



STANDING COMMITTEE ON PUBLIC ACCOUNTS

Review of the Audit Report on General Administration Sector - Audits of Government Ministries and Departments for the period 2016-2017 Financial Year



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CHAIRPERSON'S FOREWORD



I am pleased to present the Committee review report on the 2017 Audit Report for the General Administration Sector. The report covers the audit results of all Government Ministries and Departments under the General Administration Sector. This is the 2nd Volume of the five (5) Volumes that were referred to the Public Accounts Standing Committee.

The report shows the financial performances of the various Ministries and Departments that were covered under this sector and the audit issues identified during the time of audit. The Office of the Auditor General had issued audit opinions on 23 financial statements of ministries and departments in the General Administration Sector for the 2016-2017

financial year.

The Committee in its communications to Ministries and Departments requested for updates on the progress that they have made in implementing the audit recommendations and actions taken to address the issues that were identified during the time of audit.

It is important to note that Ministries and Departments that were scrutinized by the Committee were not invited for an 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.

In fact, there are matters that still need to be addressed as shown in the recommendations and committee observations, the report identified audit issues within 23 Ministries and Departments for 2016 - 2017. Out of these twenty three (23), seventeen (17) ministries and departments were provided with an Unqualified audit opinion with attention drawn in some instances.

Of some concern, however, was that a total of six (6) ministries and departments were provided with a Qualified audit opinion. The qualified audit report emanated from issues ranging from unsubstantiated and unreconciled general ledger account variances, accounting irregularities in account balances, non-disclosure of account balances, board of surveys either not carried out or carried out but the losses were not approved or not recorded as losses to government and stock take were not carried out.

Furthermore, the Committee identified and highlighted that capacity is an inherent issue with accounting officers lacking the basic fundamentals required for reconciling and maintaining accounts, lacking of basic financials report trainings, lack of monitoring and supervision by Manger Finance and Senior Management.

This report contains few recommendations and observations made by the Committee. These recommendations have been made in good faith, and we urge the relevant party to which the recommendation is made, to consider and respond accordingly. Some of the general recommendations made to the various ministries and departments are as follows:

- 1) Ministries giving grants to ensure that the OAG audits the entities that receives Government grant;
- 2) Annual Reports should be requested as part of KPIs for Chief Accounting Officers for the various Ministries and Departments;
- 3) Ministries and Departments to also consider gender budgeting; and
- 4) Ministries and Departments to provide annual updates and achievements on funds appropriated for the National Development Plan (NDP) and Sustainable Development Goals (SDG) related programmes and projects.

In addition to the above, the Committee also endorses the following recommendations to address the audit issues that were raised-;

- Ministry of Economy should increase staffing and resources in their Internal Audit Division in order to be able to conduct (quarterly and bi annual) internal audit inspections to all Ministries and Departments;
- Ministry of Economy should conduct regular and timely training for Financial Officers on FMIS and ensure that the system is compatible with the actual operations of the Ministries and Departments;
- Ministries and Departments should ensure that daily reconciliations are conducted and also strengthen their internal controls in terms of separation of duties and conducting supervisory checks; and
- Finally, Ministries and Departments should promptly take action on valid recommendations made by the Office of the Auditor General.

At this juncture, I wish to thank my fellow committee members, namely: Hon. Joseph Nitya Nand (Deputy Chairperson), former MP Hon. Vijendra Prakash, Hon. Aseri Radrodro, and Hon. Ro Teimumu Kepa for their efforts and contribution in the scrutiny process of the Audit Report and the final compilation of this report. I also extend my gratitude to Hon. Mikaele Leawere who stood in as an alternate Member.

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



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 Radrodro
(Opposition Member)



Hon. Ro Teimumu Kepa
(Opposition Member)



Hon. Vijendra Prakash
(former Government Member)

ACRONYMS

| | |
|-------------|---|
| BOS | Board of Survey |
| CIU | Construction Implementation Unit |
| FS | Financial Statements |
| FY | Financial Year |
| FMIS | Financial Management Information System |
| JEE | Job Evaluation Exercise |
| LPO | Local Purchasing Order |
| MOA | Memorandum of Agreement |
| NDP | National Development Plan |
| OAG | Office of the Auditor General |
| SDGs | Sustainable Development Goals |
| TMA | Trading and Manufacturing Account |
| VQR | Vehicle Quarterly Report |

INTRODUCTION

Background

Standing Order 109(2) (d) mandates the Committee to “...– including examining the accounts of the Government of the Republic of Fiji in respect of each financial year and reports of the Auditor-General, and for any other matter relating to the expenditures of the Government of the Republic of Fiji or any related body or activity (whether directly or indirectly) that the committee sees fit to review. The committee must only examine how public money has been dealt with and accounted for in accordance with the written law and must not examine the merits of the underlying policy that informs public spending”

This Report looks at the Report of the Auditor General on General Administration Sector, particularly on the annual accounts of Ministries and Departments for the period 2016 - 2017, Parliamentary Paper No. 7 of 2019.

Copies of the relevant Auditor-General's reports are available for perusal on the Parliament website www.parliament.gov.fj under “Parliament Business”.

Committee Members

The Standing Committee on Public Accounts comprises the following Members of Parliament:

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

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

- Section 01 - Office of the Prime Minister
- Section 02 - Office of the Attorney General and the Solicitor General
- Section 03 - Ministry of Economy
- Section 05 - Ministry of iTaukei Affairs
- Section 06 - Ministry of Defence, National Security and Immigration
- Section 07 - Ministry of Employment, Productivity and Industrial Relations
- Section 08 - Ministry of Foreign Affairs
- Section 09 – Office of the Auditor General
- Section 10 - Fijian Elections Office
- Section 11 - Judiciary
- Section 12 – Parliament Office
- Section 13 – Independent Commissions
 - Fiji Independent Commission Against Corruption
 - Public Service Commission
- Section 14 - Office of the Director of Public Prosecutions
- Section 15 – Ministry of Justice
- Section 15A – Fiji Corrections Service
- Section 16 – Ministry of Communication, Department of Information and Communication
- Section 16A – Department of Information Technology and Computing Services
- Section 17 – Ministry of Civil Service
- Section 18 – Ministry of Rural and Maritime Development and National Disaster Management
- Section 19 – Republic of Fiji Military Forces

- Section 20 – Fiji Police Force
- Section 49 – Peacekeeping Missions

It is important to note that the Committee scrutinizes the audit report for the above named Ministries and Departments without interviewing their Senior Officials because of the COVID 19 restrictions but requested written responses on audit issues that were raised.

The Committee in its correspondences to these various Ministries and Departments seek for updates on the progress of implementations on the audit recommendations and how the audit issues raised.

Types of audit opinions issued

In accordance with International Standard of Auditing, the Office of the Auditor General ('OAG') expressed an **unmodified opinion (unqualified)** when the financial statements were prepared in accordance with the Financial Management Act 2004, Financial Management (Amendment) Act 2016, Finance Instructions 2010, Finance (Amendment) Instructions 2016 and with relevant legislative requirements. This type of opinion indicated that material misstatements, individually or in the aggregate, were not noted in the audit, which would affect the financial statements of an entity.

The OAG would issue a **modified opinion (qualified)** when obtained sufficient appropriate audit evidence and concluded that misstatements, individually or in the aggregate, were material, but not pervasive, to the financial statements; or when OAG was unable to obtain sufficient appropriate audit evidence on which to base the opinion, but the auditor concluded that the possible effects on the financial statements of undetected misstatements, if any, could be material but not pervasive.

An **adverse opinion** was expressed when OAG obtained sufficient appropriate audit evidence, concluded that misstatements, individually or in the aggregate, were both material and pervasive to the financial statements.

The OAG issues a **Disclaimer of Opinion** when the OAG was unable to obtain sufficient appropriate audit evidence on which to base the opinion and OAG concluded that the possible effects on the financial statements of undetected misstatements, if any, could be both material and pervasive.

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

GENERAL ADMINISTRATION SECTOR - AUDIT OPINIONS

The following table presented the results of the audit carried out by the Office of the Auditor General for 2016-2017 financial statements of ministries and departments in the General Administration Sector.

| Section | Ministry /Department | Date Audit Report Signed | Audit Opinion Type |
|---------|---|--------------------------|--------------------|
| 1 | Office of the President | 8/3/2018 | Unmodified |
| 2 | Office of the Prime Minister | 13/02/18 | Unmodified |
| 3 | Office of the Attorney-General | 29/01/18 | Unmodified |
| 5 | Ministry of i-Taukei Affairs | 30/04/18 | Unmodified |
| 6 | Ministry of Defence, National Security and Immigration | 3/5/2018 | Modified |
| 7 | Ministry of Employment, Productivity and Industrial Relations | 24/07/18 | Modified |
| 8 | Ministry of Foreign Affairs | 20/06/18 | Unmodified |

| | | | |
|------|---|-----------|------------|
| 9 | Office of the Auditor-General | 18/10/17 | Unmodified |
| 10 | Fijian Elections Office | 17/12/18 | Unmodified |
| 11 | Judiciary | 12/7/2018 | Modified |
| 12 | Parliament Office | 22/11/17 | Unmodified |
| 13 | Independent Commissions: | | |
| | Fiji Independent Commission Against Corruption | 24/01/18 | Unmodified |
| | Public Service Commission | 23/05/18 | Unmodified |
| 14 | Office of the Director of Public Prosecutions | 18/12/17 | Unmodified |
| 15 | Ministry of Justice | 22/05/18 | Modified |
| 15A | Fiji Corrections Service | 4/9/2018 | Unmodified |
| 16 | Ministry of Communication | 14/03/18 | Unmodified |
| 16A. | Department of Information Technology & Computing Services | 11/5/2018 | Unmodified |
| 17 | Ministry of Civil Service | 23/05/18 | Unmodified |
| 18 | Ministry of Rural and Maritime Development and National Disaster Management | 3/4/2018 | Modified |
| 19 | Republic of Fiji Military Forces | 16/04/18 | Modified |
| 20 | Fiji Police Force | 19/03/18 | Unmodified |
| 49 | Peacekeeping Missions | 3/5/2018 | Unmodified |

Results of the Audits

As at 30 September 2018, the Office of the Auditor General issued audit opinions on 23 agency financial statements of ministries and departments in the General Administration Sector for the 2016-2017 financial year.

Quality and timelines of financial statements

The financial statements of most ministries and departments were delayed. The quality of agency financial statements of some ministries and departments were not of good quality. The OAG had issued unmodified opinions for the 17 agencies financial statements for 2016 -2017.

Figure 1 - Independent Audit Reports issued for 2016-2017 financial year.

| | Unmodified Opinion | Modified Opinion |
|------------------|--------------------|------------------|
| Number of Audits | 17 | 6 |
| Percentage Total | 74% | 26% |

A total of 23 ministries and departments were audited under the General Administration Sector. Out of these 23, there were 17 financial statements issued with an unqualified audit reports while 6 agencies financial statements were issued with a qualified audit reports.

A majority of the ministries and departments in the General Administration Sector submitted the draft financial statements for 2017 well after the deadline of 16 October 2017 set by the Ministry of Economy. Only a few agencies submitted their draft financial statements on or before the deadline.

The draft financial statements for 2016-2017 of 14 or 61% of ministries and departments in the General Administration Sector were not adjusted during the OAG audit. The remaining financial statements were adjusted through audit adjustments.

Review Findings on the General Administration Sector

General Recommendations:

- 1) Ministries giving grants to ensure that the OAG audits the entities receiving those grants;***
- 2) Annual Reports should be requested as part of KPIs for Chief Accounting Officers for the various Ministries and Departments;***
- 3) Ministries and Departments to also consider gender budgeting; and***
- 4) Ministries and Departments to provide update and achievements on funds appropriated for the National Development Plan (NDP) and Sustainable Development Goals (SDG) programmes and projects.***

Section 1 Office of the President

PART A: FINANCIAL STATEMENTS

1.1 Audit Opinion

The audit of the 2017 accounts for the Office of the President resulted in the issued of an unqualified audit opinion.

1.2 Statement of Receipts and Expenditure

The Office of the President recorded revenue totalling \$1,040 and incurred a total expenditure of \$1,958,566 for the year ended 31 July 2017. Details are provided in Table 1.1

Table 1.1: Statement of Receipts and Expenditure for 2017

| Description | 31-Jul 2017 (\$) | 31-Jul 2016 (\$) |
|------------------------------------|---------------------|---------------------|
| State revenue | 1,040 | 676 |
| Total Revenue | 1,040 | 676 |
| Established staff | 634,847 | 380,706 |
| Government wage earners | 189,884 | 111,735 |
| Travel and communications | 465,514 | 866,952 |
| Maintenance and operations | 380,314 | 265,878 |
| Purchase of goods and services | 184,652 | 118,421 |
| Total Operating Expenditure | 1,855,211 | 1,743,692 |
| Value Added Tax | 103,355 | 40,501 |
| Total Expenditure | 1,958,566 | 1,784,193 |

1.3 Appropriation Statement

The Office of the President incurred expenditure totaled to \$1.9 million in 2017 against a revised budget of \$3.5 million, resulting in a saving of \$1.5 million or 45%. The large savings was due to the deferment of major capital projects namely the Coronation Ground Drainage, upgrading of the Vakaturunulua and installation of the fire alarm system to the 2017 – 2018 financial year.

1.2 Appropriation Statement for 2017 financial year

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) a | Actual Expenditure (\$) b | Lapsed Appropriation (\$) (a-b) |
|-----|--------------------------|----------------------------|-----------------|----------------------------------|------------------------------------|--|
| 1 | Established Staff | 649,621 | (6,562) | 643,059 | 634,847 | 8,212 |
| 2 | Government Wage Earners | 230,604 | (30,787) | 199,817 | 189,884 | 9,933 |
| 3 | Travel & Communication | 311,900 | 159,054 | 470,954 | 465,514 | 5,440 |
| 4 | Maintenance & Operations | 483,400 | (94,315) | 389,085 | 380,314 | 8,771 |

| | | | | | | |
|----|------------------------------------|------------------|-----------------|------------------|------------------|------------------|
| 5 | Purchase of Goods & Services | 157,400 | 32,186 | 189,586 | 184,652 | 4,934 |
| | Total Operating Expenditure | 1,832,925 | 59,576 | 1,892,501 | 1,855,211 | 37,290 |
| 8 | Capital Construction | 1,492,248 | (59,576) | 1,432,672 | --- | 1,432,672 |
| | Total Capital Expenditure | 1,492,248 | (59,576) | 1,432,672 | --- | 1,432,672 |
| 13 | Value Added Tax | 220,000 | --- | 220,000 | 103,355 | 116,645 |
| | TOTAL | 3,545,173 | --- | 3,545,173 | 1,958,566 | 1,586,607 |

The Committee was informed that the Office of the President incurred a significant savings in its Capital Construction allocation for the said period. A revised budget of \$1,432,672 was approved to be used during the financial year. However, the fund was not utilized resulting in a saving of \$1,432,672 or 100%. The Committee was further informed that this was due to the Office deferring the Coronation Ground Drainage Phase 2 project until the Master Plan for the upgrading of the entire Presidential Compound has been considered and funded by Government.

The upgraded of the Vakaturunulua and the installation of the fire alarm system projects were commenced only in the 2017-2018 financial year under ***Government's revised approach to upgrading the Executive Residences comprising of the State House, the Prime Minister's Residence, the Chief Justice's Residence and the Borron House.***

Under the new approach to managing the upgrading of the Executive Residences, ***Government transferred all responsibilities of the projects to the Construction Implementation Unit (CIU) under the Ministry of Economy.*** This meant that the Office of the President had to return all the project funds that were allocated in the 2016-2017 financial year.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

1.4 Internal Controls

The Auditor-General is of the view that after the assessment was conducted, the internal controls for the Office of the President are 'generally effective' however there were deficiencies that has been identified in its internal controls.

The Committee noted the OAG's assessment of internal controls, the end of year financial statements, the quality of financial statements and the Office of the President response to the Management comments and the signing of the Financial Statements. The Committee notes with concern the rating given to the Ministry on the timely submission by the OAG being ineffective.

The Committee was advised that the delay in submission of the Office's draft financial statements was due to the transition and familiarization period of the newly appointed Manager Finance upon the resignation of his predecessor in July 2017 to join the Office of the Prime Minister. The new Manager Finance commenced duties at the end of August 2017 and he was recruited from the private sector following the Open Merit Recruitment Process, hence he had to quickly managed and resolved the closing of all the Accounts and also submitted the Financial Statement on 16 October, 2017.

