5,335,191	4,824,823
Capital purchases	420,869	539,040
Total Capital Expenditure	5,756,060	5,363,863
Value added tax	978,487	841,512
Total Expenditure	23,012,137	16,914,837

32.3 Appropriation Statement

The Ministry incurred expenditure totalling \$23.01 million in 2016-2017 against a revised budget of \$27.06 million, resulting in a saving of \$4.05 million or 15 per cent.

Appropriation Statement for 2017

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
1	Established staff	7,468,758	(98,086)	7,370,672	7,368,289	2,383
2	Government wage earners	1,901,012	694,009	2,595,021	2,589,736	5,285
3	Travel & communication	684,578	(28,918)	655,660	652,581	3,079
4	Maintenance & operations	2,404,240	(125,292)	2,278,948	2,251,312	27,636
5	Purchase of goods & services	1,073,830	(47,818)	1,026,012	1,009,182	16,830

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
6	Operating grant & transfers	804,524	(37,407)	767,117	767,116	1
7	Special expenditure	3,288,729	(127,099)	3,161,630	1,639,374	1,522,256
	Total Operating Expenditure	17,625,671	229,389	17,855,060	16,277,590	1,577,470
8	Capital construction	7,825,040	(249,615)	7,575,425	5,335,191	2,240,234
9	Capital purchases	400,000	23,108	423,108	420,869	2,239
	Total Capital Expenditure	8,225,040	(226,507)	7,998,533	5,756,060	2,242,473
13	Value added tax	1,210,200	(2,882)	1,207,318	978,487	228,831
	Total Expenditure	27,060,911	---	27,060,911	23,012,137	4,048,774

Audit noted that the significant savings were noted in the following areas:

- i) SEG 7
 - Reducing Emissions from Deforestation and Forest Degradation (World Bank) - \$1,509,284
- ii) SEG 8
 - Cyclone Rehabilitation – Construction of Fisheries Institutional Buildings – \$984,111
 - Upgrade of Office and Quarters for Fisheries - \$396,544
 - Upgrade of Office and Quarters for Forestry- \$200,000
 - Construction of Multi Species Hatchery in Ra - \$395,812

The savings were due to Forestry Officers engaged in the rehabilitation work carried out after TC Winston and skeleton staffs were left behind to look after the projects.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

32.4 Assessment of Financial Governance

The Auditor-General had assessed the internal controls of the Ministry as ineffective. The assessment of the yearend close process, timeliness of management comments and the timeliness of signed financial statements received were also ineffective.

PART C: OTHER SIGNIFICANT MATTERS

1. Revenue Anomalies

Audit noted the following anomalies from review of revenue records:

- The Timber Revenue System (TRS) was not integrated with the FMIS general ledger;
- A variance of \$59,263 was noted between the audit calculation and the FMIS general ledger for Timber Measurement Fees revenue; and
- Variances were noted between Off-shore Revenue Summary Report and FMIS general ledger balances for Management, Access and Observer Fees.

The Committee was informed that the Ministry has taken steps to address the issues raised as follows:

- TRS Revenue update and TRS Data base had been stored at the HQ Accounts Section to reconcile the revenue input from the divisions daily. This was to reconcile the TRS data base inputs from the divisions against FMIS inputs at HQ;
- The Ministry had developed an additional feature to the TRS system which automatically updates the FMIS records at HQ when revenue was entered from divisions by the Data Entry Operator; Variances could be monitored and corrected before reconciliation was done at the end of the month;
- Staff training was conducted on revenue collection, Timber Revenue System Data Input Guidelines, FMIS users refresher training;
- Debtor Register was being maintained;
- Quarterly Revenue inspection was being conducted; and
- Close monitoring of revenue and surprise checks on revenue collectors.

The Committee have noted the explanation given by the Ministry of Fisheries and recommends that the OAG provides an update to the Committee in its next audit.

2. Unsubstantiated Accounts Receivable (AR) Balances

Audit noted that the Ministry had substantial Accounts Receivable balances totalling \$677,339 as at 31 July 2017 which had been carried forward from prior years.

In addition, audit noted the following anomalies:

1. The Ministry did not maintain a debtor's register and listing for the balance outstanding as at 31 July 2017. As such, our audit was not able to ascertain the existence of the accounts receivable balance; and
2. The Ministry did not take follow-up on the outstanding balance of \$677,339 as at 31 July 2017 in accordance with the debt recovery procedures in its Finance Manual.

The Committee was informed that the Ministry had requested for write off on these substantial amount to the Ministry of Economy on two occasions; one on 11th Sept 2018 and 2nd February 2019. The Ministry had the evidence that all the receipts was lodged but due to system failure and incomplete process in the FMIS these amounts was still hanging in the system as outstanding thus the reason for request for write off.

The Ministry had taken the following steps to improve the debt recovery procedures:

- Strengthened revenue collection strategy at HQ against FMIS and reconcile daily with the division revenue lodgements.
- Revenue checklist had been implemented on weekly basis for the divisions to update on their revenue collection.
- Debtor's Register had being maintained.
- Quarterly Revenue inspection was being conducted.
- Close monitoring of revenue and surprise checks on revenue collectors.

The Committee noted that this was a recurring issue as highlighted in previous years report and was concerned on the steps taken by the Ministry to request for write-off the amount of \$677,339.

The Committee recommended that proper training, supervision and monitoring should be conducted to staff in the Ministry.

3. Non-Clearance of Balances in Revolving Fund Account (RFA)

As at 31 July 2017, the Ministry's Revolving Fund Account (RFA) had an outstanding balance of \$378,271. Audit review of the RFA revealed a number of anomalies.

Revolving Fund Account Anomalies

Account Allocation	Balance as at 31/7/17	Audit Comments
1-32101-32999-570101	8,704	Detailed breakdown of the balance was not provided for audit review. Thus our audit was not able to substantiate the correctness of the balance of \$8,704
1-32101-32999-570301	366,874	Expenditures totalling \$85,034 were fully expended and acquitted for the financial year 2016/2017. However, the appropriate expenditure allocation was not debited. Supporting documents for accountable advance totalling \$250,543 were not provided. As such, our audit could not substantiate whether the advances were retired and whether the advances were used for the purpose it was given. <u>Prior Year</u> Expenditures totalling \$31,297 were fully expended and acquitted for the financial year ending 31/7/16. However, the appropriate expenditure allocation was not debited. Thus prior year expenditure was understated by \$31,297.
1-32102-32999-570301	2,693	Balances carried forward from prior years.
Total	\$ 378,271	

The above findings indicated ineffective controls and supervisory checks in the administration of the RFA by the Ministry. As a result, the expenditure in the Statement of receipts and Expenditures was understated by \$85,034.

The Ministry's comment in the audit report stated that we had deactivated the 3 allocations and all the balances carried to the existing RFA allocation.

The Committee noted the Ministries explanation and request the OAG to provide an update on this issue in the next audit report.

4. Anomalies in the Drawings Account

Audit review of Drawings Account revealed the following anomalies:

- The Ministry's unrepresented cheque list included stale cheques/EFT amounting to \$66,267.

- There were differences between the total unrepresented cheque listing and the FMIS general ledger.

The Committee was informed that the Ministry had rectified the variances noted between its reconciliation statements and general ledger and adjusted accordingly in FY 2017/2018. The issue had been resolved and the Ministry was now up to date with all its reconciliations and submits by the 15th of each month.

This had been made possible by the recruitment of a qualified and experienced Senior Accounts Officer (SAO) who was responsible to ensure that monthly financial reports were submitted on time to the Ministry of Economy.

The Committee noted the Ministries explanation and request the OAG to provide an update in the next audit report.

5. Overspending of funding received from Head 50

Audit review of the Accounts Payable Account noted the following anomalies:

- The account had a debit balance totalling \$191,147 which was contrary to the nature of the account;

Details of Debit Balances

Account Allocation	Description	Debit	Credit	Balance as at 31/7/17
1-32301-78999-840101	Water life Company- Environment Assessment	460,295	350,087	110,208
1-32301-78999-840102	Biological Sampling Initiative	64,153	41,544	22,609
1-32301-78999-840102-009	WCPFC 13	574,802	516,472	58,330
Total				191,147

- The Ministry could not provide evidence that acquittals were prepared and submitted to Ministry of Economy; and
- Prior year balances carried forward since 2016 totalling \$7,506 are yet to be cleared.

Prior Year balances carried forward

Account Allocation	Description	Balance as at 31/7/16	Debit	Credit	Balance as at 31/7/17
1-32101-32999-840602	Withholding Tax Payable	(5767)	---	---	(5767)
1-32301-78999-850202	Observer Levy Fee	(1739)	---	---	(1739)
	Total				(7506)

The Ministry's commented in the audit report and stated that the Ministry had agreed to the findings of the OAG. As of to date the Ministry had improved on the ITTO SLG account which had a Credit balance.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

6. Unsubstantiated Operating Trust Account balances

Audit noted that contrary to the nature of the account, the Operating Trust Fund Account had debit balances amounting to \$42,756. Audit was also not able to substantiate Operating Trust Account balances totalling \$1,792,396. Moreover, the Operating Trust Account closing balances had been increasing for the past four years due to VAT returns not being filed.

The Ministry of Forestry informed the Committee that Operating Trust Fund Account reconciliation had been done and submitted to Ministry of Economy before 15th of every month. Ministry had rectified the balance in the Operating trust account and adjusted it accordingly. The challenge was in reconciling prior years' balance for adjustments.

The Ministry of Fisheries informed the Committee that the issue had been rectified and the Ministry had been registered with VAT. VAT payments for 2018/2019 for \$177,923.04 and \$36,949.25 quarterly payment for 2019/2020 had been made.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

7. Expenditure Charged to Incorrect Allocation

Audit noted that the review of a sample of payment vouchers revealed that the Ministry charged expenditures to wrong allocations.

Details of Expenditures Charged to Wrong Allocations

Date	Payment ID	Amount (\$)	Posted to	Description	Correct Expenditure Group	Description
1/11/2016	14418	12,724	SEG 09	Capital Purchase	SEG 03	Travel and Communications
23/11/16	76506	200	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
17/03/17	77277	4,890	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
28/03/17	77358	2,456	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
29/03/17	77377	2,634	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
24/05/17	77814	2,160	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
31/05/17	77873	3,786	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
20/06/17	18398	16,497	SEG 08	Capital Construction	SEG 03	Travel and Communications
29/06/17	18438	31,044	SEG 08	Capital Construction	SEG 04	Maintenance and Operations
Total		76,391				

The Committee was informed that the Ministry has implemented the following measures to avoid charges to incorrect allocation:

- Ensure that all transactions were posted to their correct allocation in the FMIS general ledger;
- Misposting were corrected simultaneously and posted into the FMIS general ledger;
- Virement application had been implemented to curb over expenditure;
- Adjustments in our cash flow to achieve monthly expenditures;
- Compost Report was extracted on weekly basis whereby weekly reconciliation was done to avoid incorrect postings and adjustments of negative balances;
- The Ministry had put in place close monitoring of payments and AP user modules;
- All procurement was cross checked with procurement checklists with correct allocation stated to be used; and
- Accounts checklist was implemented which provided guidance in procurement, budget allocation balance and approval to process. JVs were done to correct misallocation of purchases.

The Committee noted the Ministries explanation and request the OAG to provide an update in the next audit report.

8. Committing Current Year Budgetary Allocation for Prior Years Expenditure

The Ministry had committed expenditures totalling \$84,816 for which goods and services received/provided in the financial period ended 31 July 2017. Audit noted that majority of the expenditures related to accountable advances issued in 2016 that were charged to SEG 8 – Capital Construction in 2017 through journal voucher No. 321058.

Details of prior year Expenditures recorded in the 2016/2017 financial year

Date	Payment ID	Amount	Details of Payments
22/11/16	14838	29,924	Being payment for outstanding account, Invoice # 15927 dated 30/05/16, 15953 dated 21/06/16, 15954 dated 21/06/16 and 15997 dated 28/07/16.
12/1/2016	74864	1,200	Photo frames for Hon Minister's Room
28/01/16	74956		Opening of the Office at the Multi Species Hatchery in Caboni, Ra Province
10/2/2016	9288	4,226	Monitoring of Community based and trailed lines within Cakaudrove
16/02/16	9420	22,793	Consultation after TC Winston
17/02/16	9425	2,984	Regularization of Good Will payment to customary fishing rights owners
1/6/2016	11478	10,368	Subsistence claim for rehabilitation –Pearl (Spat Collection)
1/6/2016	11479	5,427	Extension of Seaweed cluster farms within the Macuata province
Total		84,816	

Payment of previous year's invoices from the FY 2016/2017 budget resulted in funds not being utilised by the Ministry for the purposes it was appropriated by Parliament.

The Ministry's commented that they agree to the findings and the way forward is to ensure that all outstanding are cleared within current financial year.

The Committee notes the Ministries explanation and request the OAG to update in the next audit report.

9. Anomalies in the Fisheries Main Trust Fund Account

Audit review of the Ministry of Fisheries 1/3 Subsidy Scheme Main Trust Fund account and related records revealed the following anomalies:–

- The Trust Fund account was established to account for monies obtained from the one-third contributions from fishermen. However, approval for use of the account to deposit retention monies was not provided for audit review;
- Standard Operating Procedures for operating the Main Trust Fund Account for the revised purpose was not provided for audit; and
- Detailed listing for the closing balance of \$190,095 as at 31 July 2017 was also not maintained by the Ministry.