The mechanisms that the Office had implemented to ensure that the draft financial statements were submitted to the Office of the Auditor General in a timely manner was to strictly adhere with MOE's Timeline for Closing of Accounts and to improve its financial management operations in accordance with the Finance Management Act of 2004, the Financial Instructions and the Office's Finance Manual.

The Committee notes the explanation given by the Office of the President and recommended that it also prepares and submits its Annual Reports in a timely manner. It is also requested that the Office of the Auditor General to provide an update of the renovation undertaken at the Executive Residences comprising of the State House, the Prime Minister's Residence, the Chief Justice's Residence and the Borron House in its next audit report.

Section 2

Office of the Prime Minister

PART A: FINANCIAL STATEMENTS

2.1 Audit Opinion

The audit of the 2017 accounts of the Office of the Prime Minister ('OPM') had resulted in the issuance of an unqualified audit opinion.

2.2 Statement of Receipts and Expenditure

The Office of the Prime Minister collected state revenue totalling \$145,991 and incurred a total expenditure of \$9,078,591 for the year ended 31 July 2017. Details are provided in Table 2.1.

Table 2.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|------------------------------------|-------------------|-------------------|
| State Revenue | 145,991 | 47,664 |
| Total Revenue | 145,991 | 47,664 |
| Established Staff | 2,252,683 | 1,464,308 |
| Government Wage Earners | 483,752 | 275,447 |
| Travel & Communications | 1,416,646 | 813,869 |
| Maintenance & Operations | 634,255 | 478,457 |
| Purchase of Goods & Services | 150,666 | 146,342 |
| Operating Grants & Transfers | 659,573 | 512,690 |
| Special Expenditures | 190,041 | 146,605 |
| Total Operating Expenditure | 5,787,616 | 3,837,718 |
| Capital Construction | 17,871 | --- |
| Capital Grants and Transfers | 3,163,482 | 2,036,944 |
| Total Capital Expenditure | 3,181,353 | 2,036,944 |
| Value Added Tax | 109,622 | 90,081 |
| Total Expenditure | 9,078,591 | 5,964,743 |

The Committee noted that the financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seventh month period whereas the financial statements for the year ended 2017 was for a 12 month period. This contributed to a significant variance with the comparative balances for some account areas.

2.3 Appropriation Statement

The OPM incurred expenditure totalling \$9.1 million in 2017 against a revised budget of \$17.6 million and carried over \$5.8 million in accordance with Section 19 of the Financial Management Act, resulting in savings of \$2.7 million or 18%. The savings was mainly attributed to operating expenditure.

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

Table 2.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Carry- Over (\$) | Lapsed Appropriation |
|--------------|------------------------------------|----------------------------|-----------------|-----------------------------|-------------------------------|------------------------|-------------------------|
| 1 | Established Staff | 2,936,529 | --- | 2,936,529 | 2,252,683 | | 683,846 |
| 2 | Government Wage Earners | 537,277 | --- | 537,277 | 483,752 | --- | 53,525 |
| 3 | Travel & Communication | 2,300,720 | (20,000) | 2,280,720 | 1,416,646 | --- | 864,074 |
| 4 | Maintenance & Operations | 878,700 | (4,500) | 874,200 | 634,255 | --- | 239,945 |
| 5 | Purchase of Goods & Services | 329,900 | (26,881) | 303,019 | 150,666 | --- | 152,353 |
| 6 | Operating Grants & Transfers | 815,000 | --- | 815,000 | 659,573 | --- | 155,427 |
| 7 | Special Expenditure | 258,100 | 27,731 | 285,831 | 190,041 | --- | 95,790 |
| | Total Operating Expenditure | 8,056,226 | (23,650) | 8,032,576 | 5,787,616 | --- | 2,244,960 |
| 9 | Capital Construction | --- | 23,650 | 23,650 | 17,871 | --- | 5,779 |
| 10 | Capital Grants and Transfers | 9,200,000 | --- | 9,200,000 | 3,163,482 | 5,818,901 | 217,617 |
| Total | Capital Expenditure | 9,200,000 | 23,650 | 9,223,650 | 3,181,353 | 5,818,901 | 223,396 |
| 13 | Value Added Tax | 339,100 | --- | 339,100 | 109,622 | --- | 229,478 |
| | TOTAL | 17,595,326 | --- | 17,595,326 | 9,078,591 | 5,818,901 | 2,697,834 |

The Office of the Prime Minister collected revenue totalling \$145,991 in 2017, an increase of 206% from the previous year.

Carry-Over of Appropriation

The carry-over of \$5,818,901 in Capital Grants & Transfers (Small Grants Project) was approved by the Honourable Minister for Economy in accordance with Section 19 of the Financial Management Act 2004.

The Committee was informed that the OPM was appropriated \$9m for the Small Grant Projects in the 2016/17 budget estimate. Towards the end of the financial year -31 July 2017, \$5.82m in small grant projects were un-utilized (not paid/spent) but had projects that were committed for-work had commenced that were "in progress" and therefore funds were needed for these projects. These included 38 projects. There was no carry over as OPM only utilized the fund allocated in the 2016/17 budget.

In this regard, the OPM had reassured the Committee that it would ensure that funds allocated for Small Grant in a given financial year is fully utilized within that year.

The Committee notes that Section 19 (1) of the FMA 2004 stated that,

If an amount appropriated by an Annual Appropriation Act for a financial year-

- (a) has not been used in that financial year; or*
- (b) is unlikely to be used in that financial year,*

the Minister may authorize the carry over to the following year of all or part of the unused appropriation that relates to known liabilities as at a particular date, and the amount authorized for carry-over may be used accordingly in that following year, subject to such conditions as the Minister specifies in the authorization.

2.4 Main Trust Fund Account

Trust money was accounted separately from public money and other money. Trust money was kept in a separate bank account pending its withdrawal for use. The Office of the Prime Minister operated and maintained four main trust fund bank accounts which included the following;

2.4.1 Chinese Grant Trust Fund Account

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

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

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

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

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------------|-------------------|-------------------|
| Receipts | | |
| Interest | 496 | 178 |
| Assistance & Refunds | 211,434 | 8,948 |
| Total Receipts | 211,930 | 9,126 |
| Payments | | |
| Withholding Tax | 50 | 18 |
| Statement Fee | 3 | --- |
| Withdrawal Transfer – Bank Fees | --- | 40 |
| Total Payments | 53 | 58 |
| Net Surplus | 211,877 | 9,068 |
| Opening balance as at 1 August | 360,929 | 351,861 |
| Closing Balance as at 31 July | 572,806 | 360,929 |

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

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

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

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

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

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------------|----------------------|----------------------|
| Receipts | | |
| Interest Received | 50 | 21 |
| Other Receipts | --- | 41,849 |
| Total Receipts | 50 | 41,870 |
| Payments | | |
| Withholding Tax | 5 | --- |
| Withdrawal Transfer – Bank Fees | --- | 43 |
| Total Payments | 5 | 43 |
| Net Surplus | 45 | 41,827 |
| Opening balance as at 1 August | 50,080 | 8,253 |
| Closing Balance as at 31 July | 50,125 | 50,080 |

2.4.3 Retention Fund Account – Statement of Receipts and Payments

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

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

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--|----------------------|----------------------|
| Receipts | | |
| Interest | 968 | 474 |
| Retention for Vatulele District School | 17,061 | --- |
| Retention for Matanuca Primary School | 12,189 | --- |
| Retention for Vunisaiki Primary School | 60,962 | --- |
| Total Receipts | 91,180 | 474 |
| Payments | | |
| Bank Fee | 97 | 40 |
| Resident Withholding Tax | 4,807 | 47 |
| Total Payments | 4,904 | 87 |

| | | |
|--------------------------------------|------------------|----------------|
| Net Surplus | 86,276 | 387 |
| Opening balance as at 1 August | 953,810 | 953,423 |
| Closing Balance as at 31 July | 1,040,086 | 953,810 |

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

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

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

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------------|----------------------|----------------------|
| Receipts | | |
| Interest | 17,095 | 8,478 |
| Transfer from Ministry of Economy | --- | 44,164 |
| License Fees | 178,317 | 1,110,987 |
| Reversal Withholding Tax | --- | 76 |
| Total Receipts | 195,412 | 1,163,705 |
| Payments | | |
| Bank Chargers | 43 | 76 |
| Withholding Tax | 1,710 | 923 |
| Refund of License Fee | 532,795 | --- |
| Total Payments | 534,548 | 999 |
| Net (Deficit)/Surplus | (339,136) | 1,162,706 |
| Opening balance as at 1 August | 2,068,910 | 906,204 |
| Closing Balance as at 31 July | 1,729,774 | 2,068,910 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

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

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|-----------------------------------|----------------------|----------------------|
| Receipts | | |
| Interest | 17,095 | 8,478 |
| Transfer from Ministry of Economy | --- | 44,164 |
| License Fees | 178,317 | 1,110,987 |

| | | |
|--------------------------------------|------------------|------------------|
| Reversal Withholding Tax | --- | 76 |
| Total Receipts | 195,412 | 1,163,705 |
| Payments | | |
| Bank Chargers | 43 | 76 |
| Withholding Tax | 1,710 | 923 |
| Refund of License Fee | 532,795 | --- |
| Total Payments | 534,548 | 999 |
| Net (Deficit)/Surplus | (339,136) | 1,162,706 |
| Opening balance as at 1 August | 2,068,910 | 906,204 |
| Closing Balance as at 31 July | 1,729,774 | 2,068,910 |

The Committee recommends that the OAG provides an update on each Trust Account on the implementation, supervision and monitoring of each project funded on its next audit report.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG's assessment of internal controls, the end of year financial statements, the quality of financial statements and the timeliness of the provision of the signed Financial Statements Office of the Prime Minister response to the Management comments and the signing of the Financial Statements. The Committee notes with concern the OAG rating given to the OPM on the timeliness of the submission of draft financial statement and the delayed provision of management comments being ineffective.

The Committee was informed that the late submission was due to the delay in signing of the Annual Financial Statement (AFS) by OPM management since they were officially engaged abroad. The OPM had to wait for their return to office in order to sign the AFS before submitted it to OAG's Office.

The OPM had confirmed that it would ensure that it prioritize the submission of its AFS to meet submission timeline.

The Committee noted the explanation provided by the Office of the Prime Minister and recommends that the OPM should exercise delegation of authority on the signing of financial statements and provision of management comments to ensure that they comply with the standard required timeline.

Section 3 Office of the Attorney-General

PART A: FINANCIAL STATEMENTS

3.1 Audit Opinion

The audit of the 2017 accounts of the Office of the Attorney General resulted in the issuance of an unqualified audit opinion.

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

The Office collected revenue totalling \$306,174 and incurred a total expenditure of \$13.5 million for the year ended 31 July 2017. Details are provided in Table 3.1.

Table 3.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|------------------------------------|----------------------|-------------------|
| State revenue | 296,663 | 187,785 |
| Agency revenue | 9,511 | 8,455 |
| Total Revenue | 306,174 | 196,240 |
| Established staff | 3,488,716 | 1,723,001 |
| Government wage earners | 304,459 | 170,292 |
| Travel and communications | 524,601 | 149,504 |
| Maintenance & operations | 468,710 | 306,894 |
| Purchase of goods and services | 955,164 | 913,153 |
| Operating grants and transfers | 7,307,304 | 4,680,361 |
| Special expenditures | 188,983 | 282,782 |
| Total Operating Expenditure | 13,237,937 | 8,225,987 |
| Capital construction | --- | --- |
| Capital purchase | --- | --- |
| Capital grants and transfers | --- | --- |
| Total Capital Expenditure | --- | --- |
| Value added tax | 244,928 | 243,254 |
| Total Expenditure | 13,482,865 | 8,469,241 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

Revenue mainly comprised of hotels and guest house license fees which were normally received in the last quarter of the calendar year resulting in a significant increase in state revenue.

Established staff expenditures increased by \$1,765,715 in 2017 compared to 2016 due to the pay rise for professional officers and bonus payment for officers involved in the revision of the Laws of Fiji. Operating grants and transfers expenditures increased by \$2,626,943 in 2017 compared to 2016 due to the disbursement of the full operating grant to the Legal Aid Commission and payment of domestic air services subsidy in 2017.

3.3 Appropriation Statement for 2017

The Office incurred expenditure totalling \$13.5 million in 2017 against a revised budget of \$19.6 million, resulting in a saving of \$6.1 million or 31%.

The reasons for the large savings were due to vacant positions not being filled by the Office in 2017 and the partial payment of operating grant to the Civil Aviation Authority of Fiji. Moreover, the Media Industry Development Authority was not fully active in 2017 as there were no staffs, thus grants were not released.

The Civil Aviation Authority of Fiji did not submit any further request for operating grants due to the large amount of revenue collected in 2017.

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

Table 3.2: Appropriation Statement for 2017 – Head 03 Office of the Attorney General

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimates (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|------------------------------------|----------------------|--------------|------------------------|-------------------------|---------------------------|
| 1 | Established staff | 5,259,134 | (155,000) | 5,104,134 | 3,488,716 | 1,615,418 |
| 2 | Government wage earners | 177,362 | 155,000 | 332,362 | 304,459 | 27,903 |
| 3 | Travel & communication | 226,750 | 326,000 | 552,750 | 524,601 | 28,149 |
| 4 | Maintenance & operations | 372,300 | 171,000 | 543,300 | 468,710 | 74,590 |
| 5 | Purchase of goods & services | 1,783,973 | (224,000) | 1,559,973 | 955,164 | 604,809 |
| 6 | Operating grants & transfers | 9,860,825 | (13,000) | 9,847,825 | 7,307,304 | 2,540,521 |
| 7 | Special expenditure | 1,205,000 | (260,000) | 945,000 | 188,983 | 756,017 |
| | Total Operating Expenditure | 18,885,344 | --- | 18,885,344 | 13,237,937 | 5,647,407 |
| 8 | Capital construction | 350,000 | --- | 350,000 | --- | 350,000 |
| 9 | Capital purchase | --- | --- | --- | --- | --- |
| 10 | Capital grants and transfers | --- | --- | --- | --- | --- |
| | Total Capital Expenditure | 350,000 | --- | 350,000 | --- | 350,000 |

| | | | | | | |
|----|-----------------|-------------------|------------|-------------------|-------------------|------------------|
| 13 | Value added tax | 354,500 | --- | 354,500 | 244,928 | 109,572 |
| | TOTAL | 19,589,844 | --- | 19,589,844 | 13,482,865 | 6,106,979 |

The OPM had collected revenue totalling \$306,174 in 2017, it was an increase of 56% from the previous year.

The Committee recommends that the OAG provide an update on the funds given to Civil Aviation Authority of Fiji and the Media Industry Development Authority (MIDA).

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

In 2016, less than a quarter of the annual operating grant was released to the Fiji Human Rights Commission (FHRC). The full amount which was for the whole year was paid in 2017. Moreover, the annual budget for FHRC increased by \$328,305 from 2016 to 2017. Details are provided in Table 3.3 and Table 3.4.

Table 3.3: Statement of Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|-------------------------------|-------------------------|-------------------------|
| Operating Expenditure | | |
| Operating Grants and Transfer | 1,492,656 | 194,059 |
| Total Expenditure | 1,492,656 | 194,059 |

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

Table 3.4: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|------------------------------|----------------------------|-----------------|-----------------------------|-------------------------------|---------------------------------|
| 6 | Operating grants & transfers | 1,492,657 | --- | 1,492,657 | 1,492,656 | 1 |
| | Total Operating | 1,492,657 | --- | 1,492,657 | 1,492,656 | 1 |
| | Expenditure | | | | | |
| | TOTAL | 1,492,657 | --- | 1,492,657 | 1,492,656 | 1 |

3.6 Main Trust Fund Account

Trust money was to be accounted for separately from public money and other money. Trust money was to be kept in a separate bank account pending its withdrawal for use. The Office of the Attorney General operates and maintains 2 main trust fund bank accounts which included the following;

3.6.1 Attorney General's Conference Trust Fund Account

The Trust Fund Account was established to retain surplus fund generated after the Annual Attorney General Conference to assist the next conference as the Office are only allocated \$100,000 from the yearly budget allocation.

Receipts consisted of \$100,000 that was received from the Continuing Legal Education budget of the Office and fees from private practitioners attending the Conference. Payments comprised of expenditure associated with the Attorney General Annual Conference which was usually held in December.

As at 31 July 2017, the Trust Fund Account had a balance of \$156,004.

Table 3.5: Attorney General's Conference Trust Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--|-------------------------|-------------------------|
| Receipts | | |
| Budget allocation from Consolidated Fund | 100,000 | 100,000 |
| Participants registration fees for AG's conference | 385,276 | 95 |
| Interest | 2,187 | 598 |
| Total Receipts | 487,463 | 100,693 |
| Payments | | |
| Conference accommodation | 460,839 | --- |
| Conference stationery | 16,681 | --- |
| Conference transportation | 1,600 | --- |
| Conference advertising | 6,624 | --- |
| Conference incidental | 21,767 | --- |
| Conference speakers travel | 16,664 | --- |
| Meal claims | 774 | --- |
| Refund of registration | 8,874 | --- |
| Withholding Tax | 219 | 60 |
| Bank charges | 143 | 24 |
| Total Payments | 534,185 | 84 |
| Net (Deficit)/Surplus | (46,722) | 100,609 |
| Opening balance as at 1 August | 202,726 | 102,117 |
| Closing Balance as at 31 July | 156,004 | 202,726 |

3.6.2 Law of Fiji Trust Fund Account

The Laws of Fiji Fund was established on 18 December 2016 to fund the cost of publication and printing of the Laws of Fiji and to provide funding for future law revision costs

As at 31 July 2017, the Laws of Fiji Trust Fund Account had a balance of \$931,143. This balance was made up of the payments received from the respective buyers of the revised set of the “Laws of Fiji” volumes.

Table 3.6: Laws of Fiji Trust Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|----------------------------|-------------------------|-------------------------|
| Receipts | | |
| Laws of Fiji Book Order | 1,358,685 | --- |
| Interest | 3,036 | --- |
| Total Receipts | 1,361,721 | --- |
| Payments | | |
| Laws of Fiji Book payments | 430,239 | --- |
| Withholding Tax | 304 | --- |
| Bank charges | 35 | --- |
| Total Payments | 430,578 | --- |
| Net Surplus | 931,143 | --- |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG’s assessment of internal controls, the end of year financial statements, the quality of financial statements, the timeliness of the draft Financial Statements, and the timeliness of the provision of the Management Comments and signing of Financial Statements was generally effective.

Section 5 Ministry of i-Taukei Affairs

PART A: FINANCIAL STATEMENTS

5.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of i-Taukei Affairs resulted in the issuance of an unqualified audit opinion.

5.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$15,779 and incurred a total expenditure of \$11,444,306 for the year ended 31 July 2017. Details are provided in Table 5.1.

Table 5.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|------------------------------------|-------------------------|-------------------------|
| State Revenue | 2,596 | 17,967 |
| Agency Revenue | 13,183 | 1,604 |
| Total Revenue | 15,779 | 19,571 |
| Established Staff | 2,491,844 | 1,275,161 |
| Government Wage Earners | 164,287 | 98,642 |
| Travel & Communications | 162,715 | 56,793 |
| Maintenance & Operations | 375,974 | 155,490 |
| Purchase of Goods and Services | 214,262 | 105,788 |
| Operating Grants and Services | 6,545,900 | 3,272,351 |
| Special Expenditure | 739,619 | 603,858 |
| Total Operating Expenditure | 10,694,601 | 5,568,083 |
| Capital Grants and Transfers | 636,546 | 389,586 |
| Total Capital Expenditure | 636,546 | 389,586 |
| Value Added Tax | 113,159 | 75,922 |
| Total Expenditure | 11,444,306 | 6,033,591 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

5.3 Appropriation Statement

The Ministry incurred expenditure totalling \$11.4 million in 2017 against a revised budget of \$11.5 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$75,554 or 0.7%.

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

Table 5.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|------------------------------------|----------------------|-----------------|-----------------------|-------------------------|---------------------------|
| 1 | Established staff | 2,757,142 | (247,220) | 2,509,922 | 2,491,844 | 18,078 |
| 2 | Government wage earners | 114,400 | 50,000 | 164,400 | 164,287 | 113 |
| 3 | Travel & communication | 100,212 | 63,220 | 163,432 | 162,715 | 717 |
| 4 | Maintenance & operations | 275,500 | 103,800 | 379,300 | 375,974 | 3,326 |
| 5 | Purchase of goods & services | 154,000 | 61,200 | 215,200 | 214,262 | 938 |
| 6 | Operating grants & transfers | 6,545,900 | --- | 6,545,900 | 6,545,900 | --- |
| 7 | Special expenditure | 770,608 | 20,000 | 790,608 | 739,619 | 50,989 |
| | Total Operating Expenditure | 10,717,762 | 51,000 | 10,768,762 | 10,694,601 | 74,161 |
| 10 | Capital grants and transfers | 688,798 | (51,000) | 637,798 | 636,546 | 1,252 |
| | Total Capital Expenditure | 688,798 | (51,000) | 637,798 | 636,546 | 1,252 |
| 13 | Value added tax | 113,300 | --- | 113,300 | 113,159 | 141 |
| | TOTAL | 11,519,860 | --- | 11,519,860 | 11,444,306 | 75,554 |

The Ministry collected revenue totalling \$15,779 in 2017, a decrease of 19% from the previous year.

The Committee notes the increase in operating grants and services expenditure from \$3.2million in 2016 to \$6.5million in 2017 and recommends that the OAG provide an update on how the value for money is achieved by the Ministry on the disbursing of these funds.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG's assessment of internal controls, the end of year financial statements, the quality of financial statements, the timeliness of the draft Financial Statements, and the timeliness of the provision of the Management Comments and signing of Financial Statements of the Ministry of I-Taukei Affairs. The ratings were generally effective.

Section 6 Ministry of Defence, National Security and Immigration

PART A: FINANCIAL STATEMENTS

6.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Defence, National Security and Immigration resulted in the issuance of a qualified audit opinion. The reasons for the qualified audit opinion were as follows:

- There was an unreconciled variance of \$3,006,088 between the Integrated Border Control Management System (IBMS) which records the Department of Immigrations operating revenue and the FMIS General Ledger. As a result, the OAG was unable to substantiate the correctness of the operating revenue balance of \$13,490,542 recorded in the financial statements for the year ended 31 July 2017.
- Detailed listings of work permit holders for whom security bond totalling \$25,215,349 was held in trust as at 31 July 2017 were not maintained by the Department of Immigration. As a result, the OAG was unable to establish the completeness of the amount of security bond reflected in the Immigration Bond Trust Fund Account.

6.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$13,507,264 and incurred a total expenditure of \$7,810,488 for the year ended 31 July 2017. Details are provided in Table 6.1.

Table 6.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|----------------------------------|-------------------|-------------------|
| State Revenue | 13,490,633 | 7,197,715 |
| Agency Revenue | 16,631 | 44,185 |
| Total Revenue | 13,507,264 | 7,241,900 |
| Established Staff | 4,166,371 | 2,472,932 |
| Government Wage Earners | 356,428 | 181,412 |
| Travel & Communications | 406,373 | 180,951 |
| Maintenance & Operations | 646,282 | 408,727 |
| Purchase of Goods & Services | 1,080,880 | 617,027 |
| Operating Grants & Transfers | 56,265 | 10,708 |
| Special Expenditure | 662,149 | 284,695 |
| Total Operating Expenditure | 7,374,748 | 4,156,452 |
| Capital Construction | 90,647 | 16,227 |
| Capital Purchases | 91,291 | 29,951 |
| Total Capital Expenditure | 181,938 | 46,178 |
| Value Added Tax | 253,802 | 154,132 |
| Total Expenditure | 7,810,488 | 4,356,762 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

6.3 Appropriation Statement

The Ministry incurred expenditure totalling \$7.8 million in 2017 against a revised budget of \$8.6 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$0.8 million or 10%.

The savings of \$358,709 under the Capital Purchases allocation was due to non-utilisation of funds allocated for the Integrated Passport Issuance System. The funds were budgeted for additional computers and user licenses for the new Immigration office in Nadi. Due to delays in getting suitable office space, budgeted funds could not be utilised.

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

Table 6.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|------------------------------------|----------------------------|-----------------|-----------------------------|-------------------------------|---------------------------------|
| 1 | Established Staff | 4,397,710 | (160,807) | 4,236,903 | 4,166,371 | 70,532 |
| 2 | Government Wage Earners | 277,249 | 80,061 | 357,310 | 356,428 | 882 |
| 3 | Travel & Communication | 305,000 | 111,924 | 416,924 | 406,373 | 10,551 |
| 4 | Maintenance & Operations | 583,437 | 82,769 | 666,206 | 646,282 | 19,924 |
| 5 | Purchase of Goods & Services | 1,170,872 | (66,569) | 1,104,303 | 1,080,880 | 23,423 |
| 6 | Operating Grants & Transfers | 35,200 | 31,000 | 66,200 | 56,265 | 9,935 |
| 7 | Special expenditure | 1,000,622 | (78,378) | 922,244 | 662,149 | 260,095 |
| | Total Operating Expenditure | 7,770,090 | --- | 7,770,090 | 7,374,748 | 395,342 |
| 8 | Capital Construction | 100,000 | --- | 100,000 | 90,647 | 9,353 |
| 9 | Capital Purchase | 450,000 | --- | 450,000 | 91,291 | 358,709 |
| | Total Capital Expenditure | 550,000 | --- | 550,000 | 181,938 | 368,062 |
| 13 | Value Added Tax | 324,900 | --- | 324,900 | 253,802 | 71,098 |
| | TOTAL | 8,644,990 | --- | 8,644,990 | 7,810,488 | 834,502 |

The Ministry collected revenue totalling \$13,507,264 in 2017, an increase of 87% from the previous year.

6.4 Main Trust Fund Account

Trust money was to be accounted for separately from public money and other money. Trust money was to be kept in a separate bank account pending its withdrawal for use. The Department of Immigration operated and maintained one Main Trust Fund Bank Account.

6.4.1 Immigration Bond Trust Fund Account

The trust fund account was used to record and maintain bonds. Bond was a sum of money paid by a non-citizen applied for a permit as security prior to the granting of the permit. The bond money was refunded when the person(s) returns to their home country at the completion of their work contract, education or other reasons. In the event where a non-citizen breaches any of the conditions of his/her permit or the non-citizen without lawful authority remains in the Fiji Islands after the expiration of his/her permit, the bond was then forfeited to the State.

Table 6.3: Immigration Bond Trust Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|-------------------------|-------------------------|
| Receipts | | |
| Immigration Bond Received | 9,222,553 | 4,139,196 |
| Total Receipts Payments | 9,222,553 | 4,139,196 |
| Immigration Bond Payment | 4,187,530 | 1,642,177 |
| Total Payments | 4,187,530 | 1,642,177 |
| Net Surplus | 5,035,023 | 2,497,019 |
| Opening balance as at 1 August | 20,180,326 | 17,683,307 |
| Closing Balance as at 31 July | 25,215,349 | 20,180,326 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG's assessment of internal controls, the end of year financial statements, the quality of financial statements, the timeliness of the draft Financial Statements, and the timeliness of the provision of the Management Comments and signing of Financial Statements were generally effective.

PART C: OTHER SIGNIFICANT MATTERS - DEPARTMENT OF IMMIGRATION

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

Other significant matters highlighted in this report, include control weaknesses which could cause difficulties in achieving the desired audit objectives to comply with relevant legislation.

These issues may have an impact on the operations of the Department in future, if necessary action is not taken to address them.

It is important to note that the deficiencies detailed in this report were identified during the OAG audit and may have been subsequently resolved by the Department. These have been included in this report as they impacted on the overall system of control of the Department as at 31 July 2017.

6.10 Variance between International Border Management System and FMIS

According to the Department of Immigration Financial Manual 2013 Section 17.2.4, reconciliation is an internal control mechanism established to ensure the accuracy of financial reports being produced not only at ministry/department level and/but most importantly at whole of government level. This provision also mandated the Senior Accounts Officer to reconcile all accounts to be submitted to the Ministry of Economy within two weeks after closing of each monthly account.

Unreconciled variance of \$3,006,087.75 exists between the total operating revenue as per the general ledger (FMIS) and the International Border Management System (IBMS) system.

Table 6.4: Comparison of GL and IBMS Balances

| | Balances as per General Ledger FMIS \$ | Balances as per IBMS \$ | Unreconciled Variance \$ |
|------------------|---|-------------------------------|--------------------------------|
| Description | | | |
| Passport Revenue | 13,490,541.88 | 10,484,454.13 | 3,006,087.75 |

The above variance was due to the following reasons:

- The Department had engaged Informatics International Limited in 2012 to implement International Border Management System (IBMS) to automate the Department's processes. Of the 11 modules, one was the receipting module whereby all revenue collected by the Department was supposed to be automated.

However, receipts from appeal fee, prohibited immigrant uplift fee, issue of citizenship certificate fee and security bond are yet to be integrated in the IBMS and are collected manually in all centres. These receipts are posted directly into the general ledger (FMIS) without being posted into the IBMS system.

- The OAG could not perform alternative audit procedures to reconcile the variance as the manual revenue register for Suva was only updated from November 2016 to July 2017 and for outer stations Nadi, Lautoka, Rotuma, Levuka and Savusavu manual register were not maintained. Therefore, the completeness and accuracy of the revenue figures recorded as per the general ledger could not be ascertained.
- In addition, the Department did not maintain necessary supporting documents for overseas remittances (immigration revenue collected overseas) to substantiate revenue that were posted in the general ledger by the Ministry of Economy and Ministry of Foreign Affairs.

The above findings indicated that the implementation of the IBMS was incomplete and does not fully support the revenue management of the Department. Poor record-keeping for manual receipts by the

respective centres has contributed significantly towards the inability of the Accounting Head to reconcile the manual receipts and IBMS revenue to the General Ledger.

As a result, OAG could not ascertain the accuracy and completeness of operating revenue disclosed in the financial statements.

The Committee noted the Department of Immigration's response and acknowledges the Auditor General's findings. The Committee was made aware that the system was not linked to government's FMIS which resulted in the revenue receipted by FMIS not being journalised and posted daily. The Department is working on fully integrating all revenue modules in IBMS which include: Issue fees (Permit), Appeal fee, PI Uplift, Citizenship fees and the bond to ensure that there is no manual receipt issued for these services. Training has already been conducted for the technical officers. This integration should see the reduction of manual receipts issued. However, in unforeseen circumstances like power outages and natural disasters which affects the supply of power, the cashier has to resort to manual receipts for the service to continue. Manual receipts are not reflected on the IBMS system.

The Fiji Embassies around the world also provide Immigration services to current and former Fiji citizens in their respective countries and collect revenue for services rendered. The Ministry of Foreign Affairs then journalises all revenue collected to FMIS on a monthly basis. This revenue is not reflected in the IBMS.

On the way forward, the Department should ensure that;

- All manual receipts to be updated into the IBMS system on a daily basis.
- All revenue collected from these respective countries should be posted into the IBMS system on a monthly basis.
- Revenue reconciliations are to be carried out monthly to ensure that revenue appearing in the Consolidated Fund Account is equal with the IBMS system.
- The Department should confirm that the 2 reports reconcile at the end of the financial year.

The Committee acknowledges and concurs with OAG recommendations that the Department:

- i. **expedite the full integration of the revenue module in the IBMS system;**
- ii. **update their manual records to ensure that all revenues received manually are recorded, reconciled and posted into IBMS and FMIS general ledger; and**
- iii. **carry out monthly reconciliations of revenue and any variances to be rectified accordingly.**

6.11 Unsubstantiated Security Bond amount

According to Policies and Management guidelines on Processing & Issuance of Non-Citizen Permits, Visa's & Exemptions – Part X Section 27.1 (i) that when a Bond is not forfeited to the State, it is returned to the non-citizen or organisation that the Bond is payable to the permit holder when departing the country.

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

As at 31 July 2017, both the security bond trust cash and trust liability general ledger had a balance of \$25,215,348.86.

The OAG highlighted that detailed listing of work permit holders equating to the security bond held in trust are not maintained by the Department. As a result, the Department was unable to establish the number of work permit holders currently in the country and those that have left the country without claiming a refund.

Despite the Department maintaining a manual Security Bond Trust register this was not up to date and it did not record the permit file reference number. As a result, it was difficult to relate the security bond to the permit file(s).