The Ministry's comment in the audit report stated that they agreed to the findings and would develop SOP'S for the Special Retention Trust Account. Transfer of this Trust Account yet to be made as FMIS and Ministry of Fisheries had been notified on the transfer.

The Committee noted the Ministry's explanation and request the OAG to update in the next audit report.

10. Surcharge for Late Payment of FNPF Employer's Contribution

Audit noted that the Ministry paid amounts totalling \$26,400 as surcharge for late payment of the ten per cent employer's contribution to the Fiji National Provident Fund. This related to FNPF wages for the month of January 2017 that was paid in March 2017 instead of February 2017.

The Ministry's commented that the way forward will be to ensure that there is no late payment of FNPF.

The Committee noted the Ministries explanation and request the OAG to provide an update in the next audit report.

11. Variance between Bank Reconciliation and FMIS General Ledger

Audit review of the bank reconciliation for the Trading and Manufacturing Account revealed a variance of \$104,596 between closing bank reconciliation balance and FMIS general ledger balance.

Audit noted that variance was due to the Ministry using incorrect unrepresented cheque listing in the July 2017 bank reconciliation; the July bank reconciliation prepared by the Ministry showed unrepresented cheque listing balance of \$126,013 which included \$ 98,828 worth of cheques presented as at July 2017 and \$5,769 worth of cheques recorded twice in the unrepresented cheque listing.

Moreover, the OAG noted in its audit the variance of \$969 between the amounts for cheque number 5096 recorded in the unrepresented cheque listing of \$309 and the amount presented in the bank statement of \$1,278.

It was further noted that there was shortfall of \$197,533 in the bank statement for the deferred Income of \$2,198,548 recognised in TMA balance sheet.

The Ministry's commented that they acknowledged the audit findings and were putting in concerted effort to rectify those issues.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

12. Journal Adjustments Passed without adequate Supporting Documents

Audit noted that the Ministry posted journal vouchers into the FMIS general ledger without supporting documents. Audit also noted that the original journal vouchers were misplaced and the Ministry prepared journals in response to audit query. Journal Voucher No. 321070 was also not made available for audit purpose. In addition, the Ministry processed batch number 321064 to transfer charges between Operating Funds Account (Fund 1) and the TMA (Fund 4).

The Ministry's commented that they concurred with the audit findings and as a way forward they would ensure that all necessary documents were attached to the payment voucher and journal and retained for audit purposes. Journal Vouchers had been carried out to rectify the inter funding done on Fund 1 and Fund 4 for the 2017 – 2018 Financial year.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

13. Failure to Lodge VAT Returns

Audit noted that the Ministry did not lodge VAT returns for its Operating Fund and Trading and Manufacturing Accounts for the year ended 31 July 2017. The last VAT return lodged for Trading and Manufacturing account was lodged in July 2013. VAT returns for the Operating Fund account were not lodged for the months of August-December 2016, January, February, April, May and July 2017.

The Ministry's commented that they agreed to the audit findings as Operating Fund VAT had already lodged except for the TMA VAT return and they were currently working on it.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

14. Officer Authorising Payments above Approved Limit

Audit noted that the Principal Accounts Officer, Senior Accounts Officer and the Accounts Officer were approving payments above their approval limits contrary to Section 2.3.1. of the Departments of Fisheries Finance manual.

The Ministry's commented that they agree to the audit findings and as a way forward procurement delegations have been revised and staffs are trained on procurement practices.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

15. Procurement Anomalies

Audit noted the following anomalies in the review of procurement of goods and services.

Date	Payment ID	Amount	Particulars
No Local Purchase Order issued			
9/6/2017	5049	11,443	Being payment for breakdown – electrical works
12/4/2017	6949	6973	Being payment for repair of sawmill motor bearing and varnishing motor & repair of control panel switch board
Competitive quotes not obtained			
9/6/2017	5049	11,443	Being payment for breakdown – electrical works
12/4/2017	6949	6,973	Being payment for repair of sawmill motor bearing and varnishing motor & repair of control panel switch board
No Invoice			
28/04/17	6973	13,426	Being payment of royalty charges for the extraction of logs in Nakuvu for the TMA Nasinu operation.
Payment Voucher and Supporting Documents not stamped "PAID"			
1/3/2017	6895	11,954	Being payment of account for the log extraction and cartage from Nakavu to TUD/Nasinu at a total volume of 73.699m3 at \$170.00 per cubic meter.
5/5/2017	6991	5760	Being payment for Nakavu round logs with a total volume of 35.509m3 at a rate of \$170/m3
3/4/2017	77411	13358	Being payment of 1st upfront payment for quotation dated 21/03/17, last payment for the construction of workshop in Lakeba Pine Scheme.
5/5/2017	17527	8015	Being payment for construction works carried out by the above vendor in Lakeba-invoice # Lakeba 002
Competitive Quotes sought from same vendors			
3/4/2017	77411	13,358	Being payment of 1st upfront payment for quotation dated 21/03/17 for the construction of Lakeba pine scheme workshop
5/5/2017	17527	8,015	Being payment for construction works carried out by the above vendor in Lakeba -invoice # Lakeba 002
30/05/17	17961	5,343	Being payment of balance for PO91011016660, inv# Cicia 002, Cicia 003, as dated on the 13/07/17 for the construction of Cicia shed and invoice #1
28/06/17	78072	9,125	Being payment of INV #Lakeba 003 as dated on the 25/05/2017, last payment for the construction of workshop in Lakeba Pine Scheme
26/07/17	18999	8,669	Being payment of balance for PO91011016660, inv# Cicia 002, Cicia 003, as dated on the 13/07/17 for the construction of Cicia shed and invoice #1
Missing Payment Voucher and Supporting documents			
23/12/16	6853	28,441	PV and supporting documents could not be located

The absence of Competitive quotations, stamped Paid and missing payment vouchers and supporting documentations were contrary to the requirements of Section 2.4.2, 2.9.10, 2.9.3, of the Departments Finance manual.

The Ministry's commented that the Ministry had strengthened its internal control and accounts staffs were trained to be more vigilant in preparing payment and journal vouchers and ensures that all supporting documents were attached before processing payments. Supporting documentation now included in a checklist that requires three quotes.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

16. Purchases Made Without Tender Board Approval

The audit highlighted that the Ministry was making payments exceeding \$50,000 to two logging contractors (Company A and Company B) without approval of the tender board contrary to Section 2.4.1 of the Departments Finance Manual.

Payments made without Tender

Date	Payment ID	Amount (\$)
Company A		
7/10/2016	6800	17,437
7/10/2016	6800	8,694
11/10/2016	6804	13,798
18/10/16	6815	9,610
14/11/16	6827	12,821
5/12/2016	6834	20,759
23/12/16	6853	28,441
1/3/2017	6895	11,954
28/03/17	6933	6,035
5/5/2017	6991	5,760
7/7/2017	5092	15,000
Company B		
25/07/17	5116	11,301
19/07/17	5105	12,944
6/7/2017	5091	17,925
1/6/2017	5033	13,000
6/6/2017	5043	9,001
29/06/17	5080	11,304
23/06/17	5071	7,146
26/06/17	5072	6,802
24/05/17	5018	9,547
6/4/2017	6945	10,100

Date	Payment ID	Amount (\$)
29/03/17	6940	6,782

It was also noted that payments continued to be made to Company A after the agreement 39 ceased on 31 December, 2016. In addition, audit was not provided with documentary evidence to determine the selection process for Company A and Company B. Moreover, Company A was not registered with the Registrar of Companies.

The Ministry's commented that they agreed to the findings and prior procurement practices in the TMA had been investigated at the initiation of the PS and the report had been forwarded to the FICAC. Also Delegations had been changed and an employee from Ministry of Economy had been seconded to the Ministry to oversee the TMA.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

17. Absence of Risk Management Policy

The audit review on the Ministry's Corporate Governance process revealed that there was no risk management framework in place contrary to the Section 59 of the Finance Instruction. As a result, the Ministry did not have written policies, procedures and guidelines 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.

The Ministry's commented that they agreed to the findings and would review the risk management policy from the Ministry of Civil Service to see how it could be adapted.

The Committee noted the Ministry's explanation and request the OAG to update in the next audit report.

18. Finalisation of Financial Statements

The audit of the financial statements of the Ministry of Fisheries and Forestry for the year ended 31 July 2017 was finalised after the deadline contrary to Section 69 of the Finance Instruction 2016.

The delay in the finalisation of the audit was due to the delayed submission of documents for audit purposes and the delays due to the amendments made to the financial statements. There was also an audit adjustment of \$47,677 passed on 02 February 2018 in the FMIS general ledger for Main Trust Fund Account.

The Ministry's agreed to the findings and was in the process of improving its document retention to allow for a better position to finalise its Financial Statement in a timely manner.

The Committee noted the Ministry's explanation and request the OAG to update in the next audit report.

19. Finance Manual not Signed by Permanent Secretary for Ministry of Forests

The Ministry of Forests did not have an approved Finance Manual since 2013. Based on audit findings, the absence of an approved Finance Manual contributed to non-compliance with internal controls and accounting process by Ministry staffs during FY 2016-2017.

The Ministry agreed to the audit findings, the new draft Finance Manual being amended after the first review by the PS Office. It would finalise shortly once the processes and delegations had been updated as requested.

The Committee noted the Ministry's explanation and request the OAG to update in the next audit report.

20. Board of Survey (BoS) Report Not Submitted

The Ministry on 14 July 2017, appointed a team to carry out the annual BoS for Northern, Western and Southern and Eastern Division. However, it was noted that Ministry's BoS for the year ended 31 July 2017 was not completed for the four divisions above.

The Ministry's commented that the Board of Survey was completed late for the four divisions for the year ending 31/07/2017 – this was on going during the time of audit. BOS Report has been completed and forwarded to the Ministry of Economy. The Board of Survey for 2017-2018 is about to be finalised.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

21. Payroll Variance between FMIS and Payroll Summary Report

A variance of \$1,301,404 was noted between the Wages balances for Unestablished Staff in FMIS against the Payroll Summary Report.

The Ministry agreed to the findings as way forward was to strengthen its wages and salary reconciliation inputs and edits. A way forward to combat the anomalies on the salaries and wages section of the Ministry had provided an updated status report on weekly basis to the Human Resources Department for verification. A checklist had been developed for checking of edits against inputs.

In addressing this issue and way forward the Ministry of Economy Salaries and Wages Section had conducted training with the Ministry of Forests Accounts staff to rectify the weaknesses.

The Committee noted the Ministry's explanation and request the OAG to update in the next audit report.

22. Viability of Trading & Manufacturing Account (TMA)

Audit review of the Ministry's TMA - Profit & Loss Statement revealed that the trading account operation had been operating at a loss for the last eight years.

Losses in the last 8 years

Account	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	1,141,781	10,153	15,578	40,927	31,517	(43,061)	(27,043)	10,784
Expenses	1,288,573	43,263	59,026	107,240	40,125	63,492	119,152	64,475
Net Loss	(146,792)	(33,110)	(43,448)	(66,313)	(8,608)	(106,553)	(146,195)	(53,691)

The Ministry's commented that the Ministry had agreed to the findings that the TMA had been running at a loss for the last (8) years and the Bank reconciliation were not updated at the time of the audit. The way forward to rectify these issues, the Ministry had seconded someone from the Ministry of Economy to run the TMA while its operation was being reviewed. A business manager and operation manager role for the TMA had been created.

The Committee noted the Ministry's explanation and request the OAG to update in the next audit report.

23. Trading and Manufacturing Activity Support Initiatives

Audit review of the FMIS general ledger revealed that as at 31 July 2017, only \$301,451 or 12 per cent had been utilised for this purpose with \$2,198,459 remaining unutilised.

Furthermore, as at the date of audit, 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 2017 of \$1,896,419 was not sufficient to support the remainder of these funds which is recorded as Deferred Income in the TMA Balance Sheet.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

Head No. 33 – Ministry of Lands and Mineral Resources

PART A: FINANCIAL STATEMENT

33.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Lands and Mineral Resources resulted in a qualified audit opinion. The reasons for the qualification were as follows:

1. There was an unreconciled variance of \$673,811 in Land and Property Rent collected as recorded in the Crown Land Lease System of \$12,745,771 and FMIS general ledger balance of \$13,419,582. Consequently, the Auditor-General could not confirm the accuracy and completeness of Land and Property Rent of \$13,419,582.
2. Expenditure amounting to \$157,174 in the Statement of Receipts and Expenditures did not relate to the financial year 2016-2017. This amount related to the posting of an unsupported journal voucher of \$105,570 to clear prior year's Revolving Fund Account balances and the recording of \$51,304 expenditure in 2016-2017 for goods and services received in 2017-2018. As such, the expenditure balance for the year ended 31 July 2017 was overstated by \$157,174.

The Committee was informed that the Ministry has strengthened its internal processes through daily verification and reconciliation of revenue received together with Cash Analysis against the CLLS revenue records. Concerning RFA, the Ministry had strictly adhered to the appropriate procedures in the issuance and clearance of Accountable Advance.

The Committee noted with concern that this was an ongoing issue from previous reports and would encourage the Ministry to explore all avenues practicable to allow for timely collection of arrears.

33.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$15,781,820 and incurred a total expenditure of \$23,994,403 for the year ended 31 July 2017. Revenue mainly comprised of Land and Property Rent, Fees charges, Fines and Penalties, Revenue from Surveys & Sale of Navigations, Mining Fees and Miscellaneous.