The above findings can be eliminated if improved supervisory checks are carried out over the management of the security bond records by the Senior Accounts Officer.

Also, prolonged delays in refund of the bond to permit holders may pose difficulties in tracing the permit holders and results in unnecessary accumulation of the bond amount and administrative work.

The Department appreciated the issues highlighted by the OAG and advised that work had begun on entering of all bond details in the register into Ms Excel. The bond registers kept holds information pertaining to a permit holder and these were updated daily. Bonds received and refunds made were recorded daily. These would help provide the breakdown details of the permit holder's status and balance composition.

The Committee acknowledges the explanation given by the Department of Immigration and concurred with the OAG recommendations that the Senior Accounts Officer should:

- 1. provide a breakdown of the permit holders status and balance composition/ageing as at 31 July 2017;***
- 2. ensure that the Security Bond Trust Register is maintained are up-to-date, file references are recorded appropriately and checked on a monthly basis; and***
- 3. ensure the security bonds are refunded to the permit holders or organisation in accordance with Section 27 (1) of the Policies & Management guidelines on Processing & Issuance of Non-Citizen Permits, Visas & Exemptions.***

The Committee further recommends that the OAG provides an update in its next audit report.

6.12 Losses Report not prepared for Passports Damaged in Printing Process

Officers responsible for managing assets, revenue collection or cash shall prepare a loss report whenever a loss is incurred. According to the Department of Immigration Finance Manual 2013 –Section 14.1.1, 14.1.2 and 14.1.5 that a loss report shall outline the nature of the loss, circumstances leading to it and recovery measures taken, a copy of the loss report must be submitted to the Senior Accounts Officer who shall record details of each loss in the Losses Register.

Further, according to Finance Instruction 2010 Section 63(1) (b) that a surcharge must be imposed on an Officer who directly or indirectly responsible for the destruction, damage, theft or other loss of property.

The OAG noted that a considerable number of passports were damaged during the processing stage incurring unwarranted costs and loss of revenue for the Department. In addition, a losses report was not prepared for damaged books contrary to Section 14 of the Finance Manual to instigate recovery of losses in accordance with Section 63(1) (b) of the Finance Instructions.

According to the Department, damages to passports resulted from machine errors such as printing problems, improper lamination, overheating and inking problems while some were due to human errors such as poor judgement, typing errors and incorrectly placing the passport books in the machine. Refer to Table 6.5 below for details.

Table 6.5: Details of Damaged Passports

| Year | Number of Damaged Passports | Value of Loss in Revenue (\$) |
|--------------|-----------------------------|-------------------------------|
| 2014 | 112 | 8,064 |
| 2015 | 109 | 7,848 |
| 2016 | 90 | 6,480 |
| 2017 | 111 | 7,992 |
| Total | 422 | 30,384 |

Similar concern was raised in the previous audit reports and it indicates that more expertise or improved supervision is needed over the printing of the passports.

Inability to contain and mitigate losses arising from damaged passport books results in loss of revenue for the Department.

The Department of Immigration whilst noting the OAG comments and recommends that refresher training to be conducted for officers handling passport printing. Also measures have been taken to recover the loss from damaged passport books. The loss recovered from the officers is the unrealized value of the damaged passport book. A loss report is filled and the unrealized value is collected the same day from the officers for the process to continue without delay.

The recovery will be made from the staff if it is ascertained that the fault was the cause of human error however should the error be system or machine related than only a report form is filled and submitted for **manager's information and records**.

The Committee noted the explanation given by the Department and concurs with the OAG recommendations that,

- 1. The Department should consider providing refresher training to officers printing passport books to minimize the passport book damage rate.***
- 2. Manager Passports should ensure that a losses report is prepared for damaged books and investigate the root-cause of the damages and consider taking appropriate action on responsible officer(s) if elements of negligence are noted.***

The Committee further recommends that the OAG to provide an update in its next audit report.

6.13 Absence of Risk Management Framework

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

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

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

- department operational and human resource planning;
- fraud control and anti-corruption;
- disaster recovery and business continuity, and
- assessment of potential conflicts of interest.

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

The audit finding also indicated that currently the Department does not have an established governance and accountability function to drive the risk management framework.

The Department acknowledges the OAG recommendations and will ensure to put in place a governance and accountability policy. With this in place a risk management framework will be drawn up.

The Committee noted the explanation given by the Department and recommends that,

- i. The Department should work towards establishing a governance and accountability function that supports the operations of the Department by providing financial and operational risk management and management of external reporting obligations.***
- ii. Following the establishment of the governance and accountability function, a risk management framework should be developed and continuously used.***

6.14 Untimely Preparation of Reconciliations

According to the Department of Immigration Finance Manual 2013 –Section 16.3.3 that within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, CO-Reconciliation/the Assistant Accounts officer shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.

The OAG review of the Department's payroll and main trust reconciliations revealed that monthly reconciliations were not prepared in a timely manner. Instances were noted where reconciliations were prepared after two months of receiving the monthly general ledger reports from Ministry of Economy. Refer to Appendix 6.1 and 6.2 for details.

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

The Department duly notes the OAG recommendation and will ensure that the reconciliation is submitted on time.

The Committee noted the explanation given by the Department and recommends that,

- The Accounting Head should ensure that underline accounts reconciliations are prepared within three days of receipt of the monthly general ledger reports from the Ministry of Economy.***

6.15 Anomalies noted in Journal Voucher Posting – Revenue

Each agency must have in place a cost effective system of internal controls which;

- a) safeguards money and property against loss;
- b) avoids or detect accounting errors; and
- c) avoids unfavourable audit reports.

According to the Department of Immigration Finance Manual 2013 –Section 5.5.12 that within five working days of the Ministry of Economy after the issue of the monthly General Ledger Reports, the CO-

Revenue shall reconcile the revenue figures in the report to the Revenue Statement. Further, according to the Department of Immigration Finance Manual 2013 –Section 5.5.14 that where errors or discrepancies occur, the Senior Accounts Officer shall inform the Chief Accountant in writing within 7 days of receiving the GL reports.

The OAG review of the postings made in the general ledger (FMIS) audit noted that 13 journal vouchers were posted twice, hence overstating closing revenue balance by \$617,697.25. Refer to Appendix 6.3 for details.

No explanation was provided by the Senior Accounts Officer or corrective action taken to rectify the overstatement of revenue collection in the FMIS General Ledger.

In addition, for the following journal vouchers amounting to \$432,155, source documents (bank lodgment, revenue collector's cash analysis and IBMS receipts) were not provided for audit verification. Refer to Table 6.6 below for details:

| JV Number | Details | Allocation | Amount (\$) |
|-----------|----------------------------------|----------------------|-------------|
| | | 1-06201-70999-863201 | (19,411.68) |
| 23/08/17 | Clearance of Labasa revenue from | 1-06201-70999-538101 | 107,947.00 |
| | 01-03-17 / 09-03-17 | 1-06201-70999-230306 | (99,034.00) |
| | | 1-06201-70999-863201 | (8,913.00) |
| 25/08/17 | Clearance of Labasa revenue from | 1-06201-70999-538101 | 89,111.00 |
| | 21-03-17 / 29-03-17 | 1-06201-70999-230306 | (81,754.00) |
| | | 1-06201-70999-863201 | (7,357.00) |

The above findings indicate poor supervisory checks by the Senior Accounts Officer in ensuring correct postings were made by the subordinate staffs.

Failure to reconcile and rectify the misallocations would overstate the closing revenue balance.

The Department acknowledges the recommendations of the OAG. The accounts team will raise the journals to regularise the double postings. The journal should be available for verification.

The Committee noted the explanation given by the Department and recommends that,

- i. review and strengthen its supervisory checks in the Accounts Section;***
- ii. review and regularise double postings amounting \$617,697.25; and***
- iii. Locate and provide requested journal vouchers amounting \$432,155 for audit verification.***

6.16 Anomalies noted in Operating Trust Fund

According to the Department of Immigration Finance Manual 2013 –Section 16.3.6 that the ledger reconciliation statement shall be forwarded to the Senior Accounts Officer. The Senior Accounts Officer must ensure that:

- all balances are accurate and adequately supported;
- any misallocations or outstanding balances from the previous month have been dealt with.

The OAG review of the Operating Trust Fund Account reconciliation revealed that the “VAT from provision of goods and services” component (1-06201-70999-863201) has accumulated from previous years to \$1,022,211 and comprised of 96% of the total operating trust fund account balance as at 31/07/17. Refer to Table 6.7 below for details.

Upon review of the postings made in the general ledger (FMIS), it was noted that 13 journal vouchers were posted twice, hence overstating “VAT from provision of goods and services” closing balance by \$55,592.75. Refer to Appendix 6.3 for details.

The Department did not rectify the misallocation which indicates that proper supervisory checks were not carried by the Senior Accounts Officer over the postings made and reconciliations prepared by subordinate staffs.

Failure to reconcile and rectify the misallocation would overstate the closing balance could also result in overpayment of VAT to Fiji Revenue and Custom Services.

The Department noted the findings and recommendations of the OAG and highlighted that the increasing VAT outstanding in the Operating Trust Account was due to the revenue received from Fiji’s Trade Commission (FTC) overseas. The Department would gradually remit the amount to the relevant authority until the outstanding was cleared.

The Committee noted the explanation given by the Department and recommends that the Senior Accounts Officer should:

- i. ensure that section 16.3.6 of the Department’s Finance Manual 2013 is complied with and proper supervisory checks are in place to ensure that all balances are accurate and adequately supported and errors and omissions noted are promptly rectified; and***
- ii. review the closing balance as at 31 July 2017 and regularize all misallocations.***

6.17 Lack of Monitoring on Permit Holders

According to Immigration Act, 2003, Cap 88 –Section 14, it is unlawful for any person to remain in Fiji after the expiration of any permit issued to or in respect of him/her.

The Compliance and Investigation section of Department of Immigration has responsibility for the location, apprehension and removal from Fiji of persons who have breached conditions of their entry and further stay or who may otherwise be of health, character or security concern to the Fiji community. Persons of interest include those who overstay their permitted stay period in Fiji, who undertake unauthorized employment, person with criminal records to criminal affiliation and those who have entered or remain in the Country by resorting to forged or false documents or by contrived arrangements.

The OAG noted from a report generated from the IBMS system that a total of 2,008 permit holders still remained in the country despite the expiry of their permits. Refer to Table 6.8 and Appendix 6.4 for details.

Table 6.8: Number of Over-stayers

| Particulars | Number |
|--|--------|
| Number of Over Stayers that have not applied for extension of permit | 1,266 |
| Number of Over Stayers that have applied for extension of permit | 742 |
| Total | 2,008 |

The OAG noted the Compliance Unit consisted of five staffs and shared one vehicle with the remaining sections which hindered the Unit's ability to proactively follow-up on the permit holder's permit condition and expedite the removal of over-stayers in the country.

Absence of the stringent monitoring and reliance on the permit holders and the employers/sponsors to provide the correct information could result in breaches of the permit conditions, illegal activities and over-stayers not being detected and necessary actions taken on a timely basis.

The Department noted the Auditor's recommendation and confirmed that the process of filling the vacancies was in progress and working on the system to track permit holders.

The Committee noted the explanation given by the Department and recommended that,

- The Department should consider enhancing its Compliance and Investigation Unit capacity with the sufficient staffing/logistics allocation to enable them to proactively monitor permit terms and condition and mitigate the overstay cases.

6.18 Anomalies noted in processing of payments

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. According to the Department of Immigration Finance Manual 2013 –Section 2.1.2 that the responsible authority for a budget sector agency is responsible for ensuring the proper administration of an appropriation administered by it and ensuring that money and property of or under the control of the agency are properly accounted for.

According to the Department of Immigration Finance Manual 2013 –Section 2.8.4, the Senior Accounts Officer must not certify a payment as correct unless they are satisfied that:

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

Journal voucher must be numbered in sequential order. Supporting documents shall be attached to the voucher. According to the Department of Immigration Finance Manual 2013 –Section 16.1.3, the Senior Accounts Officer must check that:

- all relevant details are included on the voucher;
- balance are adequately supported; and
- the correct amounts have been debited or credited.

The OAG highlighted that the following anomalies in the administration and maintenance of accounting records and documents pertaining to payments made during the year;

- Supporting documents such as competitive quotes/delivery dockets/ memorandum of understanding were not always attached to the payment vouchers provided for audit verification; and
- Despite funds amounted to \$27,061 being allocated for IBMS Project Monitoring Staff, the Department did not make any staff appointments and diverted a sum \$21,874.70 or 81% of the budget to pay for expenses related to other standard expenditure groups.
- Expenditure recorded in the general ledger contrary to the budget defeats the purpose for which the budget appropriation was provided and misstated the expenditure reported in the Statement of Receipts and Expenditure against the relevant budget allocation.
- The above findings indicated inadequate supervisory checks by the Senior Accounts Officer in ensuring compliance with the relevant provisions of the Department's Finance Manual.

The Department noted the recommendations raised by the OAG and would ensure that budget submission was made after a proper planning and consultation.

It would also ensure that public funds were used for the purpose it had been approved in the budget and strengthen its record keeping and supervisory checks.

The Committee noted the explanation provided by the Department and recommends that the Department should:

- i. ensure that budget submission are made after a proper planning and consultations to avoid diversion of funds for unplanned activities unless in cases of emergencies;***
- ii. ensure that public funds are used for the purpose it has been approved for in the budget;***
- iii. ensure all accounting records are properly maintained; and***
- iv. supervisory checks are strengthened in record keeping in the Accounts Section.***

Section 16 Ministry of Employment, Productivity and Industrial Relations

PART A: FINANCIAL STATEMENTS

7.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Employment, Productivity and Industrial Relations resulted in a qualified audit report. The reasons for the qualified audit opinion were as follows:

- The Ministry received \$70,000 annual fees from the Ministry of Civil Service under the Shared Services Agreement. The Ministry deposited the service fees into the OHS Consultancy Trust Fund Account. Transfer of public funds into a trust account was improper as funds in trust were those which were public money. Consequently, the OHS Trust Fund Account was overstated by \$70,000 and Ministry's operating revenue was understated by the same amount.
- An unreconciled variance of \$381,087 exists between the OHS Consultancy, Wages Dispute and Workmen's Compensation Trust Fund cash at bank balance and the General Ledger (FMIS) balance. As a result, I was not able to ascertain that all receipts and payments had been accurately accounted and disclosed in the Trust Fund cash account.

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

- Internal controls over management of trust fund receipts were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the future.
- For OHS Consultancy Service, Workmen Compensation and Wages Disputes trust funds, the Ministry maintained one bank account. Separate statements were not presented for each trust type with the receipts and payments to be classified by the nature of receipt and expenditure. The current presentation of the trust fund accounts did not provide adequate and useful information to the users of the financial statements.

7.2 Statement of Receipts and Expenditure

The Ministry of Employment, Productivity and Industrial Relations collected revenue totalling \$9,572 and incurred a total expenditure of \$12,870,152 for the year ended 31 July 2017. Details are provided in Table 7.1

Table 7.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|-------------------|-------------------|
| State Revenue | 947 | 1,793 |
| Agency Revenue | 8,625 | 2,142 |
| Total Revenue | 9,572 | 3,935 |
| Established Staff | 5,496,334 | 2,454,055 |
| Government Wage Earners | 288,046 | 202,746 |
| Travel and Communications | 433,878 | 158,373 |
| Maintenance and Operations | 621,507 | 310,717 |
| Purchase of Goods and Services | 1,000,582 | 785,038 |

| | | |
|------------------------------------|-------------------|------------------|
| Operating Grants and Transfers | 22,697 | 137 |
| Special Expenditures | 4,691,001 | 3,420,581 |
| Total Operating Expenditure | 12,554,045 | 7,331,647 |
| Capital Construction | --- | --- |
| Capital Purchase | --- | 493 |
| Total Capital Expenditure | --- | 493 |
| Value Added Tax | 316,107 | 295,934 |
| Total Expenditure | 12,870,152 | 7,628,074 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

7.3 Appropriation Statement

The Ministry of Employment, Productivity and Industrial Relations incurred expenditure totalling \$12.9 million in 2017 against a revised budget of \$16.3 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$3.4 million or 21%. The savings was mainly due to reduction in maintenance and operational costs due to minimal use of photocopying machines, lights and other electrical items. The Ministry had also anticipated an increased pay out in workmen compensation due to the increase in quantum from \$24,000 to \$50,000 but this did not eventuate.