Statement of Receipts and Expenditure for 2017

Description	31 July 2017	31 July 2016
State revenue	14,853,717	8,081,875
Agency revenue	928,103	910,791
Total Revenue	15,781,820	8,992,666
Established staff	8,525,583	4,938,536
Government wage earners	792,564	601,682
Travel and communications	863,762	373,944
Maintenance and operations	5,711,341	4,199,700
Purchase of goods and services	779,418	428,920

Description	31 July 2017	31 July 2016
Operating grants and transfers	31,422	21,069
Special expenditures	792,412	194,931
Total Operating Expenditure	17,496,502	10,758,782
Capital construction	4,347,581	2,683,696
Capital purchases	580,754	811,072
Capital grants and transfers	498,401	127,111
Total Capital Expenditure	5,426,736	3,621,879
Value added tax	1,071,165	1,025,328
Total Expenditure	23,994,403	15,405,989

33.3 Appropriation Statement

The Ministry incurred expenditure totalling \$23.99 million in 2016-2017 against a revised budget of \$31.05 million, resulting in a saving of \$7.06 million or 23 per cent.

Significant savings were in the following areas:

1. NLTB Payments (SEG 4) \$893,807;
2. Development of State Land (SEG 8) \$1,709,642;
3. Upgrade of Geodetic Datum (SEG 8) \$1,029,801;
4. Land Bank Investment (SEG 10) \$2,241,576; and
5. Value Added Tax (SEG 13) by \$458,835.

The savings were due to the following:

- **SEG 10 Capital Grants and Transfers** - savings in the Land Bank Investment budget due to the amendments to lot sizes to increase the lot numbers for both Vunimasei and Yako residential subdivision projects. The amendments meant that the Ministry had to go through the tender process and approvals again and this delayed the development works that was budgeted.
- **SEG 8 Capital Construction** - savings in Development of State Land allocation due to the unfavourable weather conditions which impeded the execution of the development work.
- **SEG 4 Maintenance and Operations** –savings in budget for rent for land leased to the State which depended on the renewal of these leases before payment is made to iTLTB and the number of Schedule A and B land reverted to iTLTB.

Appropriation Statement for 2017

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
1	Established staff	8,883,506	(127,259)	8,756,247	8,525,583	230,664
2	Government wage earners	859,517	(15,000)	844,517	792,564	51,953
3	Travel & communication	707,200	210,092	917,292	863,762	53,530
4	Maintenance & operations	6,870,550	(139,933)	6,730,617	5,711,341	1,019,276

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
5	Purchase of goods & services	825,000	22,000	847,000	779,418	67,582
6	Operating grant & transfers	32,100	---	32,100	31,422	678
7	Special expenditure	820,165	---	820,165	792,412	27,753
	Total Operating Expenditure	18,998,038	(50,100)	18,947,938	17,496,502	1,451,436
8	Capital construction	7,147,000		50,100	7,197,100	2,849,519
9	Capital purchases	630,000	---	630,000	580,754	49,246
10	Capital Grants and Transfer	2,740,000	---	2,740,000	498,401	2,241,599
13	Total Capital Expenditure	10,517,000	50,100	10,567,100	5,426,736	5,140,364
	Value added tax	1,530,000	---	1,530,000	1,071,165	458,835
	Total Expenditure	31,045,038	---	31,045,038	23,994,403	7,050,635

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The assessment of the internal controls of the Ministry was outlined below:

Control Environment	Risk Assessment	Control Activities	Information and Communication Control	Monitoring Activities
Ineffective	Generally effective	Ineffective	Generally effective	Effective

The audit also noted ineffectiveness in the timeliness of draft financial statements, timeliness of management comments and timeliness of signed financial statements received.

PART C: OTHER SIGNIFICANT MATTERS

1. Variance between Crown Land Lease System & FMIS General Ledger

The total state revenue collected by the Ministry for the year 31 July 2017 was \$14,853, 717. Out of these \$13,419,582 or 90 per cent was for land and property rent.

Audit noted a variance of \$673,811 between the Land and Property Rent Revenue collected in Crown Land Lease System and the FMIS general ledger balance as at 31 July 2017. The variance was due to expired leases in CLLS for which posting of revenue could not be done. In addition, land rentals collected by Fiji Sugar Corporation on behalf of the Ministry were not submitted to the Ministry with detailed listings of the lessees. Consequently, CLLS was not updated.

The Committee was informed that the Ministry had 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:

1. 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; and
2. The inconsistency in the timeframe for processing the renewal of leases.

The Ministry's mitigation actions were as follows:

- 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.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

2. Clearing of Prior Year's Revolving Fund Account Balance to Expenditure Account

Audit review of the Revolving Fund Account revealed that the Ministry had raised Journal Voucher (JV) 231051 totalling \$105,870 to clear the outstanding balances in the Revolving Fund Account which were brought forward from 2012.

It was noted that the journal voucher was not supported with relevant supporting documents to substantiate the adjustment. The clearance of prior year's balance to current year expenditure allocation had resulted in the total expenditure being overstated by \$105,870 for the financial year ending 31 July 2017.

The Ministry's comments states that the management duly acknowledge to the recommendation made. The Ministry is duly adhering to the timeframe of clearing advance as stipulated in the Financial Instruction 2010. This is a one-time clearance for the previous year's balances.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

3. Committing Current Year Budgetary Allocation for Subsequent Years Expenditure

The Department of Mineral Resources had prepared cheques totalling \$51,304 for which the goods, service or work had not been received/provided as at 31 July 2017. The audit noted that this was done to commit current year budgetary allocations. The commitment of funds for subsequent years expenditure had resulted in the total expenditure being overstated by \$51,304 for the financial year ending 31 July 2017.

The Ministry had ensured that all expenditure incurred was cleared within the same financial year. All payments were facilitated through Electronic Fund Transfer. This is monitored through reconciliation.

The Committee concurred with the Auditor-General's recommendation to ensure that;

- Funds were not committed unnecessarily and comply with Closing of Accounts Circular No. 04/2017; and
- There was adequate documentation that the goods, services or works have been received prior to approving any payment.

4. Significant Arrears of Revenue

The audit noted that the Ministry had substantial arrears of revenue amounting to \$21.8 million as at 31 July 2017. Over the past five years, arrears of revenue have remained above \$20 million.

It was noted that 18 per cent of the debtors totalling \$3.9 million were more than 5 years old. In addition, the review of the arrears of revenue report prepared by the Ministry revealed that the Ministry did not include arrears of revenue for expired leases totalling \$13.5 million. As such, the arrears of revenue report is understated by \$13.5 million as at 31 July 2017.

The Committee was informed that the Ministry had undertaken the following strategies to resolve the issue:

- 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; and
- Draft debt and revenue management policy formulated

The committee was further informed that the team had been successful as they were enforcing the above mentioned strategies and this had resulted in an increase in rental collection.

The Committee noted with appreciation the actions taken by the Ministry in the collection of outstanding revenue and recommends that the OAG provide an update in its next audit report.

5. Rent of \$0.10 charged on Active Leases

According to clause 10 the Crown Land Act 1978 part 2, Leases. Leases shall be subject to reassessment of the rent at each 10th year of the term of the lease.

Audit review of the CLLS revealed that the Ministry was charging rent on active leases for as low as 10 cents. The audit 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.

Leases without Re-Assessment on Active Leases

Account No.	Lease No.	File Reference	Lease Start Date	Rent Amount (\$)	Last Valuation Date	Lapse in Reassessment	Response from Chief Value
10618	000020	4/16/3917	27/3/20	0.10	27/03/70	47 years	No assessment clause in the lease agreement
10625	001924	4/16/2614	01/01/49	0.10	01/01/74	43 years	
12507	039149	4/16/2033	01/01/47	0.10	01/01/72	45 years	
12541	AN12541	4/16/3882	01/01/56	0.10	01/01/81	36 years	
24873	003163	4/07/983	07/01/57	0.10	01/07/82	35 years	
25635	003469	4/10/1027	04/01/61	0.10	01/07/79	38 years	
25644	01850	4/10/1431	01/01/75	0.10	01/01/85	32 years	
26190	090173	4/10/2260	01/01/62	0.10	01/01/62	55 years	
20214	120413	4/10/1886	01/01/69	1.00	01/01/69	48 years	

The Committee was informed that the leases did not have a re-assessment clause hence the \$0.10 will continue till expiry. The Ministry could only wait for the lease to expire and renewed leases to include reassessment clause.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

6. Trust Fund Account Anomalies

Audit review of Trust Fund Accounts (TFA) revealed the following anomalies:

- the Ministry did not maintain a TFA cashbook and an updated TFA ledger for Lands Department as required by section 15.2.1 of the Ministry's Finance Manual 2013;
- breakdown of payments recorded in the Land Trust Fund account statement were not provided as at date of audit;
- the Ministry did not maintain a detailed listing of the beneficiaries of the TFA; and
- from the samples tested, audit noted that the Department of Lands has not paid out Value Added Tax (VAT) collected from land lessees. The VAT portion were kept in the Trust Fund Account.
- Variance of \$7,069 was noted between the Mineral Resources Department Cashbook Reconciliation balance of \$4,379,239 and the FMIS general ledger balance of \$4,386,308.
- Stale cheques were appearing the Mineral Resources Department's unpresented cheque listing as at 31 July 2017.

The Ministry's commented that they had improved and update the Trust Fund Account for that current financial year. The Ministry was currently practicing as recommended. The Ministry had also worked on the list of stale cheques before the end of every six month.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

7. Anomalies in Operating Trust Fund Account

The audit noted dormant accounts totalling \$17,425 were still reflected in the Department of Lands Operating Trust Fund Account since 2013 and were yet to be cleared as at 31 July 2017.

The Committee was informed that the Ministry had carried out relevant verifications and had formalised request to the Ministry of Economy to transfer all carry forward balances as revenue to government.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

8. Anomalies in the Drawings Account

Audit review of Drawings Account revealed the following anomalies:

- The Department of Lands unpresented cheque list included stale Cheques/EFT's amounting to \$451,782.

- There were differences between the unpresented cheque listing when compared to the FMIS general ledger and the board of survey report for the Department of Lands.
- The Department of Mineral Resources did not carry out a board of survey for the unpresented cheques as at 31 July 2017.

The Ministry's commented that the Management duly acknowledged the audit issues and recommendations made by the OAG.

The Committee notes the Ministry's explanation and request the OAG to update in the next audit report.

9. VAT Returns not lodged

From the review of the Ministry's Statement of VAT Account, audit noted that the Ministry did not lodge VAT returns for the 2016/2017 financial year. The last VAT return prepared was for the month of June 2016 and lodged to Fiji Revenue and Custom Services (FRCS) on 8 September 2016.

The Committee was informed that the issue on VAT has been sorted out and the Ministry is paying VAT on revenue to FRCS.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

10. Expenditures Charged to Wrong Allocation

Audit noted that the review of the payments vouchers noted that the Ministry charged expenditures to the wrong allocations during the year. The above findings indicate that the Ministry did not regularise the mispostings during the closing of accounts process which had resulted in Travel and Communication expenditure being understated by \$25,416 for the year ended 31 July 2017.

The Committee was informed that the Ministry had ensured that all relevant expenditures were charged from the relevant budgetary allocations. In cases where relevant funds were not available proper processes such as virements and period cash flows were pursued to meet the cost.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

11. Absence of Risk Management Policy

Audit noted that the review of the Ministry's Corporate Governance revealed that there was no risk management framework in place. As a result, the Ministry did not have written policies, procedures and guidelines 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

The audit finding also indicated that currently the Ministry did not have an established governance and accountability function to drive the risks management framework.

The Committee was informed that the Ministry is currently drafting the Policy and should be finalised by the year 2020.

The Committee noted the Ministry's explanation and request the OAG to provide an update in the next audit report.

12. Finalisation of Financial Statements

The audit of the financial statements of the Ministry of Lands and Mineral Resources for the year ended 31 July 2017 was finalised after the above deadline.

The delay in the finalisation of the audit was due to the following:

- delay in submission of management comments to the draft management letter;
- amendments made to the financial statements; and
- time taken by the Ministry to sign and return the audited financial statements and Management Representation Letter for issue of the audit report.

The Ministry commented that they acknowledged the audit findings and will ensure that this was not repeated in future.

Head No. 34 – Ministry of Industry, Trade and Tourism

PART A: FINANCIAL STATEMENT

34.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Industry, Trade and Tourism resulted in the issuance of an unqualified audit opinion.

34.2 Statement of Receipts and Expenditure

The Ministry of Industry, Trade and Tourism collected state revenue totalling \$592,824 and incurred a total expenditure \$71,572,115 for the year ended 31 July 2017.

Statement of Receipts and Expenditure for 2017

DESCRIPTION	31 July 2017 (\$)	31 July 2016 (\$)
State Revenue	592,824	727,479
TOTAL REVENUE	592,824	727,479
Established staff	2,991,913	1,700,033
Government wage earners	378,719	221,837
Travel and communications	343,636	212,157
Maintenance & operations	899,072	402,602
Purchase of goods and services	261,026	193,551
Operating grants and transfers	18,985,482	6,569,031
Special expenditures	10,800,463	3,302,537
Total Operating Expenditure	34,660,311	12,601,748
Capital Construction	30,710	---
Capital Purchases	1,445,565	---
Capital Grants and Transfers	35,006,707	21,422,280
Total Capital Expenditure	36,482,982	21,422,280
Value Added Tax	428,822	347,750
TOTAL EXPENDITURE	71,572,115	34,371,778

The Committee was informed of the following list of entities that were given the Capital Grant and the monitoring process of the grant:

(i) Tourism Fiji – Marketing Grant

- Monitoring was done through quarterly assessments of marketing and financial reports against Key Performance Indicators detailed in the Service Agreement. KPIs specify targets and key deliverables for the financial year. Monitoring was undertaken on a quarterly basis through performance assessment against the KPIs. In addition, Tourism Fiji had a Board of Directors who regularly monitors performance and utilisation of funds.