Table 7.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|------------------------------|----------------------------|-----------------|-----------------------------|-------------------------------|---------------------------------|
| 1 | Established Staff | 6,294,630 | (97,000) | 6,197,630 | 5,496,334 | 701,296 |
| 2 | Government Wage Earners | 247,030 | 97,000 | 344,030 | 288,046 | 55,984 |
| 3 | Travel & Communication | 422,795 | 109,492 | 532,287 | 433,878 | 98,409 |
| 4 | Maintenance & Operations | 527,200 | 256,797 | 783,997 | 621,507 | 162,490 |
| 5 | Purchase of Goods & Services | 1,403,700 | (209,878) | 1,193,822 | 1,000,582 | 193,240 |
| 6 | Operating Grants & Transfers | 55,000 | (30,000) | 25,000 | 22,697 | 2,303 |
| 7 | Special Expenditure | 6,542,650 | (126,411) | 6,416,239 | 4,691,001 | 1,725,238 |
| | Total Operating | 15,493,005 | --- | 15,493,005 | 12,554,045 | 2,938,960 |

| Expenditure | | | | | | |
|-------------|-----------------|-------------------|------------|-------------------|-------------------|------------------|
| 13 | Value Added Tax | 800,600 | --- | 800,600 | 316,107 | 484,493 |
| | TOTAL | 16,293,605 | --- | 16,293,605 | 12,870,152 | 3,423,453 |

The Ministry collected revenue totalling \$9,572 in 2017, an increase of 143% from the previous year.

7.4 Main Trust Fund Account

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

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

This liability account was responsible for the promotion of OHS and enforcement of the Health and Safety at Work Act 1996 and its subsidiary legislations. The Service aimed to promote and maintain a working environment, which was healthy and safe for both workers and employers and directly contributed to improved productivity.

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

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|----------------------|----------------------|
| Receipts | | |
| OHS Trust Fund | 1,212,196 | 813,827 |
| Total Receipts | 1,212,196 | 813,827 |
| Payments | | |
| OHS Trust Fund | 416,854 | 721,833 |
| Total Payments | 416,854 | 721,833 |
| Net Surplus | 795,342 | 91,994 |
| Opening balance as at 1 August | 5,333,931 | 5,241,937 |
| Closing Balance as at 31 July | 6,129,273 | 5,333,931 |

7.4.2 Employment Relations Agency Trust Fund Account

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

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

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|---------------------------------------|-------------------------|-------------------------|
| Receipts | | |
| ERT Trust Fund | 107,251 | 69,096 |
| Total Receipts | 107,251 | 69,096 |
| Payments | | |
| ERT Trust Fund | 451 | 3,234 |
| Total Payments | 451 | 3,234 |
| Net Surplus | 106,800 | 65,862 |
| Opening balance as at 1 August | 401,727 | 335,865 |
| Closing Balance as at 31 July | 508,527 | 401,727 |

7.4.3 National Employment Centre Trust Fund Account

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

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

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|---------------------------------------|-------------------------|-------------------------|
| Receipts | | |
| NEC Trust Fund | 80,777 | 16,619 |
| Total Receipts | 80,777 | 16,619 |
| Payments | | |
| NEC Trust Fund | 68,203 | 1,752 |
| Total Payments | 68,203 | 1,752 |
| Net Surplus | 12,574 | 14,867 |
| Opening balance as at 1 August | 210,224 | 195,357 |
| Closing Balance as at 31 July | 222,798 | 210,224 |

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

Occupational Health and Safety (OHS) Consultancy Trust Account: Used to facilitate the payment of overtime hours, meal allowances, transport allowances, and accommodation which is paid by companies into OHS Trust account when OHS Inspectors have performed services to the companies. Funds were transferred from OHS Trust Account to OHS Consultancy to pay the OHS inspectors.

Work Compensation Trust Account: Workmen's Compensation Act (Cap. 94) places on employers the legal responsibility to compensate workers who sustained injuries, lost their lives or contracted diseases in the course of their employment. Compensation was through monetary payments and medical care provisions for the injured workers. Cases that involved the death of a worker, monetary payments were given to the dependents' of the deceased worker.

Wages Dispute Trust Account: Wages Unit was responsible for setting minimum wages and other terms and conditions of employment in Fiji's employment sector. It ensures workers were actually provided with the stipulated Wages Regulations terms and conditions. Any payment received from employer after dispute on wages is resolved by the Wages unit and was paid out to the respective employee.

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

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|-------------------------|-------------------------|
| Receipts | | |
| Workmens Compensation | 4,388,376 | 2,422,812 |
| Wages Dispute | 463,166 | 202,646 |
| OHS Consultancy | 121,097 | 806,924 |
| Total Receipts | 4,972,639 | 3,432,382 |
| Payments | | |
| Workmen Compensation | 3,815,895 | 2,049,903 |
| Wages Dispute | 413,874 | 225,043 |
| OHS Consultancy | 17,554 | 599,995 |
| Total Payments | 4,247,323 | 2,874,941 |
| Net Surplus | 725,316 | 557,441 |
| Opening balance as at 1 August | 1,882,237 | 1,324,795 |
| Closing Balance as at 31 July | 2,607,553 | 1,882,236 |

7.4.5 Child Labour Unit Trust Fund Account

The Child Labour Unit was responsible for monitoring, training and development for the labour inspectorate and stakeholders on all aspects of child labour issues under the ERP 2007 and Health and Safety at Work Act 1996, for promotion and advocacy on issues of child labour in Fiji and also for the maintenance of child labour information system in Fiji with the aim of maintaining proper and effective management of the child labour cases. The unit conducted investigation and prosecution on child labour

cases, provided awareness programmes for stakeholders and members of the public on the aspects of child labour laws and with the issues related to child protection would be properly addressed.

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

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|-------------------------|-------------------------|
| Receipts | | |
| Child Labour Unit Trust Fund | 133 | --- |
| Total Receipts | 133 | --- |
| Payments | | |
| Child Labour Unit Trust Fund | 2,438 | 2,759 |
| Total Payments | 2,438 | 2,759 |
| Net Deficit | (2,305) | (2,759) |
| Opening balance as at 1 August | 4,647 | 7,406 |
| Closing Balance as at 31 July | 2,342 | 4,647 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG's assessment of internal controls, the end of year financial statements, the quality of financial statements, the timeliness of the draft Financial Statements, and the timeliness of the provision of the Management Comments and signing of Financial Statements of the Ministry of Defence, National Security and Immigration. The ratings were generally effective.

PART C: OTHER SIGNIFICANT MATTERS

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

7.10 Shared Services Revenue Recorded in OHS consultancy services Trust Fund

Trust money is money that the agency is holding in trust (it does not include creditor payments such as salary deductions or money that is held in a separate "trust fund" which is not a true trust). According to the Ministry's Finance Manual 2013 – Part 14 Trust Accounts, the Act and Finance Instructions, trust money is to be kept in a separate bank account and accounted for separately from "public money" and "other money".

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

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

The OAG noted in the audit that for the year ended 31 July 2017, the Ministry deposited the shared services revenue of \$70,000 into the OHS consultancy trust fund account instead of the Consolidated Fund Account of government.

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

Due to this incorrect recording of revenue, the Ministry's operating revenue was understated whilst the OHS consultancy trust fund liability is overstated by \$70,000.

Ministry's Finance Manual 2013 – Part 14 Trust Accounts.

The Ministry noted the OAG recommendations and advised that the key to that was the idea of sharing within an organization or group. The sharing needs to fundamentally include shared accountability of results by the unit from where the work was migrated to the provider. The provider, on the other hand, needs to ensure that the agreed results were delivered based on defined measures (KPI, cost, quality etc.). The Permanent Secretary of Employment, Productivity and Industrial Relations (PSEPIR) wanted to utilize this fund to benefit the both organizations by delivering an effective and efficient service to Ministry of Civil Service. The PSEPIR realised that there was a need for additional resources to effectively execute the agreed results. Currently, there were 646 officers in the Ministry of Civil Service payroll and 2 government wages earners.

The Ministry will prepare an internal policy on how to consume the Shared Service fees as the PSEPIR has the final authority to determine on how to utilize it.

The Committee noted the explanation given by the Ministry and concurs with the OAG recommendation that:

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

7.11 Presentation of Main Trust Accounts

Trust money is to be accounted for separately from public money and other money within the meaning of this Act. Trust money is to be kept in a separate bank account pending its withdrawal and accounted for separately from "public money" and "other money".

The Accountant shall prepare bank reconciliation within 5 days of the end of the month. Details of un-presented cheques and other reconciling items should be attached to the reconciliation statement. Once the bank reconciliation is prepared, it should be signed and dated by the Accountant and submitted to the Senior Accountant. According to the Ministry's Finance Manual 2013 – Section 6.4.7 that the Senior Accountant must verify balances in the bank reconciliation to the cashbook, bank statements, un-presented cheque list and the previous month's bank reconciliation before certifying it.

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

The OAG review on the current presentation of the Main Trust Fund revealed the following anomalies:

- The Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one line item in the Statement even though the nature of the trust receipt and payment may vary.

- For OHS Consultancy Service, Workmen Compensation and Wages Disputes trust funds, the Ministry maintained one bank account and provided a consolidated statement of trust receipts and payments in its Agency Financial Statements.

Separate statements were not presented for each trust type with the receipts and payments to be classified by the nature of receipt and expenditure. Moreover, with the various trust funds being deposited into one bank account, there was a risk of funds for a particular trust being utilised for the other trust funds.

- A variance of \$381,087 was noted between the cash at bank balance and general ledger (FMIS). Refer to Table 7.8 below for details.

Table 7.8: Variance in cash at bank balance

| Particulars | Amount (\$) |
|--------------------------------------|----------------|
| Cash at bank balance | 2,226,466 |
| Balance as per general ledger (FMIS) | 2,607,553 |
| Unreconciled Variance | (381,087) |

The current presentation of the trust fund accounts is deemed inadequate and did not provide adequate and useful information to the users of the financial statements.

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

The Ministry acknowledged and noted the OAG recommendation that it would communicate with Ministry of Economy for the separation of the three bank accounts.

The Ministry acknowledged and noted the OAG recommendation and would abide by it once the three accounts were separated. There was a problem with the Ministry's report that was provided by Ministry of Economy until July 2017. The Ministry had reconciled until July 2017 in the mentioned year's financial period. The Ministry had worked in identifying the variance and audit would advice accordingly.

The Committee noted the explanation given by the Ministry and agreed with the OAG recommendations that:

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

7.12 Control weaknesses over trust fund receipts

Receipt books must be issued in sequential order. When new stock was issued to revenue clerks HQ, the Accountant shall enter details of issued stock on the appropriate acknowledgement receipt form. The original and duplicate receipts were to accompany the issued receipt books. The Accountant would retain the triplicate. According to the Ministry's Finance Manual 2013 – Section 5.2.12-5.2.14, after checking that all stock had been received, the revenue collector would signed the acknowledgement receipts and return the original to the Accountant.

For the financial year ended 31 July 2017, the Ministry recorded receipts totalling \$6,375,366 for the seven trust fund accounts which it maintained.

The OAG review of the trust fund receipts noted the following control weaknesses:

- receipt books issued for the Workmen Compensation trust, Wages Dispute trust, OHS consultancy and Employment Relations trust fund were all recorded together in the main distribution register. There was no separate distribution register maintained for each trust account;
- missing sequence from receipt books were not promptly investigated and followed up with the revenue collectors;
- original copy of the signed receipt book acknowledgement form was not attached to the main distribution register; and
- unused receipt books were not kept properly secured under a safe (lock and key) in the cashier's office and there was a risk that the receipt books could be uplifted without the cashiers' knowledge.

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

The Ministry had been using this method since 2012 whereby all the receipts books (Workman Compensation, Arrears of Wages, OHS Consultancy and Employment Relations Trust account) were maintained in one distribution register.

- i. The Ministry had accepted the OAG recommendation and will be requesting Ministry of Economy to separate the three bank accounts.
- ii. The Ministry had accepted the OAG recommendation as monthly return on used receipts books should be submitted and be used as a basis for issue new receipt books.
- iii. The Ministry would carry out internal investigation on all missing receipt numbers and appropriate action to be taken.
- iv. The Ministry had accepted the OAG recommendation and signed the acknowledgment receipts form to be attached to the main distribution register.
- v. The Ministry had accepted OAG recommendation and acted accordingly.
- vi. The Ministry had accepted OAG recommendation and would prepare monthly trend analysis for each trust account.

The Committee noted the explanation given by the Ministry and concurred with the OAG recommendation that the Ministry should ensure that:

- i. receipt book stocks for each trust fund accounts are separately maintained and updated separately on the main distribution register.***
- ii. monthly returns on used receipt books are provided by the revenue collectors in each Districts to the Headquarters and used as a basis for issue of new receipt books.***
- iii. missing receipt numbers are promptly investigated and appropriate actions are taken.***
- iv. the original copy of the duly signed acknowledgement receipt form is attached to the main distribution register.***
- v. all unused receipt books are kept under lock and key at all times.***
- vi. monthly trend analysis of receipts for each of the trust fund account is performed. Any significant movements should be promptly investigated and justifications to be documented.***

7.13 Original copies of cancelled receipts not attached

When cash or bank cheques are received, the revenue collectors shall immediately issue an official receipt. The revenue collectors must enter relevant details specified on the receipt before signing it.

Carbon copies of the receipt should be checked to ensure that details on the original receipt are also legible on these copies. No amendments shall be made to the carbon copies. The original receipt should be detached from the receipt book and issued to the payer. According to the Ministry's Finance Manual 2013 –Section 5.3 -5.3.5 that the revenue collectors shall retain the book copy and attach the duplicate receipt to the cash analysis sheet. If a receipt is spoilt, it shall be marked “cancelled” and retained in the receipt book.

The OAG highlighted in the audit review of the OHS trust fund receipts noted that there were many instances where original copies of cancelled receipts were not attached or retained in the receipt book to indicate that the receipts were cancelled and not issued. This was prevalent in the Suva office only.

In most instances, the carbon copies of the receipts were either blank or stated on the receipt that there was no original copy.

The above findings indicated a high risk of misappropriation of trust revenue whereby trust funds monies may be receipted using original receipts but not deposited in the bank.

The Ministry had been using this method since 2012 whereby all the receipts books (Workman Compensation, Arrears of Wages, OHS Consultancy and Employment Relations Trust account) were maintained in one distribution register.

- The Ministry accepted the OAG recommendation and would request the Ministry of Economy to separate the three bank accounts.
- The Ministry accepted the OAG recommendation as monthly return on used receipts books must be submitted and be used as a basis for issue new receipt books.
- The Ministry would carry out internal investigation on all missing receipt numbers and appropriate action to be taken.
- The Ministry accepted the OAG recommendation with the duly signed acknowledgment receipts form to be attached to the main distribution register.
- The Ministry accepted the OAG recommendation and act accordingly.
- The Ministry accepted the OAG recommendation and prepared monthly trend analysis for each trust account.

The Ministry would carry out an investigation and also appropriate action would be taken.

The Committee noted the explanation provided by the Ministry and concurred with the OAG recommendations that the Ministry should ensure that:

- i. an investigation to be carried out to determine the cause and appropriate action is taken to address it.
- ii. receipt books are checked before being issued to OHS inspectors/revenue collectors.
- iii. revenue collectors must sign the acknowledgement receipt forms and the form is to be attached with the main distribution register.

7.14 Unauthorized transfer and missing trust fund receipt books

According to the Ministry's Finance Manual 2013 –Section 5.2.18 that under no circumstance shall any receipt book be transferred between revenue collectors unless the Senior Accountant has given approval.

If a revenue collector loses or damages receipt books or other revenue earning forms in his/her custody, the Senior Accountant must immediately be informed in writing. The Senior Accountant shall make the appropriate changes to the stock register and distribution register and notify the Chief Accountant that the Treasury stock register should be amended.

According to the Ministry's Finance Manual 2013 –Section 5.8.7, if a receipt book is missing, the Senior Accounts Officer shall arrange an advertisement in at least two daily newspapers specifying the serial numbers of the book and a statement disowning any liability incurred through unauthorized use of that receipt book. The advertisement must be placed within two days of notification of the loss.