(ii) Micro and Small Business Grant

- The Micro and Small Business Grant was another project that was funded through Capital Grant. The project received a total of \$6.4 million for the 2016-2017 financial year. The assistance provided through the MSBG had been far reaching to the smallest of businesses that had been recognised to have the capability to make a difference, not only in their lives but that of their communities and the Fijian economy as a whole. The Ministry through its Monitoring and Evaluation Unit monitors all its projects to gauge the utilisation of the funds provided through capital grant. MSBG pre-approval desktop and field assessment and validation were undertaken. Post-disbursement field monitoring was undertaken within 6 months of the disbursement of funds. This was followed by regular annual monitoring and assessment of projects. Therefore, the performance of successful recipients was monitored through a first inception in 6 months after disbursements of funds, followed by regular monitoring on an annual basis.

(iii) Northern Development Programme

- The Northern Development Programme was the third project that was provided Capital Grant. This programme attempts to promote Vanua Levu's economic growth, trade and competitiveness in the local and global economy and increase household incomes and reduce poverty. The programme has a Monitoring Team stationed in Labasa. Every funded project was visited as soon as funds were disbursed. Monitoring was on-going from then on to ensure proper utilisation of funds and sound business performance. Data on employment, livelihood and on asset base was also captured through the monitoring exercise.

The Committee was informed on the expenditure of \$30,710 that was spent on Lami Co-operative Office.

- The Lami Co-operative Office was the Co-operative Training Centre provisionally registered as Co-operative College of Fiji under Fiji Higher Education Commission. Co-operative members need guidance in business and financial management. The trainings offered by the CCF provide members with knowledge to successfully and sustainably operate their co-operative businesses and make informed decisions. The trainings provided by CCF include: Financial Literacy, Start Improve Your Business, Co-operative Management, Basic Book Keeping, Bee Keeping and Leadership. The sum of \$30,710 was spent on upgrading works which were the basic infrastructure improvements required for the FHEC registration process.

The Committee was further informed the details of the Northern Development Programme.

- The Northern Development Programme was to promote Vanua Levu's economic growth, trade and competitiveness in the local and global economy and increase household incomes and reduce poverty. The Programme provided holistic and systematic development of MSMEs through business and technical skills training, business mentoring and grant equity financing. The programme provided equity assistance to MSMEs through grants to cover a portion of the total project cost. The balance of the project cost was provided by commercial banks. Proposals were made by applicants using a standard application form together with business plans and supporting documents.

NDP Equity Grant Distribution for FY 2016/2017		
Quarter	Disbursement	Recipients
1		0
2	\$ 316,915.49	49
3	\$ 316,125.79	41
4		0
	\$ 633,041.28	90

NDP Grant Distribution According to Sector for FY 2016/2017				
Sector	Total Per Sector	Value Other Lender	Value Other Lender	Total Value
Fishing	23	\$157,743.16	\$160,173.18	\$317,916.34
Dalo & Yaqona	4	\$36,855.11	\$38,015.70	\$74,870.81
Sugar Cane Farming	5	\$44,026.05	\$52,064.99	\$96,091.04
Livetsock Farming	2	\$12,500	\$28,880	\$41,380
Timber Farming	1	\$2,500	\$2,025	\$4,525
Goat Farming	24	\$145,155.04	\$199,395.79	\$344,550.83
Vegetable Farming	4	\$31,686.61	\$50,072.86	\$81,759.47
Bee Keeping	2	\$12,500	\$18,503	\$31,003
Integrated Farming	3	\$42,347.54	\$41,860	\$84,207.54
Sheep & Cattle	10	\$71,638.27	\$189,664.87	\$261,303.14
Dairy/Retail Business	1	\$10,000	\$5,000	\$15,000
Sheep Farm	4	\$15,660	\$12,459.07	\$28,119.07
Beef Farming	2	\$16,593	\$11,930.81	\$28,523.81
Tailoring & Screen Printing	1	\$2,298	\$1,000	\$3,298.00
Cattle	2	\$19,038.50	\$41,962.73	\$61,001.23
Restaurant	1	\$10,000	\$5,000	\$15,000
Canteen	1	\$2,500	\$2,693	\$5,193
Total	90	\$633,041.28	\$860,701	\$1,493,742.28

- Monitoring - the Programme had a monitoring team stationed in Labasa. Every funded project was visited as soon as funds were disbursed. Monitoring was ongoing from then on to ensure proper utilisation of funds and sound business performance. Data on employment, livelihood and on asset base was also captured through the monitoring exercise.

34.3 Appropriation Statement

The Ministry incurred expenditure totalling \$71.6 million in 2017 against a revised budget of \$77.0 million resulting in savings of \$5.4 million or 7 per cent. The savings was mainly attributed to operating expenditure.

Appropriation Statement for 2017

SE G	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
1	Established staff	3,748,592	(88,410)	3,660,182	2,991,913	668,269

SE G	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
2	Government wage earners	365,575	88,410	453,985	378,719	75,266
3	Travel & communication	451,300	3,159	454,459	343,636	110,823
4	Maintenance & operations	1,000,300	195,239	1,195,539	899,072	296,467
5	Purchase of goods & services	342,500	(11,980)	330,520	261,026	69,494
6	Operating grant & transfers	17,670,176	1,335,542	19,005,718	18,985,482	20,236
7	Special expenditure	13,943,729	(1,552,670)	12,391,059	10,800,463	1,590,596
	Total Operating Expenditure	37,522,172	(30,710)	37,491,462	34,660,311	2,831,151
8	Capital construction	---	30,710	30,710	30,710	---
9	Capital purchases	2,700,000	---	2,700,000	1,445,565	1,254,435
10	Capital Grants and Transfer	35,545,088	---	35,545,088	35,006,707	538,381
	Total Capital Expenditure	38,245,088	30,710	38,275,798	36,482,982	1,792,816
13	Value added tax	1,236,500	---	1,236,500	428,822	807,678
	Total Expenditure	77,003,760	---	77,003,760	71,572,115	5,431,645

The Committee was informed that one key factor that led to a number vacant position was the high demand for similar skills by other agencies, which led to the Ministry not being able to secure the right skills and expertise. In addition, it was difficult to secure personnel for highly technical positions. Another reason for the savings, were the realignment and streamlining of positions.

The Committee was further informed that the Ministry incorporated a flatter structure which led to more efficient channel of communication, resulting in better utilisation of resources. The Ministry continued its work and smooth operations, the Heads of Departments took on additional responsibilities and staff were multi-tasking and taking on additional responsibilities.

Audit noted that the Ministry did not utilise all funds for the Office of the Trade Commissioner - Papua New Guinea as the office was in the process of being set-up resulting in savings in the special expenditure allocation. The reduction in price of laboratory equipment purchased compared to the quoted price contributed to savings for capital purchases.

The Committee was informed that the Honourable Prime Minister had announcement the establishment of the Fijian Trade Commission to Papua New Guinea during his inaugural Trade and Investment Mission to PNG in April 2013. Consequently, the Fijian Trade Commissioner to PNG was appointed on 4 November 2016 to facilitate and capitalize on the vast opportunities present between in Fiji and PNG in terms of trade, investment, tourism, labour mobility and many more. The Fijian Trade Commission to PNG formally commenced its operations in Port Moresby in July 2017. The role of the Trade Commission was to not only to promote trade and investment opportunities between Fiji and PNG but also to Vanuatu, Solomon Islands, New Caledonia and Timor Leste, in order to maximise the Trade Commission's presence in the Region. The function of the Trade Commission was to also provide assistance to its stakeholders and ensures the effective promotion of Fijian made products and services in PNG. Fiji experienced trade tensions with PNG in relation to PNG's Beef-Ox-Palm, Trukai Rice and biscuits in 2017. PNG during that time had threatened a ban for some Fijian imports in retaliation against Fiji. The Trade Commission had provided support and intervened to resolve the issues through fostering communication between the competent authorities of Fiji and PNG.

34.4 IHRDP Trust Fund Account - Statement of Receipts and Payments

The Integrated Human Resource Development Programme Trust Fund Account recorded a balance of \$146,687 for the financial period ending 31 July 2017. Receipts totalling \$61,927 were recorded compared to expenses totalling \$39 resulting in the surplus of \$84,799.

The Committee raised concerns in terms of the Ministry receiving \$61,927 from community however; no payments were made in 2017. The Committee was informed that IHRDP became part of the Ministry in the 2016/2017 financial year. The Trust Fund lacked policy framework which the Ministry established. Until the Trust Fund Policy and Standard Operating Procedures were vetted and signed on 5 March 2018, no payments were done. Thus was important to ensure accountability and transparency. The funds received by the Ministry were properly accounted for and kept as the savings of the respective community.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted that the OAG assessment of the Ministry's internal control environment, timely submission of draft financial statements, quality of financial statements submitted for audit and the signing of the financial statements had been rated to be very effective in general.

The Committee noted with appreciation the efforts put in by the Ministry staff and its resources in allowing the OAG to effectively carry out its audit in a timely manner.

Head No. 35 – Ministry of Sugar Industry

PART A: FINANCIAL STATEMENT

35.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Sugar Industry resulted in the issuance of an unqualified audit opinion.

35.2 Statement of Receipts and Expenditure

The Ministry of Sugar Industry collected revenue totalling \$16,123 and incurred a total expenditure of \$27,290,454 for the year ended 31 July 2017.

The Committee was informed that the Government in 2012 introduced Cane Access Road Program to revive the sugar industry and provide grant assistance to the cane farmers to upgrade/rehabilitate the cane access roads to efficiently transport canes to mills for processing and ensure consistent supply of cane to the mills to minimise mill stoppages.

Initially, the Ministry of Sugar Industry was handling facilitation of this program which was transferred to FSC since 2016/2017 financial year in view the magnitude of resources required for efficiently manage and achieve the desired outcome. A Can Access Road Task Force team comprising of Ministry of Sugar Industry, Sugar cane Growers Council and FSC representatives was setup to implement the new change. The scope of work involved grading and gravelling of CARs, culvert works and installation of small to medium sized crossings covering mill areas in Penang, Rarawai, Lautoka and Labasa.

These roads were vital components of the cane supply chain, being the primary means by which harvested cane was supplied to the mills to ensure that mill stoppages were minimised and that cane farmers were able to earn revenue through the successful delivery of their cane. FSC through the tender process chooses the suppliers of CAR works in each sector and the road committee which was made of growers from the area signs off on the form stated that works carried out were satisfactory. Cane Access Roads grant was used to do temporary repairs to cane access roads. There was insufficient funding to construct permanent roads or hire expertise to determine road worthiness for the transport of cane. Road Committees based on past experiences determine that the quality of road was worthy enough to last for the crushing season.

Statement of Receipts and Expenditure for 2017

Description	31 July 2017	31 July 2016
RECEIPTS		
Agency Revenue	16,123	---
Miscellaneous	---	---
TOTAL RECEIPTS	16,123	---
EXPENDITURE		
Operating Expenditure		
Established Staff	344,614	166,318
Government Wage Earners	57,838	22,857
Travel & Communications	116,745	37,701
Maintenance & Operations	107,499	51,085

Description	31 July 2017	31 July 2016
Purchase of Goods & Services	33,880	13,131
Operating Grants & Transfers	2,014,947	2,009,347
Special Expenditures	146,625	221,305
Total Operating Expenditure	2,822,148	2,521,744
Capital Expenditure		
Capital Construction	269,419	2,745,866
Capital Grants & Transfers	24,131,525	14,322,100
Total Capital Expenditure	24,400,944	17,067,966
Value Added Tax	67,362	252,194
TOTAL EXPENDITURE	27,290,454	19,841,904

35.3 Appropriation Statement

The Ministry of Sugar incurred expenditures totalling \$27,290,454 in 2017 against a revised budget of \$27,510,345 resulting in savings of \$219,891 or 1 per cent.

Appropriation Statement for 2017

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
1	Established staff	502,567	(60,665)	441,902	344,614	97,288
2	Government wage earners	68,731	9,468	78,199	57,838	20,361
3	Travel & communication	88,000	44,124	132,124	116,745	15,379
4	Maintenance & operations	99,000	30,584	129,584	107,499	22,085
5	Purchase of goods & services	23,000	16,001	39,001	33,880	5,121
6	Operating grant & transfers	2,014,947	---	2,014,947	2,014,947	---
7	Special expenditure	645,000	(490,512)	154,488	146,625	7,863
	Total Operating Expenditure	3,441,245	(451,000)	2,990,245	2,822,148	168,097
8	Capital construction	3,000,000	(2,723,325)	276,675	269,419	7,256
9	Capital purchases	---	---	---	---	---
10	Capital Grants and Transfer	20,722,100	3,419,424	24,141,524	24,131,525	9,999
	Total Capital Expenditure	23,722,100	696,099	24,418,199	24,400,944	17,255
13	Value added tax	347,000	(245,099)	101,901	67,362	34,539
	Total Expenditure	27,510,345	---	27,510,345	27,290,454	219,891

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted that the OAG assessment of the Ministry's internal control environment, timely submission of draft financial statements, quality of financial statements submitted for audit and the signing of the financial statements had been rated to be effective in general.