The OAG noted the following anomalies in the maintenance of trust fund receipt books:

- Two receipt books (444251 – 444300 and 503151 – 503200) initially issued for use by the Nadi office were transferred to the Lautoka office without obtaining the prior approval of the Senior Accountant.
- The OHS trust fund receipt books were used to receipt cash for the other trust funds namely the Workmen Compensation, Employment Relations Tribunal, OHS consultancy and Wages Dispute trust fund accounts.
- Two trust fund account receipt books initially issued to the Ba NEC office and Nadi office were missing hence were not provided for audit verification. Refer to Table 7.9 below for details.

This was mainly attributed to the Ministry not reconciling its revenue records on a regular basis.

There was a high risk of receipt books being issued without the actual cash being lodged into the trust fund bank account.

The above denoted that controls over trust receipts were not operating effectively.

The Ministry accepted the recommendation and would be conducted refresher training to the agencies on Revenue Management process.

The Ministry had confirmed with Nadi Office, Lautoka Office and Ba Office about the receipt books and would be advertising in the two daily newspapers specifying the serial number of the books.

The Committee noted the explanation given by the Ministry and agreed with the OAG recommendations that the Ministry should ensure that:

- i. prior approval of the Senior Accountant is obtained before the trust fund receipt books are transferred to other districts.
- ii. the receipt books issued are used for their intended purpose.
- iii. the requirement of the Ministry's Finance Manual Section 5.8 should be complied with.

Section 8 Ministry of Foreign Affairs

PART A: FINANCIAL STATEMENTS

8.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Foreign Affairs resulted in an unqualified audit report.

8.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$391,279 and incurred a total expenditure of \$40,406,244 for the year ended 31 July 2017. Details are provided in Table 8.1.

Table 8.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|------------------------------------|-------------------------|-------------------------|
| State Revenue | 10,310 | 6,512 |
| Agency Revenue | 380,969 | 228,862 |
| Total Revenue | 391,279 | 235,374 |
| Established Staff | 13,977,868 | 8,112,472 |
| Government Wage Earners | 3,645,770 | 2,314,685 |
| Travel and Communications | 3,308,133 | 2,213,025 |
| Maintenance and Operations | 10,760,180 | 7,866,241 |
| Purchase of Goods and Services | 672,734 | 439,574 |
| Operating Grants and Transfers | 5,467,608 | 3,709,985 |
| Special Expenditures | 1,029,149 | 622,943 |
| Total Operating Expenditure | 38,861,442 | 25,278,925 |
| Capital Construction | 76,018 | 46,927 |
| Capital Purchase | 309,456 | 252,278 |
| Total Capital Expenditure | 385,474 | 299,205 |
| Value Added Tax | 1,159,328 | 593,476 |
| Total Expenditure | 40,406,244 | 26,171,606 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

8.3 Appropriation Statement

The Ministry incurred expenditure totalling \$43.4million in 2017 against a revised budget of \$43.1 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$2.7 million or 6%.

Savings of \$263,598 was noted under the Capital Construction allocation. The focus of the allocation was on those Missions where the Ministry owns properties – Canberra, Wellington, London and Brussels. For 2016-17, a major challenge faced, particularly from the Mission, was the collation of relevant documentation to ensure compliance with the RIE requirements/checklist for release of funds.

The savings of \$154,415 under the Capital Purchase allocation was attributed to some purchase request by the Mission not facilitated by end of the fiscal year due to insufficient information and documentation provided.

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

Table 8.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|------------------------------------|----------------------------|-----------------|-----------------------------|-------------------------------|---------------------------------|
| 1 | Established Staff | 15,439,533 | (807,155) | 14,632,378 | 13,977,868 | 654,510 |
| 2 | Government Wage Earners | 3,439,925 | 294,055 | 3,733,980 | 3,645,770 | 88,210 |
| 3 | Travel & Communication | 2,757,529 | 766,208 | 3,523,737 | 3,308,133 | 215,604 |
| 4 | Maintenance & Operations | 10,817,451 | 215,293 | 11,032,744 | 10,760,180 | 272,564 |
| 5 | Purchase of Goods & Services | 906,159 | 62,314 | 968,473 | 672,734 | 295,739 |
| 6 | Operating Grants & Transfers | 5,691,486 | (8,180) | 5,683,306 | 5,467,608 | 215,698 |
| 7 | Special Expenditure | 1,708,222 | (527,925) | 1,180,297 | 1,029,149 | 151,148 |
| | Total Operating Expenditure | 40,760,305 | (5,390) | 40,754,915 | 38,861,442 | 1,893,473 |
| 8 | Capital Construction | 798,097 | (458,481) | 339,616 | 76,018 | 263,598 |
| 9 | Capital Purchase | - | 463,871 | 463,871 | 309,456 | 154,415 |
| | Total Capital Expenditure | 798,097 | 5,390 | 803,487 | 385,474 | 418,013 |
| 13 | Value Added Tax | 1,528,900 | - | 1,528,900 | 1,159,328 | 369,572 |
| | TOTAL | 43,087,302 | - | 43,087,302 | 40,406,224 | 2,681,058 |

The Ministry collected revenue totalling \$391,279 in 2017, an increase of 66% from the previous year.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG's assessment of internal controls, the end of year financial statements, the quality of financial statements, the timeliness of the draft Financial Statements, and the timeliness of the provision of the Management Comments and signing of Financial Statements of the Ministry of Foreign Affairs. The ratings were generally effective.

PART C: OTHER SIGNIFICANT MATTERS

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

8.9 Unreconciled Variance in Overseas Mission Bank Reconciliation

All bank accounts must be reconciled monthly. According to the Finance Instruction 2010, Section 32 (6), the bank reconciliation shall list the outstanding cheques and other reconciling items and be signed and dated by the responsible officer. Further, the Finance Instruction 2010, Section 58 (3) highlighted that un-reconciled items must be investigated and resolved promptly.

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

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

The cash held in overseas missions' bank accounts totalled \$6,892,348. However, an unreconciled variance of \$3,331,169 was noted between the FMIS general ledger balance \$6,285,329 and the bank reconciliation of \$2,954,160. Refer to Table 8.3 for details.

Table 8.3: Variance in Bank Reconciliation and FMIS General Ledger

| Mission | FMIS Balance as at 31/07/17 (\$) | Bank Reconciliation as at 31/07/17 (\$) | Variance (\$) |
|-------------------------------|---|--|------------------|
| Fiji Consulate General Sydney | 919,008.76 | --- | 919,008.76 |
| Canberra Cash Account | 435,370.40 | 335,373.94 | 99,996.46 |
| London Cash Account | 273,160.65 | 11,751.03 | 261,409.62 |
| Tokyo Cash Account | 1,272,157.55 | 1,173,131.72 | 99,025.83 |
| Wellington Cash Account | 530,843.40 | 408,585.51 | 122,257.89 |
| Beijing USD Cash Account | 279,935.88 | 61,897.97 | 218,037.91 |
| Brussels Cash Account | 209,981.97 | 46,365.40 | 163,616.57 |
| New York Cash Account | 262,496.89 | (18,028.87) | 280,525.76 |
| Washington Cash Account | 80,302.34 | 1,351.40 | 78,950.94 |
| Geneva Cash Account | 111,342.10 | 109,369.26 | 1,972.84 |

| Mission | FMIS | Bank | Variance |
|-----------------------------|---------------------|---------------------|---------------------|
| | Balance as | Reconciliation | (\$) |
| | at 31/07/17 | as at 31/07/17 | |
| | (\$) | (\$) | |
| Addis Ababa Cash Account | 381,658.76 | 61,745.95 | 319,912.81 |
| Abu Dhabi Cash Account | 614,357.37 | 172,035.36 | 442,322.01 |
| Seoul Cash Account | 315,065.58 | 185,580.84 | 129,484.74 |
| Kuala Lumpur Cash Account | 429,527.38 | 363,947.02 | 65,580.36 |
| Jakarta Rupiah Cash Account | 170,120.01 | 41,053.49 | 129,066.52 |
| Total | 6,285,329.04 | 2,954,160.02 | 3,331,169.02 |

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

The Ministry had introduced a new posting method in the GL system with the objective of reconciling GL system and Mission's bank account balance.

Although the new format of posting was being implemented, the un-reconciled variances accumulated over the years still needs to be rectified. This is a systemic issue that required the Ministry of Economy to address.

In this regard, the Ministry was consulted with Ministry of Economy and OAG on an effective way of addressing these variances.

As for the issue of Fiji Consulate General Sydney funds still appeared in the Ministry's GL account, the Ministry would liaise with Ministry of Economy on the clearance of the amount from the GL account.

The Committee noted with concern the relax attitude of the Ministry to address this issue which had been highlighted in the previous year's audit report.

The Committee noted the comments made by the Ministry and agreed with the OAG recommendations that the Ministry should:

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

8.10 Operating Trust Balance Carried Forward from Prior Years

According to the Ministry's Finance Manual 2013 –Section 12.3.3 that within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Accounts Officer shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.

Further, in the Ministry's Finance Manual 2013 –Section 1.2.4 that any errors or misallocations must be immediately adjusted by way of journal vouchers.

Operating Trust Fund Accounts facilitate transactions relating to the Ministry's administrative role as an employer. These transactions include deductions from employees' salaries/wages with regards to the superannuation contributions, housing loan, repayments, insurance premiums and other deductions for onward payment to the respective payees.

The OAG review of the operating Trust Fund Account balances revealed that the following trust account balances have been carried forward from previous years without any or minimal movement noted during the year.

Table 8.4: Trust Fund Account Balances Carried Forward

| Account | Description | Balance at 31/07/17 (\$) | Balance at 31/07/16 (\$) | Increase/ (Decrease) (\$) |
|----------------------|-----------------------|--------------------------------|--------------------------------|---------------------------------|
| 1-08101-08101-861910 | 383 PD Sundries | (212,072.61) | (212,072.61) | --- |
| 1-08103-80101-863101 | Admin Contributions | (239,444.54) | (239,444.54) | --- |
| | Foreign Mission | | | |
| 1-08103-80102-863101 | Admin Contributions | (330,157.99) | (330,157.99) | --- |
| | Foreign Mission | | | |
| 1-08103-80201-863101 | Admin Contributions | (49,269.33) | (49,269.33) | --- |
| | Foreign Mission | | | |
| 1-08103-80401-863101 | Admin Contributions | (3,261.14) | (3,261.14) | --- |
| | Foreign Mission | | | |
| 1-08103-80701-863101 | Admin Contributions | (131,018.25) | (131,018.25) | --- |
| | Foreign Mission | | | |
| 1-08103-81001-863101 | Admin Contributions | (23,961.59) | (23,961.59) | --- |
| | Foreign Mission | | | |
| 1-08103-81102-863101 | Admin Contributions | (8,100.51) | (8,100.51) | --- |
| | Foreign Mission | | | |
| 1-08101-08101-864199 | PSC Cuba Scholarship | (1,703.92) | (1,703.92) | --- |
| 1-08101-08101-861299 | XXX PD Others | (20,786.23) | (22,721.06) | (1,934.83) |
| 1-08101-08101-861902 | 204 PD Depst A/C | (24,901.70) | (16,689.16) | 8,212.54 |
| | Recoverable | | | |
| 1-08101-08101-861920 | 501 PD Employees FNPF | (475,893.96) | (469,429.26) | 6,464.70 |
| 1-08101-08101-864199 | Sundries | (18,795.34) | (40,459.44) | (21,664.10) |

The minimal movements in carried forward trust fund balances in 2017 compared to 2016 indicate that the Ministry did not give sufficient priority to address the issue during the financial year.

This was a system related issue which was in the Ministry's agenda to discuss and finalise with MOE – reconcile and clearance of left over credits accumulated over the years as most of these accounts have been dormant for past years.

The Committee noted the explanation given and agrees with the OAG recommendations that:

- i. The Ministry should investigate the significant balances in the Operating Trust Fund account as at 31 July 2017 and take appropriate action.
- ii. The Ministry should ensure that proper supervisory checks are in place to ensure that all balances are accurate, adequately supported and that errors from previous years are rectified.

8.11 Anomalies noted on Procurement of Goods and Services

According to the Ministry of Foreign Affairs Finance Manual 2013 Section 2.9.3 that all payments must be processed through payment vouchers prepared by the Clerical Officer Payments/Ledgers. Separate vouchers were to be used for separate payees and for the payment of different services.⁷

The Clerical Officer Payments/Ledgers prepared payment vouchers and should ensure that all information required under Finance Instruction 14-(1) had been included on the payment voucher or attached to it, before passing it to the SAO for certification.

The PAO, SAO & AO must not certify a payment as correct unless they were satisfied that:

- it was in accordance with an LPO, indent, contract, invoice or other authorisation;
- there was documentation that the goods, services or works had been received;
- sufficient uncommitted funds were available for payment of the account;
- the account was not fraudulent and had not been previously paid;
- the expenditure account it was charged to was correct.

The OAG noted that the Ministry did not comply with its Finance Manual (2013) in accounting for expenses arising from procurement of goods and services. Refer below for details:

- Payment vouchers and other supporting payment records were not always stamped paid, checked and authorised by the supervising officers;
- Instances were noted where there was inadequate supporting documents attached to the payment records to justify the payment made to the supplier of goods and services;
- Three quotations were not obtained; and
- Local Purchase Orders (LPOs) were not attached to the payment vouchers.
- Processing payments without proper documentation and authorisation increases the risk of double and fraudulent payments.

Non-compliance with the requirements of the Finance Manual by staffs indicates that the work of these staffs was not properly reviewed by supervising officers.

The Ministry noted the anomalies highlighted and to ensure strict adherence and compliance, the following measures will be undertaken:

- on-going refresher training programme on procurement procedures and instructions within the Ministry;
- Bringing into HQ for specific accounts training staff and especially Locally Engaged Staff (LES) in missions whose responsibilities cover doing the books of the mission. Part of this training will involve looking at the Ministry's audit reports of the last five years; and
- close monitoring of the procurement procedures through enforcing the various internal checking systems

The Committee noted the explanation given by the Ministry and concurred with the OAG recommendations that:

- i. The Director Finance should ensure that the Ministry complies with its Finance Manual, procurement procedures and instructions at all times.

- ii. The internal control procedure in the Accounts Section, specifically supervisory checks should be strengthened and appropriate disciplinary actions taken if the responsible officers continue to breach financial regulations.

8.12 Anomalies noted on Payroll Reconciliations

The salary reconciliation must reconcile the difference between the previous fortnight payroll report and the current report, and must be prepared prior to each pay date. The salary reconciliation shall be signed by the AO and checked & signed by PAO before it is forwarded to the Ministry of Finance, within one week from the pay date.

The wages reconciliation must reconcile the difference between the previous week payroll report and the current report, and must be prepared prior to each pay date. The wages reconciliation shall be signed by the AAO - Ledgers and checked & signed by AO or SAO and kept for record purpose.

The OAG review of the Ministry's payroll reconciliations revealed that monthly reconciliations were not prepared in a timely manner. Instances were noted where reconciliations were prepared after two months from the pay date and variances were noted in the closing balance of a particular pay compared to the opening balance of the following pay.

Inability to prepare the reconciliations in a timely manner may result in errors and incorrect postings not being detected in a timely manner.

This was a compliance issue and the delay in the preparation and submission of payroll reconciliations highlighted for 2016/2017 financial year is duly noted particularly in terms of timely and quality reporting.

For 2017/2018 financial year, the Ministry was updated Payroll reconciliations on each pay basis instead of the monthly update made in previous years.

The Ministry's in its effort to improve its operational efficiency particularly on reporting as such, the Ministry would undertake the following as a matter of priority in the next 3 months:

- review the Position Description of Officers within the Finance Division;
- conduct internal workshop/refresher training programmes; and
- strengthen internal monitoring mechanism to ensure strict adherence to timelines.

The Committee noted the explanation given and agreed with the OAG recommendations that the Ministry should:

- i. ensure that payroll reconciliations are prepared at least a day prior to each pay date in order to rectify any errors and anomalies on a timely manner; and
- ii. submit a copy of the reconciliation to the Ministry of Economy on a timely manner.

8.13 Fixed Assets Register not updated – Headquarters

Each agency must have in place a cost effective system of internal controls which safeguard money and property against loss and avoids or detect accounting errors.¹²

All property, plant or equipment with a value in excess of \$2,000 or more must be recorded in the asset module of the financial management information system; and asset register for those without the financial management information system.¹³ The Asset Recorder must ensure that the fixed assets register is kept updated.¹⁴

The OAG review of procurement of fixed assets during the year revealed that the following items were not recorded in the Fixed Assets Register. Refer to Table 8.5 for details.