PART C: OTHER SIGNIFICANT MATTERS

1. Breaches of Internal Controls for Payment of Goods

According to the Ministry of Sugar Finance Manual Part 2, the Accounts Officer must not certify a payment as correct unless viz a viz it is in accordance with an LPO details.

Audit noted that the Ministry paid a sum of \$3,711.90 on cheque number 2693 dated 06/09/16 in the name of an employee of the Ministry for the purchase of basic utilities from a supplier for use by inmates engaged in cane cutting program at the Rakiraki Sector. There was no LPO raised, no invoice received and the cheque was not paid out to the supplier but instead paid to the staff of the Ministry.

The Committee was informed that the employee was no longer employed by the Ministry and her case had been referred to FICAC for investigation. The Committee was further informed that Internal Control Policy was being drafted and the reason for the delay was due to the absence of a referral policy to work from and therefore Ministry of Sugar Industry had to create its own policy. The final draft will be forwarded to Ministry of Economy for vetting by December 2019.

The Committee noted the various comments and recommends that a further updates to be prepared by the OAG in its next audit report.

2. Absence of Risk Management Policy

According to section 59 of Finance Instruction 2010 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 audit review of the Ministry's Corporate Governance revealed that there was no risk management framework in place. As a result, the Ministry did not have written policies, procedures and guidelines 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

The Committee was informed that at the time of formulating this report the Ministry had created a risk management policy which provided guidance to the management of risk. This had been vetted by the Ministry of Economy Policy Division. The Committee was further informed that once the policy was in place, training will be provided to staffs across the Ministry to ensure they were aware of the policy and were able to identify and report on any suspicious activity. Also, the Ministry of Economy's Internal Audit Division had been encouraged to conduct regular auditing of the Ministry for greater accountability and transparency.

The Committee noted with appreciation the efforts put in by the Ministry's staff and its resources in allowing the OAG to effectively carry out its audit in a timely manner.

Head No. 36 – Ministry of Public Enterprise and Government Printing

PART A: FINANCIAL STATEMENT

36.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Public Enterprise was resulted in the issuance of an unqualified audit opinion.

36.2 Statement of Receipts and Expenditure

The Ministry collected agency revenue totalling \$83,909 and incurred a total expenditure of \$3.4 million for the year ended 31 July 2017.

Statement of Receipts and Expenditure for 2017

Description	31 July 2017	31 July 2016
Agency revenue	83,909	53,892
Total Revenue	83,909	53,892
Established staff	1,981,073	1,169,718
Government wage earners	348,579	180,792
Travel and communications	61,003	45,076
Maintenance & operations	420,154	250,950
Purchase of goods and services	32,786	34,821
Operating grants and transfers	---	4,620,000
Special expenditures	475,844	41,225
Total Operating Expenditure	3,319,439	6,342,582
Capital Purchase	46,700	---
Capital grants and transfers	---	3,958,334
Total Capital Expenditure	46,700	3,958,334
Value Added Tax	83,837	38,899
Total Expenditure	3,449,976	10,339,815

Revenue mainly comprised of sale of publications by the Government Printing Department.

There was no operating and capital grants in 2017 compared to 2016 where grants were allocated to the Biosecurity Authority of Fiji. This had resulted in the significant decline in total expenditure in 2017.

Special expenditures increased by \$434,619 in 2017 compared to 2016 due to office refurbishment works carried out in 2017.

36.3 Appropriation Statement

The Ministry incurred expenditure totalling \$3.4 million in 2017 against a revised budget of \$13.9 million, resulting in a saving of \$10.5 million or 75 per cent. The large savings was due to the non-payment of operating and capital grants to the Biosecurity Authority of Fiji and vacant positions not filled in the Government Printing Department in 2017.

The Biosecurity Authority of Fiji did not submit any request for operating and capital grants totalling \$9.05 million as it had sufficient funds which were held unutilized from previous years. In addition, the Authority reimbursed the Government a total unutilized grant of \$11.8 million on 7 June 2017.

Appropriation Statement for 2017

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
1	Established staff	3,085,745	(76,000)	3,009,745	1,981,073	1,028,672
2	Government wage earners	404,249	---	404,249	348,579	55,670
3	Travel & communication	100,300	---	100,300	61,003	39,297
4	Maintenance & operations	606,000	30,000	636,000	420,154	215,846
5	Purchase of goods & services	84,500	---	84,500	32,786	51,714
6	Operating grant & transfers	6,055,046	---	6,055,046	---	6,055,046
7	Special expenditure	475,000	46,000	521,000	475,844	45,156
	Total Operating Expenditure	10,810,840	---	10,810,840	3,319,439	7,491,401
9	Capital purchases	46,700	---	46,700	46,700	---
10	Capital Grants and Transfer	3,000,000	---	3,000,000	---	3,000,000
	Total Capital Expenditure	3,046,700	---	3,046,700	46,700	3,000,000
13	Value added tax	118,200	---	118,200	83,837	34,363
	Total Expenditure	13,975,740	---	13,975,740	3,449,976	10,525,764

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted that the OAG assessment of the Ministry's internal control environment, timely submission of draft financial statements, quality of financial statements submitted for audit and the signing of the financial statements had been rated to be very effective in general.

PART C: OTHER SIGNIFICANT MATTERS

1. Significant Arrears of Revenue – TMA Accounts Receivable

As at 31 July 2017, the Government Printing Departments TMA balances on accounts receivables amounted to \$922,866.

Audit noted a variance of \$680,598 between the Arrears of Revenue Return prepared by the Government Printing Department and the general ledger records.

The Government Printing Department explained that the variance was due to the inclusion of normal printing charges, component of overtime payment, and gazette subscriptions in the General Ledger. When receipting was done, the total invoice amount inclusive of overtime payment and subscription was initially receipted into Fund 4. However, overtime payments and subscriptions had to be accounted for in Fund 1. The subsequent raising of cheque from Fund 4 to transfer amount into Fund 1 were not reflected in the aged arrears listing, hence the large variance between the General Ledger balance and the Arrears of Revenue listing.

Moreover, the Government Printing Services Department (GPSD) underwent numerous changes in its Head Number. (ORG No.) Since 2014, due to these changes, the Department could not access the old

Head Number in the GL, thus the difficulty in obtaining the report to provide evidence to the variances. The Department normally consulted with Ministry of Economy on issues that were beyond their jurisdiction.

The GPSD had been liaising with the FMIS Section of Ministry of Economy to identify variances between the Aging report and the General Ledger.

The Committee noted with appreciation the efforts put in by the Ministry staff and its resources in allowing the OAG to effectively carry out its audit in a timely manner.

The Committee further recommends that an update be provided by OAG in its next audit report.

Head No. 37 – Ministry of Local Government, Town Country Planning and Environment

PART A: FINANCIAL STATEMENT

37.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Local Government, Town Country Planning and Environment resulted in a qualified audit opinion. The reasons for the qualifications were as follows:

1. Revenue totalling \$444,780 reported in the Statement of Revenue and Expenditure could not be substantiated as the Ministry could not provide the journal vouchers to support adjustments recorded in the general ledger. As such, the audit was unable to verify the completeness and accuracy of revenue recorded in the Statement of Revenue and Expenditure.
2. The Ministry was unable to provide appropriate supporting documents included payment vouchers to substantiate payments totalling \$874,931 and \$1,171,987 for Operating Account and Main Trust Account, respectively. As such, the audit was unable to satisfy if these payments were properly processed and recorded in the Statement of Revenue and Expenditure and Environment Trust Fund Account.
3. Expenditure totalling \$302,733 related to Operating Grants and Transfers were recorded as Capital Construction expenditure in the Statement of Revenue and Expenditure. As such, the Operating Grants and Transfers Expenditure was understated and Capital Construction Expenditure is overstated in the Statement of Revenue and Expenditure by \$302,733.
4. The Environment Trust Fund account had a closing balance of \$4,530,939 for year ended 31 July 2017. The Ministry did not maintain proper records including cash book, journal vouchers and payment vouchers. As a result, there was unreconciled variance of \$2,500,755 between the general ledger balance and the bank reconciliation. Due to the variance, the audit was unable to ascertain the accuracy of the closing balance of the Environment Trust Fund Account.

Attention was 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.

The Committee was informed that the Ministry had maintained the journal vouchers to support adjustments recorded in the general ledger. During the 2017 Internal Audit of the Ministry the original records were taken up by the Internal Auditors of Ministry of Economy for auditing and were later returned to the Ministry on 20/8/2018. This was after the 2017 Agency Financial Statement of the Ministry was endorsed by Auditor-General. On 21st August 2018, the Ministry had written a letter to the Auditor-General to review the accounting records which could eliminate some of the audit queries raised on the missing accounting records for journal vouchers. Currently the Ministry has recruited 1 out of 4 of Accounts Personnel in Accounts Section to increase the staffing capacity to effectively and efficiently provide the financial support services to avoid such anomalies in future. The Ministry had also implemented in house Capacity Building Training, Coaching and Mentoring programs to educate

staffs on procedures and processes pertaining to accounting records. Ministry of Local Government had already upgraded the Head of the Finance team from Senior to Manager Level during 2018-19 budget.

The posting of misallocation of expenditure occurred as result of the input of data by the Temporary Relieving Clerical Officer during the vouchering process to facilitate the payment. The Ministry agreed that payment related to the Naboro Landfill Subsidy was captured under Naboro Landfill Stage 2 Construction. The Ministry acknowledged that there was a misposting in the journal. The Ministry had now finalized the recruitment and on boarding of the Accountant position that commenced on the 26th of August, 2019. The Assistant Account Officer would commence from the 11th September, 2019. The addition of the two new personnel would ensure that the finance team would provide efficient and effective services. The final two of the four advertised positions [Senior Accounts Officer and Assistant Accounts Officer] would be on board by the end of October, 2019.

The variance of \$1,033,867.93 between Trust Revenue Account and Bank Account resulted when Department of Environment was merged with other Ministries over the years. No accurate reconciliations were carried out. The variance occurred due to mispostings and adjustments of previous years. In 2018, as a way forward, the Ministry with the assistance from FMIS Division of Ministry of Economy had under took the reconciliation exercise from the inception of the Environment Trust Fund Account. The said account was reconciled and adjusted and the unsubstantiated variances that had resulted from previous years misposting had been submitted via a Memorandum for Book Entry Adjustment to Ministry of Economy on 14/10/2018. On 16th August 2019, the Ministry for Local Government obtained confirmation from Ministry of Economy that requested for book entry adjustment was still in progress.

In 2018, Ministry of Local Government with the assistance from Financial Management Information System [FMIS] -Ministry of Economy had undertaken the reconciliation exercise of the four underlined accounts and the status was as follows:

1. Drawings Account - Reconciliation completed.
2. Trust Fund Account - Reconciliation completed.
3. Operating Trust Account - Reconciliation completed.
4. RFA Account - Reconciliation completed.

The unsubstantiated variances arising from previous years misposting had been submitted to Ministry of Economy for book entry adjustments on the 14th October, 2018.

The Committee acknowledges that although at the time of compiling this report, the Department of Environment had been changed into a New Ministry of Waterways and Environment; it was very concerned on the lax attitude taken by staffs in the operational performance of the Ministry during the fiscal year.

37.2 Statement of Receipts and Expenditure

The Ministry of Local Government, Town Country Planning and Environment collected revenue totalling \$444,780 and incurred a total expenditure of \$18,231,575 for the year ended 31 July 2017.

Statement of Receipts and Expenditure for 2017

Description	31 July 2017	31 July 2016
RECEIPTS		
State Revenue	31 July	31 July
Town and Country Planning Fees	256,537	174,574
Commission	3,430	4,639
Total State Revenue	259,967	179,213
Agency Revenue		
Miscellaneous Revenue	184,813	165,213
Total Agency Revenue	184,813	165,213
TOTAL RECEIPTS	444,780	344,426
EXPENDITURE		
Operating Expenditure		
Established Staff	3,308,090	1,591,961
Government Wage Earners	292,857	118,901
Travel & Communications	218,889	150,819
Maintenance & Operations	277,215	165,289
Purchase of Goods & Services	147,854	61,609
Operating Grants & Transfers	910,715	1,310,402
Special Expenditures	1,702,929	1,064,429
Total Operating Expenditure	6,858,549	4,463,410
Capital Expenditure		
Capital Construction	721,796	1,838,461
Capital Purchase	810,867	825,688
Capital Grants & Transfers	9,700,886	17,814,240
Total Capital Expenditure	11,233,549	20,478,389
Value Added Tax	139,477	287,086
TOTAL EXPENDITURE	18,231,575	25,228,885

During the Financial period, the details of capital grants that were paid out the Ministry [operating and capital grants] to National Fire Authority and Municipal Councils are as follows:

No.	Year	Council	Project	Fund Disbursed in FJD\$
1	2016/17	Lautoka City Council	Swimming Pool project	750,000.00
2	2016/17	Nasinu Town Council	Valelevu Ground Upgrade	350,000.00
3	2016/17	Suva City Council	Drainage Work	106,892.00
4	2016/17	Lautoka City Council	Drainage Work	68,763.00
5	2016/17	Ba Town Council	Drainage Work	144,100.00
6	2016/17	Nausori Town Council	Drainage Work	50,000.00
7	2016/17	Tavua Town Council	Drainage Work	38,137.00
8	2016/17	Sigatoka Town Council	Drainage Work	20,000.00
9	2016/17	Lami Town Council	Drainage Work	50,977.25
10	2016/17	Labasa Town Council	Drainage Work	20,500.00
11	2016/17	Savusavu Town Council	Drainage Work	20,000.00
12	2016/17	Nadi Town Council	Drainage Work	105,115.00
13	2016/17	Levuka Town Council	Drainage Work	50,000.00

No.	Year	Council	Project	Fund Disbursed in FJD\$
14	2016/17	Nasinu Town Council	Drainage Work	199,615.71
15	2016/17	Rakiraki Town Council	Drainage Work	20,000.00
16	2016/17	Lautoka City Council	Swimming Pool project	1,000,000.00
17	2016/17	Nasinu Town Council	Laqere Market	1,000,000.00
18	2016/17	Rakiraki Town Council	Market	1,800,000.00
19	2016/17	Nausori Town Council	Rt. Cakobau	50,000.00
20	2016/17	Nadi Town Council	Prince Charles Park	150,000.00
21	2016/17	National Fire Authority	Capex Projects	3,000,000.00
22	2016/17	National Fire Authority	Hydrants	200,000.00
23	2016/17	Suva, Nadi & Lautoka Councils	Vacuum Trucks	540,000.00
TOTAL CAPITAL PROJECTS FUNDING				9,734,099.96

Before any payments were made, the Ministry signs a Memorandum of Agreement [MOA] in between the Ministry and the Implementing Agency [Councils and National Fire Authority]. The Memorandum of Agreement, vetted by the Solicitor General Office which establishes project scope and milestones. Based on those agreements, Request to Incur Expenditure [RIE] is prepared and funds released.

As a monitoring process, the Project Reports were received by a team of officers which included Senior Accounts Officer and Senior Administration Officer - Local Government. Then Site visitations and some Project Committee meetings were attended by the Staffs with the Construction Implementation Unit-Ministry for Economy staffs.

Acquittals were received quarterly in accordance with the MOA. Quarterly project performance reports are forwarded to the Ministry of Economy. The Director of Local Government had two dedicated staffs, Senior Accounts Officer and Senior Administrative Officer, who monitored the progress of Grants disbursed and work closely with the Manager Finance on Project Management.

The Committee noted the process explanation provided by the Ministry and recommends a follow up audit from the OAG in its next audit report.

37.3 Appropriation Statement

The Ministry of Local Government, Town Country Planning and Environment incurred expenditure totalling \$18.23 million in 2017 against a revised budget of \$25.09 million resulted in saving of \$6.86 million or 27 per cent. The large savings was mainly attributed to unutilised capital construction funds for waste transfer station due to the land issue with the landowners. In addition there was savings for the construction for the Naboro Landfill Stage 2 as payments were only made upon receipt of claims from the contractor.

Appropriation Statement for 2017

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
1	Established staff	3,231,836	87,552	3,319,388	3,308,090	11,298
2	Government wage earners	165,016	134,594	299,610	292,857	6,753
3	Travel & communication	211,200	61,287	272,487	218,889	53,598

SEG	Item	Budget Estimate	Changes	Revised Estimate	Actual Expenditure	Lapsed Appropriation
4	Maintenance & operations	326,200	49,000	375,200	277,215	97,985
5	Purchase of goods & services	206,560	(9,858)	196,702	147,854	48,848
6	Operating grant & transfers	1,807,620	---	1,807,620	910,715	896,905
7	Special expenditure	3,325,626	(395,211)	2,930,415	1,702,929	1,227,486
	Total Operating Expenditure	9,274,058	(72,636)	9,201,422	6,858,549	2,342,873
8	Capital Construction	4,247,875	---	4,247,875	721,796	3,526,079
9	Capital purchases	900,000	72,636	912,636	810,867	101,769
10	Capital Grants and Transfer	9,994,100	---	9,994,100	9,700,886	293,214
	Total Capital Expenditure	15,081,975	72,636	15,154,611	11,233,549	3,921,062
13	Value added tax	737,100	---	737,100	139,477	597,623
	Total Expenditure	25,093,133	---	25,093,13	18,231,575	6,861,558

The Committee was informed that the capital projects implementation program did not progress as per expectations given that the Statutory Authorities during the fiscal year had a challenge in recruiting Project Management Team and Contractors. This was due to heavy concentration on re-construction works post Cyclone Winston.

The Committee was further informed that all funds released during 2016/17 to Municipal Councils and National Fire Authority has been fully utilized and acquittals forwarded to the Ministry of Local Government. Major Projects, such as Namaka Municipal Market, Govind Park Stadium, Rakiraki Municipal Market, and Laqere Municipal Market are ongoing capital programs spread over 3 to 5 years national budget.

Ministry of Local Government acknowledges historical lack of capacity. Ministry of Local Government had provided support in within its capacity to drive Government investment programs under its Budget allocation. Post 2017/18 Ministry had aligned its major capital programs under the Construction Implementation Unit to ensure that the Government procurement fiscal policy was aligned to Capital Construction works. As previously noted, the Ministry had addressed resources and staffing capacity during that fiscal year. The Director of Local Government had two dedicated staffs, Senior Accounts Officer and Senior Administrative Officer, who monitored the progress of Grants disbursed and work closely with the Manager Finance on Project Management.

37.4 Main Trust Fund Account

37.4.1 Environment Trust Fund Account

The Environment Trust Fund Account recorded a balance of \$4,530,939 for the financial year ending 31 July 2017. The Ministry recorded receipts totalling \$4,107,698 and expenses totalling \$2,358,748 were incurred resulting in a surplus of \$1,748,950 for the financial period ending 31 July 2017.

The Committee was informed on the Waste and Environment Impact Assessment for which the Ministry had used \$2,358,548.

a. The total payment incurred is for the operation of Naboro Landfill only.

Payments were made for contractors - HG Leach and community levy. The details of the payments were as follows:

Month	Payee	Amount	Particulars of the payment
Aug-16	HG Leach Ltd	\$220,771.16	Being payment for operational contract for Naboro Landfill for the month of June 2016
Sep-16	HG Leach Ltd	\$223,313.11	Being payment for operational contract for Naboro Landfill for the month of July 2016
Nov-16	HG Leach Ltd	\$158,228.15	Being payment for operational contract for Naboro Landfill for the month of August 2016
Feb-17	HG Leach Ltd	\$348,316.53	Being payment for operational contract for Naboro Landfill for the month of September & October 2016
Mar-17	HG Leach Ltd	\$161,987.23	Being payment for operational contract for Naboro Landfill for the month of November 2016
Jun-17	HG Leach Ltd	\$160,847.58	Being payment for operational contract for Naboro Landfill for the month of December 2016
Jun-17	HG Leach Ltd	\$156,021.60	Being payment for operational contract for Naboro Landfill for the month of January 2017
Jun-17	HG Leach Ltd	\$161,155.78	Being payment for operational contract for Naboro Landfill for the month of February 2017
		\$1,590,641.14	
Jun-17	Itaukei Land Trust Board	\$16,572.61	Being payment for 3rd quarter community Levy for Naboro Landfill
Aug-16	Itaukei Land Trust Board	\$63,937.25	Being payment for 2nd quarter community Levy for Naboro Landfill
		\$80,509.86	
		\$1,671,151.00	
Note, sum of \$687,397 is void payment which is reflected under the receipts sum.			

b. Update on \$2,345, 548 utilization are as follows:

The operation of the Naboro Landfill facility was an important aspect in the Ministry's delivery of quality service to its customers. As per agreement in place, HG Leach shall place a high degree of emphasis on the quality of service delivery, both as Operation Contractor and the Ministry's on site agent.

The main objectives for the engagement of a Contractor in place for the operation of the landfill were:

1. A safe operation for both customers and staff.
2. An easily accessible, readily available facility for landfill customers.
3. A well organized and tidy operation which presented a professional image to landfill customers.
4. Maintenance and enhancement of the quality of the environment.
5. A well-managed operation complying with internationally accepted best practice in landfill management.
6. A high degree of refuse compaction, thus prolonging the life of the landfill.

The Naboro Landfill Trust hold all gate fees collected from the Naboro Landfill. These funds were then used to pay the Contractor on site. The nominated contractor submitted monthly operational claims to cover cost of operating the landfill on behalf of the Department of Environment. These claims were aligned to the Operation Contract signed between the Department and the Operator, HG Leach (Fiji) Ltd. Monthly claims usually cover cost of compacting waste on site, treatment of the leachate (maintenance of Aerators), maintenance of Wash Pad and Access Road and opening of landfill outside normal operational hours (Public Holidays and after hours for special disposal).

c. Brief on Community Levy

On May 24, 2011 Cabinet (***Annexed to the attached signed Agreement***) approved the payment of Community Levy at a rate of \$0.78 VEP per tonnage to the ancestral landowners of the Mataqali Bativudi in the Province of Rewa that own the land on which the Naboro landfill was situated. The Community Levy Agreement (Attached) was signed between the Ministry of Local Government, Housing and Environment (Ministry) and the iTaukei Affairs Board (iTAB) on October 8, 2014 to set up

a working framework to enable transparent, accountable and timely pay-out of community levy to the ancestral landowners. The Agreement stipulated that Community Levy payment was disbursed quarterly by the Ministry and the iTAB would then facilitate community levy payment to the ancestral landowners. From 2018/19 period, the Environment Trust Fund Account was being handled by the Ministry of Waterways and Environment.

The committee noted the explanation on the Environment Trust Fund operations and recommends for further updates from the OAG in its next audit report.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted with concern that the OAG assessment of the Ministry's internal control environment, timely submission of draft financial statements, quality of financial statements submitted for audit and the signing of the financial statements has been rated to be ineffective.

PART C: OTHER SIGNIFICANT MATTERS

1. Late submission of Draft Agency Financial Statements

The Auditor-General had highlighted that there was delay in the submission of draft financial statements for audit contrary to the requirements of the Ministry of Economy circular number 4/2016 – 2016/2017 Closure of accounts procedures.

The Ministry first submitted to OAG its draft financial statements on 19th January 2018 and later resubmitted the corrected version on 27th February, 2018 which was due on 31st August 2017 for the revised fiscal year ending 31st July 2017.

Audit noted that the delay in the submission of the draft financial statements for audit was due to unavailability of appropriate staff to carry out the necessary accounting work including preparation of the financial statements.

The Committee was informed that the Ministry had addressed the above-mentioned anomalies with the recruitment of the new accounting team in their Finance department. This was anticipated to effectively and efficiently provide timely financial support services and strictly adhere to the Closing of Accounts as per Ministry of Economy Circular and avoid any delay in the submission of the draft financial statements for audit. The Ministry assured the committee that it had submitted their 2017-2018 Draft Financial Statements for Auditing on 22/2/2019. The Ministry is on track to meet the timeline for this financial year.

The Committee noted the explanations given by the Ministry but still raises its concern that the ministry was yet to strictly adhere to the set timelines of the closure of Accounts Circular. Therefore, the Committee recommends that the Ministry should ensure that adequate staffing was maintained in their accounts staff at all times to carry out the respective accounting functions.

2. Records not provided for audit review – Operating Fund Account

According to Sections 19.2.1 and 16.1.7 of the Ministry of Local Government Finance Manual, all accounting staffs were responsible for the proper maintenance and safekeeping of accounting records and documents. The Senior Accountant was responsible for the safekeeping and proper maintenance of all accounting records and documents.

The following records were not provided for audit review:

- Payment vouchers totalling \$874,931.
- Journal vouchers totalling \$444,780 to support recording of revenue in the general ledger. Refer to Table 37.4 below for details of revenue recorded in the general ledger.

The commute noted with concern that the OAG was informed by the Ministry that the above mentioned records could not be located in the premises of the Ministry.

The Ministry had commented that with the limited resources (staff personnel) and appointment of Manager Finance in Account Section, it would ensure that safe custody of accounting records were maintained, recorded and made available for auditing whenever required.

- Measures taken to avoid the issue raised again;
- All payment vouchers and other accounting records were to be binded on a daily basis
- Provision of training on Maintenance of Records for Accounts Personnel
- In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.
- Closely monitor the works of the subordinates to ensure the procedures and processes were adhered to at all times.

In relation to the anomalies in the maintenance of accounting records, the Ministry had advised that it had taken active role in getting the secondary form of accounting records available for missing payment vouchers with assistance from Ministry of Economy.

The Committee noted the explanations given by the Ministry and recommends that the Ministry should take disciplinary actions against staff who fails to perform their roles responsibly.

3. Misstatement of Capital Expenditures

According to Section 14.1 of the Finance Management Act 2004, expenditures of money appropriated by an Appropriation Act may be incurred only in accordance with the authorisation effected by the Appropriation Act.

Audit noted that Naboro Landfill subsidy expenditure was recorded as Naboro Landfill Construction expenditure in the general ledger. As a result, the SEGS 6 & 8 expenditures did not accurately reflect the respective actual expenditures.

The Department of Environment indicated that the payments were processed by a Temporary Relieving Clerical Officer (TRCO) without proper review by the Deputy Secretary who was in charge of the payments which resulted in the misposting.

The Ministry stated that with the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry would ensure that all payments were prepared from the accurate allocations which were relevant for its intended purposes.