Table 8.5: Details of Procurement not recorded in the Fixed Asset Register

| Date | Cheque/ EFT Number | Particulars | Amount VIP (\$) |
|----------|--------------------------|--|--------------------|
| 08/06/17 | 35527 | Purchase of office steel cabinets | 6,400 |
| 10/07/17 | 85610 | Installation of workstation at Headquarters | 995 |
| 10/05/17 | 34946 | Installation of work stations at Headquarters | 14,270 |
| 25/04/17 | 34910 | Installation of work stations at Headquarters | 14,270 |
| 28/06/17 | 3285 | Purchase of office chairs | 6,700 |
| 25/07/17 | 3377 | Purchase of glass cupboards | 5,010 |
| 07/07/17 | 3292 | Purchase of: New Desk Tops x 10 units and New Lap- Tops x 6 units | 28,046 |
| 28/02/17 | 2936 | Purchase of Laptops for executives | 5,108 |

The above finding indicates non-compliance with established policies for recording of fixed assets.

Failure to update the Fixed Asset Register on a timely manner increases the risk of misuse and loss of fixed assets through theft and damage.

The monthly report submitted from each Division and Missions is to incorporate a section on fixed asset and inventory updates. This would then be used to continually update the Ministry's central Fixed Asset Register on a monthly basis.

In addition to the above, the Ministry will use an internal simplified version of the asset register for ease of collating information every month by Divisions and Missions. Following this, HQ will update the collated information into the central Fixed Asset Register.

The Asset Management Unit of the Ministry of Economy has conducted a training session on the whole asset register and reassured their assistance and support through this new implementation.

The Committee noted the explanation by the Ministry and agrees with the OAG recommendations that:

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

8.14 Absence of Risk Management Framework

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

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

The OAG 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 or guidelines to manage risk associated with the following:

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

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

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

The Ministry had worked on developing a Risk Management Framework. This was to be conducted as below:

- a) *Consultation with Ministry of Labour on OHS Compliance*
- b) *Consultations with MOE on appropriate Internal Control procedures*
- c) *Consultation with ITC on Information System and Security*
- d) *Consultations with Solicitor General in terms of Regulations, Policy compliance*
- e) *Management Consultation on Operational and Human Resource / succession planning.*

Upon securing full information and compliance of the above listed consultations, the following measures must be intact prior to finalising the framework.

- 1) *Redeveloping of all Standard Operating Procedures (SOP) in line with current anticipated framework.*
- 2) *1st line contingency plan*
- 3) *2nd line contingency plan if 1st line plan not successful*

The Ministry assured that once the above processes were ascertained, the Framework should be completed and implemented.

The Committee noted the explanation given by the Ministry and concurs with the OAG recommendations that:

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

Section 09 Office of the Auditor General

PART A: FINANCIAL STATEMENTS

9.1 Audit Opinion

The audit of the 2017 accounts of the Office of the Auditor General ('OAG') was carried out by Chartered Accounting firm, BDO1 resulted in the issuance of an unqualified audit opinion.

9.2 Statement of Receipts and Expenditure

The OAG collected revenue totalling \$549,965 and incurred a total expenditure of \$3,819,777 for the year ended 31 July 2017. Details are provided in Table 9.1.

Table 9.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|------------------------------------|-------------------------|-------------------------|
| Revenue | | |
| Audit Fees | 547,559 | 186,998 |
| Miscellaneous revenue | 2,406 | 1,188 |
| Total Revenue | 549,965 | 188,186 |
| Expenditure | | |
| Established staff | 2,998,592 | 1,670,641 |
| Government wage earners | 31,146 | 16,759 |
| Travel and communications | 136,766 | 56,195 |
| Maintenance and operations | 109,120 | 41,188 |
| Purchase of goods and services | 486,884 | 149,471 |
| Operating grants and transfer | 5,298 | 4,279 |
| Total Operating Expenditure | 3,767,806 | 1,938,533 |
| Value Added Tax | 51,971 | 18,517 |
| Total Expenditure | 3,819,777 | 1,957,050 |

The financial year -end of Government was changed from 31 December to 31 July in accordance with Section 84 of the Financial Management (Amendment) Act 2016.

The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

Revenue mainly comprised of audit fees and commission received for facilitating salary deductions.

9.3 Appropriation Statement

The OAG incurred expenditure totalling \$3,819,777 in 2017 against a revised budget of \$4,331,018 resulting in a saving of \$511,241 or 11.8%. Major saving was in the Personal Emolument budget due to some vacant positions which were filled during the 2017/2018 financial year.

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

Table 9.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|------------------------------------|----------------------|--------------|-----------------------|-------------------------|---------------------------|
| 1 | Established Staff | 3,459,932 | --- | 3,459,932 | 2,998,592 | 461,340 |
| 2 | Unestablished Staff | 38,027 | --- | 38,027 | 31,146 | 6,881 |
| 3 | Travel & Communication | 136,500 | 5,000 | 141,500 | 136,766 | 4,734 |
| 4 | Maintenance & Operations | 116,200 | (4,000) | 112,200 | 109,120 | 3,080 |
| 5 | Purchase of Goods & Services | 506,059 | (1,000) | 505,059 | 486,884 | 18,175 |
| 6 | Operating grants & Transfer | 6,000 | --- | 6,000 | 5,298 | 702 |
| | Total Operating Expenditure | 4,262,718 | --- | 4,262,718 | 3,767,806 | 494,912 |
| 13 | Value Added Tax | 68,300 | --- | 68,300 | 51,971 | 16,329 |
| | Total Expenditure | 4,331,018 | --- | 4,331,018 | 3,819,777 | 511,241 |

The Office collected revenue totalling \$549,965 in 2017.

9.4 Statement of Losses

The Office of the Auditor-General did not report any loss of money or assets during the financial period ending 31 July 2017, except for normal wear and tear arising from use.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG's assessment of internal controls, the end of year financial statements, the quality of financial statements, the timeliness of the draft Financial Statements, and the timeliness of the provision of the Management Comments and signing of Financial Statements of the Office of the Auditor General. The ratings given to the Office of the Auditor General on the assessment of financial governance were generally effective.

Section 10 Fijian Elections Office

PART A: FINANCIAL INFORMATION

10.1 Audit Opinion

The audit of the financial statements of Fijian Elections Office (FEO) for the year ended 31 July 2017 resulted in the issuance of an unqualified audit opinion.

10.2 Abridged Statement of Comprehensive Income

| Description | 2017 (12 months) (\$) | 2016 (7 months) (\$) |
|-------------------------|-----------------------------|----------------------------|
| Government grant | 11,709,603 | 3,689,412 |
| Donor Income | 896,860 | --- |
| Other income | 2,688 | 416 |
| Total Revenue | 12,609,151 | 3,689,828 |
| Administrative Expenses | 8,136,061 | 1,804,290 |
| Other Expenses | 2,816,636 | 1,478,025 |
| Total Expenditure | 10,952,697 | 3,282,315 |
| Net Profit | 1,656,454 | 407,513 |

Total revenue substantially increased by 241% or \$8.91 million while total expenditure increased by 234% or \$7.67 million in 2017 compared to 2016. The major reason for the increase was due to preparedness for the 2018 general elections.

10.3 Abridged Statement of Financial Position

| Description | 2017 (12 Months) \$ | 2016 (7 months) \$ |
|-------------|---------------------------|--------------------------|
| Cash | 364,072 | 1,352,105 |

| | | |
|-------------------------------|-----------|-----------|
| Receivables | 1,078,843 | 192,181 |
| Other current assets | 475,287 | 182,774 |
| Investments | 5,073 | --- |
| Property, plant and equipment | 2,058,060 | 1,453,858 |
| Intangible assets | 833,726 | --- |
| Total Assets | 4,815,061 | 3,180,918 |
| Trade and other payables | 1,076,795 | 268,762 |
| Employee entitlements | 84,506 | 64,860 |
| Deferred Income | 283,826 | 1,210,716 |
| Total Liabilities | 1,445,127 | 1,544,338 |
| Net Assets | 3,369,934 | 1,636,580 |
| Accumulated funds | 3,369,934 | 1,636,580 |
| Total Equity | 3,369,934 | 1,636,580 |

Net assets increased by \$1.73m or 106% in 2017 compared to 2016. This was mainly attributed by the increase in receivables, other current assets, property, plant and equipment and intangible assets. Increase in receivables was largely due to receivable of grant of \$1,030,319 from the Ministry of Economy for the last quarter of 2017.

10.4 Appropriation Statement

The FEO was allocated \$ 12,686,019 for the financial year 2016-2017. Expenditure posted in the FMIS by Ministry of Economy (MoE) was \$ 7,167,078. However, review of records maintained by the FEO indicated that a sum \$10,871,659 was received during the financial year from MoE. This resulted in a variance of \$3,704,581 between the actual amount received by FEO and amount shown in the records of MoE.

The total lapsed appropriation of \$5,518,941 includes this variance. FEO has confirmed through a letter dated 6 November 2018 that Ministry of Economy will resolve the variance through an adjustment to FMIS. However, as at the date of issue of audit report, Ministry of Economy was yet to effect this adjustment.

Table 10.1: Appropriation Statement for 2017

| Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|------------------------------|----------------------------|-----------------|-----------------------------|-------------------------------|---------------------------------|
| Established Staff | --- | --- | --- | --- | --- |
| Government Wage Earner | --- | --- | --- | --- | --- |
| Travel & Communications | --- | --- | --- | --- | --- |
| Maintenance & Operations | --- | --- | --- | --- | --- |
| Purchase of Goods & Services | --- | --- | --- | --- | --- |
| Operating Grants & Transfers | 12,686,019 | | 12,686,019 | 7,167,078 | 5,518,941 |

| | | | | | |
|-----------------------------|------------|-----|------------|-----------|-----------|
| Special Expenditures | --- | --- | --- | --- | --- |
| Total Operating Expenditure | 12,686,019 | | 12,686,019 | 7,167,078 | 5,518,941 |
| Value Added Tax | --- | --- | --- | --- | |
| TOTAL EXPENDITURE | 12,686,019 | | 12,686,019 | 7,167,078 | 5,518,941 |

The FEO highlighted that updated of appropriation statement was the responsibility of Ministry of Economy. At the time the audit was being conducted, the Office of the Auditor General highlighted that the grant released to FEO did not match the grant that was recorded in the FMIS. The total grant released to the FEO was \$10,871,659 yet only \$7,167,078 was recorded in FMIS. The FEO sent a letter to the Office of the Auditor General advised that Ministry of Economy had resolved the issue and would post the variance (refer email correspondence attached). The Ministry of Economy had now confirmed that the variance had been posted and updated in the FMIS. Confirmation of the posting had been attached for your ease of reference.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG's assessment of internal controls, the end of year financial statements, the timeliness of the draft Financial Statements, and the timeliness of the provision of the Management Comments and signing of Financial Statements of the Fijian Election Office. The ratings were generally effective.

However, the Quality of draft financial statements and Timeliness of Provision for Management Comments were rated to be ineffective.

The OAG assessments on the quality of draft financial statements were rated ineffective.

The FEO had engaged KPMG to facilitate the compilation of the financial statement on IFRS for SME's for 2017. KPMG was engaged due to the following reasons:

- FEO was too new after the transition in 2016 to move into IFRS reporting independently FEO required knowledge of expert reporting on IFRS for SME's.
- Correct practice had to be ascertained to record the donor assets and the treatment of donor revenue and government grant.
- The IFRS standards changes on an annual basis.
- The engagement also enhanced the knowledge through training of staff and capacity building.
- The Office of the Auditor General noted different treatment for assets and revenue which was different from the transition report compiled by KPMG.
- The FEO had engaged KPMG to assist in the compilation of the Financial Statements for the year 2017 and 2018. KPMG verified the posting of items in the financial statement with the relevant sections referenced to the IFRS for SME's. The engagement of consultant had given assurance that good quality draft financial statements were submitted for audit.

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

The FEO was rated as generally effective in its timeliness for the provision for management comments to OAG and ineffective in its submission of signed financial statements.

PART C: SIGNIFICANT AUDIT MATTERS

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

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

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

It was important to note that the deficiencies detailed in this report were identified during the time of audit and may have had been subsequently resolved by the FEO. These had been included in this report as they impacted on the overall system of control of the FEO as at 31 July 2017.

10.8 Variance between Tendered and Contract Price for Election Management Software

No alterations should be made to the basis of scope of Works on which the tender documents have been prepared and tenders invited except for purposes such classification of details or for the acceptance of alternative Scope of Works as permitted by the conditions of the Tender.

In the event that exceptional circumstances have arisen such that part or the whole of the tender scope of works must be altered, appropriate approval should be sought to make the necessary amendments or cancel the tendering exercise which is a view to re-tendering.³

The Tender Committee comprising of Chairperson, Secretary and three independent members, in its meeting on 26/4/16 recommended that the tender for the Election Management System (EMS) Software be awarded to the supplier at a total sum of USD 262,500. However, on 24/5/16, a contract agreement was entered into between the Supplier and Fijian Elections Office for the development of a central EMS database and software modules for Polling Venue Assessment, Logistics, Postal Voting, Party Registration, Candidate Nomination, Voter Awareness, Polling Day Worker and Electronic Voter Registration System at a total cost of USD 350,000.

The EMS software together with the source code was handed over to the FEO on the 1 June 2017.

Audit review of the procurement revealed the following anomalies:

The OAG noted a variance of USD 87,500 or 33% between the tendered price of USD 262,500 and the contract amount of USD 350,000. Upon the OAG discussion with Director Corporate of Fijian Elections Office were advised that there was no written documentation for the approval from the Tender Committee for the variance.

Subsequently, FEO were provided with a copy of a letter that was addressed to the Director Corporate Services from the Chairperson of the Tender Committee to the Director Corporate services of FEO dated 20 August 2018 (which was during the time of the audit) advised that the Tender Board had verbally agreed for the Supervisor of Elections to enter into negotiations with the supplier on the revised cost.

The OAG further noted from the letter that the Supplier had highlighted to FEO the likely chances of numerous limitations that could impede the software from operating as per the needs of FEO and

recommended a revised cost of USD 398,000 and amendment to Software Requirement Specification (SRS).

The OAG noted that the revised cost of USD 398,000 was further negotiated by the Supervisor of Elections to an agreed price of USD 350,000 which was verbally recommended to the Tender Committee which accepted it following which the contract agreement was prepared.

Refer to Table 10.2 for details of the Pricing Summary Sheet.

Table 10.2: Details of Pricing Summary Sheet

| Item | Total Cost (USD) (\$) |
|--|-----------------------------|
| Provision of Services in Schedule A | 262,500 |
| EVR Migration to Centralised EMS and Voter List Printing | 130,500 |
| Dashboard for Portable Mobile Devices | 5,000 |
| Grand Total | 398,500 |
| Final negotiated price | 350,000 |

However, FEO was unable to determine the reasons the limitations identified by the Supplier were not identified in the SRS when the tender was initially advertised. FEO was unable to ascertain whether the Tender Committee endorsed the change on specification and price variances, as minutes of meetings of the Committee and other related documents such as Committee papers were not sighted during time of audit.

Management's Comments

Fijian Election Office [FEO] had noted the comments by the audit team, the OAG response was as follows:

FEO would like to clarify that the Tender for the EMS from the supplier was for the sum of \$262,000.00. This tender was accepted by the Tender committee based on the performance of the supplier during the evaluation stage as well as during the direct face to face presentations on the eventual design of the software. The Tender Committee employed the resources of a separate evaluation committee making up the number of people to decide on this tender up to nine [9], to make sure that the ultimate procurement process was both transparent, reconcilable as well as accountable.

The attention of Auditors was drawn to the Terms of Agreement dated 24 May, 2016 which was a total sum of \$350,000.00. The process leading up to the contract was as follows:

Tender Committee approved the supplier of the EMS, dated 22 April, 2016.

The supplier arrived in Fiji with its core development and technical team on the 11 May 2016. For the technical team to carry out extensive discussion and presentation with FEO Operations Team, FEO Technical Advisors, Finance Teams and the Supervisor of Elections [SoE]. The technical team from the supplier extensively also discussed the scope that had been published by the FEO to ensure that the technical team thoroughly understood the requirements of the scope as well as understood the end result goals of the EMS that was required by the FEO. The scope was also analyzed for its suitability for the platform that it required the software to be built on also determine the rigidity of the software following the 2018 General Elections.