The Ministry had documented their Measures taken to avoid the issue reoccurring in future:

- Identify the anomalies in all underline reconciliations and undertake the adjustment exercise to ensure the reconciliation report was true & fair.
- Provision of FMIS training for Accounts Personnel
- In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations.
- All underline reconciliations were to be prepared on a monthly basis
- All reconciliations prepared were verified and signed copy of the reconciliation is submitted to Ministry of Economy.
- Closely monitor the works of the subordinates to ensure the procedures and processes were adhered to at all times.

In relation to the anomalies in the underline accounts reconciliations was concerned, the Ministry had taken active role in getting the variance rectified and cleared with the assistance from FMIS in 2017-2018 accounting period.

The Committee noted the Ministry's explanations and request further update from the OAG in its next audit report.

4. Stale cheques Not Journalised for Main Trust Account

According to Section 33 (1) of the Finance Instruction 2010, Specimen signatures of cheque and encashment signatories, and details of any conditions of appointment, must be submitted to the Chief Accountant. Further, Section 33(2) stated that Accounting Head must make all attempts to issue stop notices for all cheques that have remained un-presented for more than 6 months.

The Ministry had rectified the issue for Main Trust Account Stale cheques in 2018 accounting period except from Cheque number 327 which is included in the book entry adjustment. The status of the cheques were as follow:

Date	Cheque Number	Amount	Remarks
22/3/2012	194	2,941.50	Presented in the Bank Statement on 23/3/2012
04/04/2012	197	13,800.00	Presented in the Bank Statement on 13/4/2012
30/05/2016	327	16,719	The stale cheque amounting to \$16,719 has been included in the Book Entry adjustment submission which submitted to Ministry of economy of 14/10/2018
01/06/2012	191	18,394.58	Presented in the Bank Statement on 24/1/2012
17/07/2013	244	19,950.00	Presented in the Bank Statement on 18/7/2013
04/04/2012	196	24,624.95	Presented in the Bank Statement on 12/4/2012
30/03/2012	195	40,073.40	Presented in the Bank Statement on 02/4/2012
05/11/2012	199	79,040.88	Presented in the Bank Statement on 21/5/2012

Date	Cheque Number	Amount	Remarks
16/3/2012	192	176,586.70	Presented in the Bank Statement on 19/3/2012
		\$392,131	

The Committee noted the actions taken by the Ministry to increase its Staffing capacity in the Accounts Section. It was anticipated that this action would effectively and efficiently provide the financial support services to avoid such anomaly in future. The Ministry of Environment and Waterways had managed this Trust Fund.

The Committee noted the un-presented cheque listing which were revealed during the time of audit that cheques totalling to \$392,131 were more than six months old which were deemed to be stale as at 31 July, 2017.

5. Records not provided for audit verification – Main Trust Fund Account

Payment vouchers totalling \$1,171,987 to support the expenditure recorded in the main trust general ledger expenditure account were not provided for audit review as the Ministry could not locate the records.

Details of Missing Payment Voucher Records for Main Trust Fund Account

Date	Cheque Number	Amount	Description
29/8/2016	333	220,771	TF HUD LITTER DECREE
29/08/2016	335	63,937	
9/12/2016	338	233,313	
11/3/2016	340	158,228	
Period 08/2017	AP6707	161,987	
Period 11/2017	AP0477	156,022	
period 11/2017	AP0881	161,156	
Period 11/2017	AP9693	16,573	
Total		1,171,987	

In addition to the above, journal vouchers totalling \$317,894 for adjustments made in the main trust general ledger receipt account were also not provided for audit review as the Ministry could not locate the records.

Details of Missing Journal Voucher Records for Main Trust Fund Account

Date	Journal Voucher Number	Amount	Description
Main Trust Account			
16-Aug	N/A	6,123	R22 Import Fees - ODS Fines Environment Trust
16-Aug	N/A	26,532	
17-Apr	JV 51/02	86,900	ODS Fines Environment Trust

Date	Journal Voucher Number	Amount	Description
16-Nov	JV 19/03	185,070	TF HUD Litter Decree
16-Nov	JV 26/11	1,659	Environment Trust
17-Apr	JV 53/02	11,610	Environment Trust
Total		317,894	

The Ministry in its management comments stated that the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry would ensure that safe custody of accounting records were maintained, recorded and made available for audit whenever required.

Measures taken to avoid the issue raised again;

- All payment vouchers and other accounting records were to be binded on a daily basis
- Provision of training on Maintenance of Records for Accounts Personnel
- In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.
- Closely monitor the works of the subordinates to ensure the procedures and processes were adhered to at all times.

In relation to the anomalies in the maintenance of accounting records was concerned, the Ministry had taken active role in getting the accounting records binded on a daily basis.

6. Variances in payroll records

Audit noted that a variance of \$268,110 between the Ministry's payroll report and the general ledger account. While the Ministry were able to identify mispostings totalling \$134,989 which were for wages and travelling expenditure recorded as salary for established staffs, satisfactory explanations were not provided for the variance of \$133,121. The Ministry indicated that the postings were done by a Temporary Relieving Clerical Officer (TRCO) without proper review by the Deputy Secretary who was in charge of the Accounts section.

The Committee was informed that the Ministry had rectified the variance of \$133,121, in the payroll records. The reason for the variance in the payroll report was that four Special Administrators were paid from Personal Emolument vote under Department of Local Government however; the expenditures for salary included the FNPF were not journalized to Special Administrators vote.

Accounting Records	Amount in \$
General Ledger Amount – SEG 1 _ Established Staff	3,084,324
Less Payroll Report (2,497,214)	-2,497,214
Less Payroll expenditure adjustment not accounted in payroll report	-319,000
Total Variances	268,110
Less Identified Variances - Wages recorded in SEG 1	-68,835
Less Identified Variances - Travel Allowance recorded in SEG 1	-66,154
Unidentified Variances 133,121	133,121

Accounting Records	Amount in \$
Less Identified Variances - Salary for 4 Special Administrators recorded in SEG 1	220,255
Variances	-87,134

7. Provisional Tax Not Retained

Audit noted that the Ministry did not withhold a sum of \$45,573 being 5 per cent provisional tax on payments made to the contractor.

Details of Provisional Tax not collected

Date	Cheque Number	Amount	Provisional Tax Not Deducted
2/2/2017	43442	70,167.89	3,219
18/01/17	43355	138,393.19	6,348
26/07/17	44283	70,831.58	3,249
18/01/17	43354	348,316.53	15,978
20/02/17	43547	78,584.99	3,605
9/3/2017	43628	78,058.26	3,581
11/5/2017	43942	69,627.49	3,194
24/05/17	43995	76,463.00	3,507
19/06/17	44109	63,055.46	2,892
Total			\$45,573

The above finding indicated that the officer responsible for payments did not comply with the relevant legislation. The Ministry stated that the amount had been deducted from the 2017-2018 claims and settled with FRCS but Audit was not provided with supporting documents to substantiate this.

The Ministry in its management comments stated that it was in consultation with the contractor on the non-payment of \$45,573 of provisional tax from the contractor's claims for 2016-2017 period. The said sum shall be deducted and remitted from the contractors claim to Fiji Revenue & Customs Authority before 30/9/2018. The said sum of \$45,573 was not deducted from the contractual payments for 2016-2017 period however, the sum to be recovered from 2017-2018 last claim for Naboro Landfill Stage 2, Cell 2 which was due in the first quarter of 2018-2019 period upon release of Requisition to Incur Expenditure (RIE).

The Committee was informed that the Ministry has taken the following measures to avoid the audit issue raised:

- Identify the anomalies in all underline reconciliations and undertake the adjustment exercise to ensure the reconciliation report were true & fair;
- Provision of FMIS training for Accounts Personnel;
- In house capacity building training to motivate staffs on procedures and processes pertaining to reconciliations;
- All underline reconciliations were to be prepared on a monthly basis;
- All reconciliations prepared were verified and signed copy of the reconciliation was submitted to Ministry of Economy; and

- Closely monitor the works of the subordinates to ensure the procedures and processes were adhered to at all times.

The Ministry confirmed would ensure that all payments were made in consideration with valid applicable tax regulations.

8. Trust Fund Expenditure Paid From Operating Drawings Account

Audit noted that the Ministry recorded cash withdrawal totalling \$348,317 through cheque 43354 of 18/01/17 from the operating drawing general ledger account to pay for main trust fund expenditures.

Details of Trust Expenditure Funded from Operating Drawings Account

Date	Cheque Number	Payment Description	Amount	Remarks
18/1/2017	43354	September 2016 claim for Naboro landfill from Environment trust account	348,317	The expense amount is recorded to the Environment Trust account. However, the cash withdrawn are recorded in the operating drawing general ledger account misstating cash balance for drawing accounts.
Total			\$348,317	

The Department of Environment revealed that the payment was processed by a Temporary Relieving Clerical Officer (TRCO) without proper review by the Deputy Secretary who was in charge of the payments.

The Ministry in its comments stated that upon access to records on 02/08/2018 and Bank Confirmation on the same date. The Ministry did not withdrew funds from the Operating Bank Account Number (704835) to pay for the Main Trust fund expenditure amounting to \$348,316.53 for operational claim for Naboro Landfill for the month of September and October 2017. The said payment was processed from the Main Trust Fund Account No. 9802022948 which was presented to the bank via Westpac Cheque No. 00342 dated 20/1/2017.

There had been an error in the payment details as per FMIS, the payment for sum of \$348,316.53 were wrongly matched with cheque no. 43354 and Drawings bank identification code (CNB01).

In relation to the anomalies in the underline accounts reconciliations was concerned, the Ministry had taken active role in getting the variance rectified and cleared with the assistance from FMIS in 2017-2018 accounting period.

9. Absence of Fixed Assets Register

Audit noted that the Ministry did not maintain a fixed assets register for 2016 -2017 financial year. The Ministry has attributed the above anomalies to inadequate staffing in the Accounts Section.

The Committee was informed that the Ministry had established the Fixed Asset Register in 2017 and records the fixed assets of the Ministry as and when procured and adjustments accordingly once the uneconomical assets were boarded. Manager Finance had adapted to fiscal instructions policy in maintaining Fixed Asset Register.

10. Expenditure Not Recorded in the General Ledger

Review of the Revolving Fund Account (RFA) revealed that the Ministry incurred expenditure of \$54,775 for Global Environment Facility which were not retired and recorded as expenditure for the period.

Details of Global Environment Facility Payments Not Retired to Expenditure

Date	Cheque Number	Description/ categories	Total
29/09/16	42790	Payment for catering and set in regards to Global Environment Facility workshop up for reception dinner	32,550
30/09/16	42805	Payment of meal to 14 Department of Environment staff in regards to Global Environment Facility workshop	225
4/11/2016	42988	Payment of ABS Project awareness materials which was to be paid by GEF UNDP ABS Project. This payment was in regards to Global Environment Facility (GEF) workshop.	9,000
29/09/16	42794	Payment for T-Shirts for the GEF meeting	13,000
Total			\$54,775

The above finding indicated that the Ministry did not follow up on the retirement of the funds from the donor.

The Ministry in its management comments stated that they had received the funding from United Nations Office in relation to cater for the expenditures incurred for Global Environment Facility activities in 2016-2017 accounting period which was journalized from the Revolving Fund Account.

The Ministry would ensure that expenditures shall be replenished to Consolidated Fund Account once the Donor (UNDP) remits the funding to Government.

The Committee was informed that the Ministry has taken the following measures to avoid the issue being raised again;

- *Provision of training on Maintenance of Records & Registers for Accounts Personnel*
- *In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.*
- *Closely monitor the works of the subordinates to ensure the procedures and processes are adhered to at all times.*

11. Main Trust Journals Not approved

Audit noted that the review of the main trust fund journal entries recorded in the general ledger system revealed that journal vouchers prepared to post these entries were not approved by Senior Accountant

or the Assistant Accountant. The Ministry has attributed the above anomalies to the inadequate staffing in the Accounts Section.

The Committee was informed that with the recruitment of the Manager Finance, all journal vouchers now prior to the adjustments were endorsed before it is posted into the FMIS system.

The Committee noted the comments provided by the Ministry and concurred with the Auditor-General's recommendation for the Ministry to strengthen compliance with its internal controls over journal adjustments and take appropriate action for any breaches.

12. Anomalies in the Operating Trust Fund Account

Audit noted the following anomalies in the Ministry's Operating Trust Fund Account:

- As at 31 July 2017, the Ministry's Operating Trust Fund Account had overdrawn balances totalling \$41,199.
- Journal vouchers totalling \$4,900 were not provided for audit verification as these could not be located.
- The Ministry did not carry out monthly reconciliations as required by the Finance Manual. Instead it carried out an annual reconciliation for the whole year.

The Committee was informed that the overdrawn balance in the Operating Trust Fund had eventuated due to non-reconciliation of underline operating trust accounts.

In 2018, as a way forward Ministry with the assistance from FMIS Division of Ministry of Economy had undertook the reconciliation exercise on Operating Trust Fund Account. The said account was reconciled, adjusted and the unsubstantiated variances that had resulted from previous years misposting had been submitted via a Memorandum for Book Entry Adjustment to Ministry of Economy on 14/10/2018.

On 16th August 2019, the Ministry obtained confirmation from Ministry of Economy that request for book entry adjustment is in progress.

13. Anomalies in Drawings Account

Audit review of the Drawings Account reconciliation revealed the following anomalies:

- The Ministry did not conduct a Board of Survey for the Drawings Account;
- Cheques totalling \$883,599 were more than six months old hence were deemed to be stale as at 31 July 2017. Refer to Appendix 3 for details;
- The Ministry performed year-end bank reconciliation of its Drawings Account contrary to the monthly reconciliations requirement by the section of 17.2.4 of the Finance Manual. In addition, the reconciliation was performed in February 2018 which was six months after the end of the financial period.

The Ministry in its management comments stated that with the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry would ensure that underline accounts reconciliation (Drawings Account) are prepared accurately and any variance to be cleared via journal voucher with relevant accounting records are endorsed by the Accounting Head before journals are processed in FMIS.

In relation to the anomalies raised for stale cheques in the Drawings Account reconciliations, the Ministry had taken active role in getting the variance rectified and clear with the assistance from FMIS before the closure of 2017-2018 accounts.

The Committee was advised of the following measures adopted by the Ministry to address the audit issue:

- *Provision of training on Maintenance of Records & Registers and journals for Accounts Personnel*
- *In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.*
- *Closely monitor the works of the subordinates to ensure the procedures and processes were adhered to at all times.*

14. Untimely Preparation of Reconciliations

Audit 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 2016 – July 2017 contrary to the monthly reconciliation requirements in section 17.2.4 of the Finance Manual;
- Ministry performed year-end reconciliations as opposed to monthly reconciliations. The reconciliation was prepared in February 2018 which is six months after the end of the financial period.

Details of Anomalies for General Ledger Accounts Reconciliations

General Ledger Description and Account	Amount	Reconciliation Date	Audit remarks
Drawings Account (1-37101-37999-530301)	2,387,948	22/02/18	Reconciliations were not prepared on a monthly basis. Instead, only one
SLG 84 (1-37000-00000-840000)	13,817	20/02/18	Reconciliation was prepared for the whole year.
Operating Trust Fund (1-37000-00000-860000)	17,296	22/02/18	Reconciliations prepared for the month of June and July on 22/02/2018.
Main Trust Expenditure (9-37000-00000-890000)	4,530,939	21/03/18	Reconciliations were not prepared on a monthly basis. Instead, only one
Main Trust Cash (9-37000-00000-520000)	5,564,807	22/02/18	Reconciliation was prepared for the whole year in February 2018 which was six months after the period end.
Advances (1-37000-00000-570000)	134,886	29/09/17	Reconciliations were not prepared on a monthly basis. Instead, only one reconciliation was prepared for the whole year in September 2017 which was one month respectively after the period end.
Salaries Reconciliation	3,308,090	February 18	All reconciliations were prepared in February 2018 which was prepared six months after the period end.

General Ledger Description and Account	Amount	Reconciliation Date	Audit remarks
Wages Reconciliation	292,857	N/A	Reconciliations were not prepared

The Ministry in its comments stated that with the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry would ensure that underline accounts reconciliation were prepared accurately on a monthly basis and any variance to be cleared via journal voucher with relevant accounting records and were endorsed by the Accounting Head before journals were processed in FMIS.

In relation to the wages reconciliation, the said reconciliation was completed by end of May 2018. The Ministry had taken active role in getting the variance rectified and clear with the assistance from FMIS before the closure of 2017-2018 accounts.

The Committee was advised that the Ministry has adopted the following measures to address the audit query:

- *Provision of training on Maintenance of Records & Registers and journals for Accounts Personnel.*
- *In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.*
- *Closely monitor the works of the subordinates to ensure the procedures and processes were adhered to at all times.*

15. Anomalies Noted in Accounts Payable Account

Audit noted the following anomalies for expenditure recorded in the general ledger account for accounts payable:

1. The Ministry could not substantiate expenditures recorded in accounts payable trade general ledger account.

General Ledger Account and Description	Amount	Audit Remarks
1-37301-37999-840101 AP Trade - Govt Depts. & Agency	128,429	The Ministry could not provide acquittals of the amount recorded in the general ledger system.
		The Ministry could not also provide the journal voucher for recording the transaction in the general ledger.
		General ledger audit scrutiny revealed that the funds were transferred from account payable general ledger account 840101 to operating fund account. A total of \$36,846 were transferred to travel and communication general ledger account (SEG 3), \$80,000 to Maintenance and Communication general ledger account (SEG 4) and \$11,583 to Special expenditure general ledger account (SEG 7)
		The Ministry could not provide the reason for the transfers of funds between the general ledger accounts.

2. The Ministry could not provide reasons for the overdrawn account noted below for accounts payable general ledger account.
3. Our audit further noted the following anomalies for expenditures recorded as Institutional Strengthening in the general ledger account.

Anomalies noted for Institutional Strengthening account in SLG 84 account

Date	Cheque/EFT No.	Particulars	Amount (\$)	Audit Anomaly
25/11/16	3568	Accommodation package at the resort for the Global Environment Facility (GEF) UNDP PMU Annual Project Retreat on the 25th-27th November, 2016.	23,770	Only one competitive quote was obtained.
20/01/17	43378	Being payment for the purchase of printer to be used by the Fiji R2R Project Unit.	1,559	Documents were Not stamped and paid.
Total			\$25,329	

- Journal vouchers for adjustments totalling \$60,472 for accounts payable were not provided for audit verification as the Accounts section could not locate the records.

Details of Journal Vouchers Not Produced For Audit Verification as Records Are Missing

Date	JV Number	Amount	Description
SLG 84 Account			
Aug-17	JV 01/03/17	3,114	MLHO4 Fund 4 NBSAP Project- UNDP
Apr-17	JV 52/11	53,779	Institutional Strengthening Project - Clearance of R2R/GEF Project
Apr-17	JV 55/11	3,579	Institutional Strengthening Project - Lodgement 29/11/2016.
Total		\$60,472	

- It was also noted that the Ministry performed only one reconciliation for the year contrary to the monthly reconciliation requirement in the Finance Manual. The reconciliation was prepared in February 2018 which was six months after the end of the financial period.
- The Ministry also stated that the reconciliation for SLG84 was prepared. However, this could not be substantiated as this was not provided to audit for verification.

The Ministry in its comments stated that with the limited resources (staff personnel) and appointment of Manager Finance in Account Section, the Ministry would ensure that underline accounts reconciliation were prepared accurately on a monthly basis and any variance to be cleared via journal voucher with relevant accounting records and were endorsed by the Accounting Head before journals were processed in FMIS.

In relation to the SLG84 reconciliation was concerned, the said reconciliation were completed for 2016-2017 period.

The Ministry would rectify the debit balance in the Withholding Tax Payable account and make necessary adjustments accordingly in before the closure of 2017-2018 accounts.

The expenditure in regards to GEF UNDP PMU Annual Project Retreat, the Ministry would investigate and had taken appropriate actions in 2017-2018 period.

The justification to table 37.22 is as follows:

Date	Cheque	Description/Categories	Amount	Justifications
25/11/16	3568	Accommodation Package at the resort	\$23,770	Only one competitive quote was obtained because there was a special conference package offered to the Ministry & UNDP staff (30 Officers).
				The special package included: - Accommodation-Conference Package for 2 days to conduct Special Board Meetings for the CB2, ABS & R2R Projects-Group dinner on 26th/11/16-Lunch during 2 day meeting
20/01/17	43378	Being payment for the purchase of printer to be used by the Fiji R2R Project.	\$1,559	Documents not stamped. Payments were sourced from the Project Fund Allocation. Please refer to Acquittal Report attachment.

The Ministry would ensure that all journal vouchers for underline accounts reconciliation were prepared accurately with relevant accounting records were endorsed by the Accounting Head before journals were processed.

The variance in the underline accounts reconciliation were noted and the Ministry had taken active role in getting the variance rectified and clear with the assistance from FMIS before the closure of 2017-2018 accounts.

Measures taken to avoid the issue raised again:

- *Provision of training on Maintenance of Records & Registers and journals for Accounts Personnel*
- *In house Capacity Building Training to motivate staffs on procedures and processes pertaining to accounting records.*
- *Closely monitor the works of the subordinates to ensure the procedures and processes were adhered to at all times.*

16. Inappropriate use of Advance Account

Audit noted the following anomalies for the expenditure recorded in the advance general ledger account.

- Ministry staffs were taking advances for personal purposes other than official duties or travel; and
- Salary deductions were not made recovery of advance given to the staffs of the Ministry.

The Committee was informed that the Ministry has taken active role to recover the outstanding advances as per table 37.25. The status of the advance is as follows:

Date	Cheque/ EFT No.	Amount (\$)	Payee EDP	Position	Purpose of Request	Outstanding Balance (\$)	Remarks	Status
9/06/16	3214	500	46742	Senior Accounts Officer	The funds provided will be used for personal commitments due to financial constraints.	500	Advance given not for official purpose No salary deduction	Recovered sum of \$470 from the officer's salary from Pay 19/16 to 26/16. Remaining balance of \$30 yet to be recovered. The reminder letter will be

Date	Cheque/ EFT No.	Amount (\$)	Payee EDP	Position	Purpose of Request	Outstanding Balance (\$)	Remarks	Status
								issued to the officer on 4/9/2019.
30/9/16	3340	300	92787	Clerical Officer	Officer requested funds for personal use and stated that funds will be paid back from pay 22/2016	300		Fully recovered via RR#488469 dated 24/10/16
10/03/16	3342	600	46742	Senior Accounts Officer	Description in the payment voucher unclear	600	Advance given not for official purpose	Fully recovered via RR#488485 dated 23/12/16
14/10/16	3404	300	46742	Senior Accounts Officer	Officer requested for funds for personal commitments due to financial constraints.	300	No salary deduction	Not Recovered. The reminder letter will be issued to the officer on 4/9/2019.
25/10/16	3429	1,000	94012	Assistant Accounts Officer		1,000		Fully recovered via RR#488480 dated 22/12/16
26/10/16	3436	300	46742	Senior Accounts Officer	Description in the payment voucher unclear. There was no supporting documents indicating purpose and approval.	300	No evidence of approval. Payment voucher not certified. No deduction input was made in the subsequent pays 23-26 of 2016	Not recovered. The reminder letter will be issued to the officer on 4/9/2019.
11/10/16	3483	300	46742	Senior Accounts Officer	Officer requested for funds for personal commitments.	300	Advance given not for official purpose. No salary deduction	Not recovered. The reminder letter will be issued to the officer on 4/9/2019.
30/09/16	42802	300	64929	IT Officer	Officer requested funds to assist officer financially as officer's contract remain pending with the Minister.	300		Partially recovered sum of \$200 via RR#488484 dated 23/12/16. The remaining balance to be recovered from the officers pay from 20/2019
21/10/16	42937	1,500	90909	N/A	Officer requested funds for personal commitments.	1,500		Activate the deduction from Pay 19/2019

Actions to be taken are:

Person	Action Taken	Funds Recovery
Senior Accounts Officer	Person has been terminated	\$1400 remains as outstanding balance. During September, 2019 legal action shall be taken.
Secretary to Deputy Secretary	The Ministry shall be writing to Ministry of Civil Service to seek opinion on appropriate actions that shall be taken. The person shall be given a warning letter during the month of September, 2019.	MLG - Finance has spoken to the Staff and informed that direct deductions shall commence from Pay 19.
IT Officer	The Permanent Secretary Ministry of Waterways and Environment shall be informed on the situation.	MLG Finance shall be speaking with Accountants Ministry for Waterways and Environment for recovery.

17. Anomalies in Payments

Audit review of the payments records revealed the following anomalies:

- Payment vouchers were not authorised;
- Supporting documents were not attached to payment vouchers;
- Supporting documents attached to payment vouchers were not stamp "PAID"; and
- Expenditure was not recorded in the correct general ledger account in the general ledger system.

The Committee was informed that all staffs employed in payments during 2016/17 were no longer in employment. Improved vigilance via recruitment of staffs at senior level shall ensure that the Ministry minimize such anomalies. Ministry shall be preparing a financial risk management plan which shall be signed by the Permanent Secretary and implemented before 31st January, 2020 [mid of fiscal year 2019/20].

CONCLUSION

The Committee noted that the Auditor-General had issued unmodified opinions on 43 per cent of the 2017 financial statements audited in the economic services sector and modified opinion on the 57 per cent of the audited financial statements. Ministries need to give close attention to the deficiencies highlighted under other significant matters of the audit report.

The Committee also emphasises on the timely preparation of quality draft annual financial statements and internal control assessments. This was one of the major issues which need to be addressed by those charged with governance. Therefore, the Committee looks forward to the Government Ministries to implement the recommendations highlighted by the Auditor-General and the Public Accounts Committee. A prompt action is required by these agencies to improve their financial accountability.

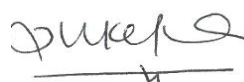
We, the undersigned Members of the Standing Committee on Public Accounts agree with the contents of this report:



.....
Hon. Alvick Maharaj
(Chairperson)



.....
Hon. Joseph Nand
(Deputy Chairperson)



.....
Hon. Ro Teimumu Kepa
(Member)



.....
Hon. Aseri Radrodro
(Member)

APPENDICES

PUBLISHED WRITTEN EVIDENCE

Copies of the written evidences and supplementary responses from the 6 Ministries is accessible on the Parliament Website on the following link provided:
<http://www.parliament.gov.fj/committees/standing-committee-on-public-accounts/>

REPORT OF THE AUDITOR GENERAL

The Report of the Auditor General of the Republic of Fiji – 2017 Audit Report on Economic Services Sector (Parliamentary Paper No. 9 of 2019) can be retrieved from the Fiji Parliament website:
<http://www.parliament.gov.fj/wp-content/uploads/2019/02/10-Report-of-the-Auditor-General-of-the-Republic-of-Fiji-2017-Audit-Report-on-Economy-Services-Sector.pdf>