Following the extensive discussion there was a round table agreement on the draft Software Requirements Specifications [SRS] that would be the basis for the development of the EMS between the FEO and the supplier. Since this was the first time an EMS was being developed for Fiji, were bound to be enhancements or opportunities in the initial scope that could only be explored following the confirmation by the technical team of the supplier of the possibilities.

The supplier thereafter reverted to the FEO outlining that:

There was a possibility to developed the EMS based on the initial scope at the cost of \$262,000.00 but highlighted highly likely chances of numerous limitation that could inhibit the software from functioning as per the FEO needs for the 2018 General Elections

The supplier further recommended that the FEO reconsider a revised cost of \$ 398,000.00, in which the supplier will deliver to the FEO the entire amended SRS, which would permit the FEO to have the state of the art software it requires with Source Code, as well as will the ability to comprehend further enhancements, as well as changes that may facilitated the EMS into become the overall office management in the near future.

The Tender Committee deliberated over this revised bit and in its discussion considered whether it would be worthwhile to offer the Tender to the next bidder, in case the next bidder's bid was lower than the revised cost. The Tender Committee noted that the next bid was US\$502,000.00.

The Tender Committee further deliberated that there was a highly likely chance that the second bidder would also recommended for the scope to be enhanced or changed in order to allow its technical team to build the software based on the expectation of the FEO which would more likely take the cost well above the 500,000 mark and if the supplier cost difference be taken as a base line then the cost of software would most likely exceed 600,000. The Tender Committee thereafter recommended to the SoE as the head of the institution to negotiate the tender pricing with the supplier with the view to reduce the final price.

The SoE on receipt of the office requested negotiated the price from \$398,000.00 to a round figure of 350,000. The SoE following the negotiations recommended to the Tender Committee the price of \$350,000.00 which was accepted by the Tender Committee as the appropriate round figure. There after the contract was prepared and signed.

In order to reflect this discussion the FEO ensured the Terms of Agreement with the supplier, that the agreement demonstrated the tender bid of \$262,000 was included in the price as well as the difference of the 350,000 with the breakdown to facilitate for proper accountability. Once this was done the Terms of Agreement with the supplier was signed and the Software was produced.

Recommendations

FEO Management should ensure that for future procurements:

- **proper reviews of the specifications were carried out prior to inclusion in the Requirements for Tender;**
- **Fresh tenders were invited for any significant changes in the tender specifications; and**
- **any amendments to the specifications and tendered cost was deliberated and approved by the Tender Committee.**
- **FEO Management should also ensure that changes to price and specifications of the EMS were properly recorded in the minutes of the Tender Committee.**

10.9 Expired Performance Security

A Performance Bond for delivery of EMS software at a rate of 10 percent of the contract price amounting to USD 35,000 (VEP) was required to be provided by the Supplier. 4 The performance Bond will be returned to the Supplier at the end of the warranty period. If the performance bond expires during the terms of the agreement, the Supplier must obtain a new bond to replace the expired performance bond prior to the expiry of the performance bond.5 The warranty period is 6 months from the date of receipt of the EMS Software by the Client.6

The warranty period was effective after the date of the Final Acceptance Certificate which was issued on 1/6/17. The performance bond should have been effective till 1/12/17. Audit noted that the performance bond amounting to USD 35,000 had expired on 28/9/17 which is 64 days prior to the completion of the warranty period.

The findings indicate that the Fijian Elections Office did not monitor the validity of the performance bond.

In absence of valid Performance bond, the FEO may not be able to recover any sum for non-performance.

Management's Comments

The FEO notes the findings of Audit and invited the Audit to consider the following:

The performance Bond was for the sum of USD 35,000. The entire EMS software together with the source code had been handed over to the FEO on the 1st of June, 2017. However, on the date the performance bond expired, the FEO was holding payments due to the Supplier in sum of USD 33,000.

In light of the pending payments, the Performance Bond was significantly less. In terms of the security of the FEO, due to the pending payments, the FEO was in a more stable and secure position in the event there was a need to enforce the Bond.

The FEO and the Supplier have had good cordial relationship and since the software was already delivered and accepted by the FEO, both parties were in stable positions for support relations if required.

Recommendation

- ***FEO Management should ensure that performance bonds submitted were monitored to ensure it is valid until the expiry of the warranty period.***

10.10 Anomalies in procurements for the 2018 General Elections Variance in Tally cards for Purchase of Polling Kits

There would be comprehensive records kept of all items entered and leaved the warehouse. No item would be removed without appropriate authorization and records being updated.

On 31 July 2017, FEO purchased 3,000 Polling Kits to be used in the 2018 General Elections at a total cost of \$1,431,965.08 (VIP) via EFT 143 from the Supplier. Each Polling Kit included 62 items that would be required during the elections such as stationery and other accessories. The polling kits were kept at the FEO warehouse.

The OAG visited the FEO Warehouse on 08 March 2018 and noted the following:

- Tally cards were maintained for all items in the Warehouse. However, tally cards for Polling Kits were not updated. All movement in inventory was recorded in an inward/outward register prior to it being entered in the tally cards. However, there was no reconciliation between the inward/outward register and the tally cards.
- A variance of 167 kits existed between the tally card balance of 1,800 kits and the stock take as per stock take carried out during audit of 1,633 kits. Refer to Table 10.3 for details of variance.

Table 10.3: Details of Variance between Tally Cards and Actual Stock

| Item | Balance as per Tally Card | Balance as per stock take by audit on 8/3/18 | Variance |
|-------------|---------------------------|--|----------|
| Polling Kit | 1,800 | 1,633 | 167 |

Discussions with the Director Corporate Services revealed that the Polling Kits were distributed for training purposes and were not recorded on the tally card.

The Quality Assurance Team for 2018 General Elections identified that some Polling Kits did not have all items which were delivered on 28 July 2017 and some had surplus items. As of the date of audit on 8 March 2018, the Supplier was yet to provide the incomplete items in the kits which was 223 days after delivery.

The audit findings highlighted that the items were not properly inspected upon delivery.

In the absence of timely reconciliation and inspection of items, FEO would not be in a position to determine the correct number of items received and kept in the Warehouse.

Management's Comments

Management had noted your comments. Stock card may not have been updated at the time stock-take was conducted by the auditors however, there was a stock-take conducted with Logistics Coordinator for handover of stock to Operations Directorate. During this handover it was confirmed that there were no missing Kits.

As for the items missing in the Polling Kits, FEO wish to confirm that the Supplier had later supplied all the missing/outstanding items.

Insufficient Supporting Documents for delivery of Election Items

The proper management of expenditure was fundamental in ensuring value-for-money in delivering services to the nation for the grants allocated by the government and donor agencies. Having cost-effective internal controls within the purchasing and payments system plays an important role in ensuring that misuse of funds, over-expenditure and corruption does not occur.

The Accountant and Financial Controller must not certify a payment as correct unless he/she was satisfied that it was in accordance with the PO, contract, invoice or other documentation and authorization; and there was written evidence that goods, services or works had been received or completed to FEO's satisfaction.

On 27 July 2017, FEO purchased 20 Samsung Tab S3 9.7 Inch Screen Tablets costing \$1,529.10 (VIP) each and 150 Samsung J5 Prime Mobile Phones costing \$280 (VIP) each from the Supplier via EFT number 141. As per delivery dockets, the items were received on the same day by the Team Leader, ICT.

During the physical verification of items on 7 March 2018, we noted that only five out of the 20 Samsung Tab S3 9.7 Inch Screen Tablets and 60 out of the 150 Samsung J5 Prime Mobile Phones were received by the Office. Refer to Table 10.4 for details.

Recommendations

FEO Management should ensure that:

- reconciliations were carried out between the tally cards and the physical stock count and rectify any variances arising; and
- items received were inspected upon delivery.

Table 10.4: Details of Items Not Received as at 28/9/18

| Item | Unit Cost (\$) | Total Cost (\$) | Quantity Ordered | Quantity Resceived | Quantity yet to be received |
|---|--------------------------|------------------------|-------------------------|---------------------------|------------------------------------|
| Samsung Tab S3 9.7 Inch Screen Tablets | 1,529.10 | 30,582 | 20 | 5 | 15 |
| Samsung J5 Prime Mobile Phones | 280.00 | 42,000 | 150 | 60 | 90 |
| Total Cost | | 72,582 | | | |

The OAG were not provided with any documentary evidence explaining that 15 Samsung Tab S3 9.7 Inch Screen Tablets and 90 Samsung J5 Prime Mobile Phones were yet to be received from the Supplier. Our subsequent visit to FEO on 28 September 2018 revealed that the items were still not delivered.

The OAG discussions with the Director Corporate Services during the audit revealed that advance payment was made for items not delivered. However, there was absence of written documentation to show that advance payment had been made and when the items will be delivered.

In the absence of proper documentary evidence there was a lack of audit trail for goods that were yet to be received from the Supplier.

Management's Comments

Management had noted the OAG comments and noted that items were procured in advance due to special price on the phones costing \$280 compared to \$ 415 from another vendor. These phones were bought for hub and field officers who were going to start work just before elections. There were several reasons why the phones and tablets were kept at Vodafone. Listed below are the reasons:

Warranty would be applied from the time of delivery.

Mobile phones were purchased in bulk to benefit the FEO in terms of cost saving. It was better to have the phones stored with Vodafone and have them delivered to us as the staff were appointed rather than have the full quantity stored with us.

If mobile phones were received immediately, their warranties would expire and in some cases, the warranty would have expired before first use.

The FEO had a calendar for appointment to staff and resources for these staff are allocated after their appointment. The option taken by FEO is by far better practical options rather than the old direct supply and delivery system.

The OAG had noted comments by audit and in respect of future purchase we would ensure that proper contracts were done to safeguard the interest of FEO.

Recommendation

- FEO Management should ensure that goods ordered are received on a timely basis before payment was made.

10.11 Underpayment of FNU Levy

The levy shall be equal to one per cent of the total of the gross wages paid by the employers in the period prior to the date of such assessment in respect of all employees on whom this levy was imposed. Any sum due and unpaid on the date shall bear interest from that date at the rate of one per cent per month or part of a month until payment.

The Office was required to pay 1% of Gross Salary amounting to \$3,309,527 amounting to \$33,095 as FNU Levy to the Fiji National University. Review of the payments made for the FNU levy revealed that there was a variance of \$23,162 between the audit calculation of \$33,095 and the amount paid by the Office amounting to \$9,933. Refer to Table 10.5 for details.

Table 10.5: Details of Variance between FNU Levy Payable and FNU Levy Paid

| FNU Levy Calculation | Amount (\$) |
|--------------------------------|-------------|
| Total Gross Salary and Wages | 3,309,527 |
| FNU levy at 1% | 0.01 |
| Total as per Audit Calculation | 33,095 |
| Total as per Trial Balance | 9,933 |
| Variance | 23,162 |

The above could be attributable to non-performance of appropriate reconciliation for FNU levy.

Based on the above findings, it was evident that FEO did not comply with the statutory requirements relating to FNU Levy hence increasing the risk of possible penalties on the amount short-paid.

Management's Comments

FEO agreed to the audit comment that there was underpayment of FNU Levy. FEO was not aware that FNU levy applies to all employees and not only for long term staff. This was clarified with FNU after audit was conducted and FEO managed to clear the payment for short term staff in the next financial year.

Recommendations

FEO Management should ensure that:

- monthly reconciliations for FNU Levy were prepared and reviewed; and
- timely payments were made for FNU Levy.

10.12 Absence of Risk Management Policy and Risk Register

It was imperative that an entity must establish and maintain an entity specific risk management policy that outlines the following at least:

- defines the entity's approach to the management of risk and how this approach supports its strategic plans and objectives;
- defines the entity's risk appetite and risk tolerance;
- contains an outline of key accountabilities and responsibilities for managing and implementing the entity's risk management framework; and
- was endorsed by the entity's accountable authority.

It was noted that the Office did not have a Risk Management Policy.

In the absence of a Risk Management Policy there was a risk that the Office would not be carried out its risk assessment and formulating strategies to address the risks that may exist in the Office. Consequently, when the risks were not identified and addressed early this may cause severe business disruption.

Management's Comments

The FEO noted the comments by the audit. The FEO had only been operational for the last 4 years and had been continuously building and developing its organizational policies and processes. In some areas, the FEO had to wait for the establishment or creation of the base processes first before devising more comprehensive overlying frameworks.

Risk Management, aversion and handing policy had been a policy that had been work in progress for the FEO. Being an EMB, the FEO had to consider additional matters that form the prime basis for consideration and remedial action such as polling operations, decentralization plan etc.

Recommendation

FEO Management should consider developing and implementing a Risk Management Policy.

10.13 Significant Error in the Financial Statements Submitted for audit

The Financial Controller shall be responsible for the accuracy of the books of account and financial operations of the Finance Department.

Significant errors were noted during the audit of the VAT. Refer to Table 10.6 for details.

Table 10.6: Details of Items Yet To Be Received

| Account | Issues Noted |
|---------|---|
| VAT | VAT amounting to \$562,164 is wrongly classified as an Administrative expense in the Statement of Comprehensive Income and Retained Earnings. |

The OAG findings indicated that the financial statements were not properly reviewed by the Financial Controller before it was submitted for audit.

Management's Comments

- *The VAT was reported in the Financial Statement as Expenses in the Statement of Comprehensive Income. This was recorded as Expenses in line to the budget setup and the funds that was released to FEO. All the expenses which related to VAT were posted in GL 43502. The audit verified that the VAT was component of Balance Sheet and it should not be classified as Expenses.*
- *This issue was discussed with FRCS along with the consultancy advice. It was concluded by FRCS that FEO neither qualified for refund and payable for that particular period and the VAT account was zerorised as at 31st July 2017.*

- *The OAG had classified VAT as part of the administrative expenses as excluded this would understate the expenditure and reclassification to respective GL could not be done as there were around 4000 entries for the year.*

Recommendation

FEO Management should ensure discrepancies identified were rectified before finalization of the audit.

10.14 Proper reviews and control over Posting of Journal Vouchers not done

Journal vouchers were used to correct accounting errors and make other required transfers between accounts. Journal vouchers must be appropriately approved and then posted into the appropriate ledger.

The OAG audit noted several instances where the journal vouchers were posted in the Navision Software without the approval of the Financial Controller. The journals were related to the year-end account adjustments. Refer to Table 10.7 for examples. The OAG findings indicated poor oversight and review functions in the Finance Department. Hence there was a high risk of incorrect journal entries processed and posted in the general ledger.

Management Comments

FEO had agreed with Audit that all journal vouchers should be checked and approved by the supervisors.

FEO Management should ensure that:

- Supervisory role in the Finance Department needs to be strengthened and this needed to be reviewed by the Internal Auditor; and
- Accounting officers need to be informed that journals will only be posted in the ledger once it was approved.

10.15 Governance Issues

The Internal Auditor shall submit to the SOE an internal control report. The review should be done annually on a timeframe approved by the SOE. The report shall provide the following information:

- whether all reconciliations were up to date;
- whether financial information were submitted on time.

All bank statements shall be reviewed and bank reconciliation performed on a monthly basis by Finance Officer Reconciliation. Bank reconciliations must be completed no later than ten (10) working days.

As of the date of audit on 5 March 2018, the following monthly reconciliations were yet to be prepared and reviewed:

1. Bank Reconciliations for the Operating Account
2. Wages Reconciliation
3. VAT Reconciliation

Furthermore the Office prepared a yearly reconciliation for the Trust Fund Accounts instead of monthly reconciliations.

In the absence of appropriate supervision and proper reconciliations, the Office may not be able to detect errors, omissions or possible fraud and misappropriation on a timely basis.

Management Comments

Management has noted the OAG comments and therefore confirmed that reconciliations were completed for the Bank. Wages were reconciled every week before payments were signed and dispatch to bank to ensure that employees are correctly paid. In this financial system, vat was directly posted to expense account which monthly vat returns were prepared and forwarded to Fiji Revenue and Customs Authority.

The FEO will ensure that monthly reconciliations are prepared and signed off by the supervisors.

Recommendation

FEO Management should ensure that monthly reconciliations are properly carried out on a timely basis.

10.16 Anomalies in Recording of Cash

The FEO maintains a Trust Account for receipt of refundable deposits and donor funds. Receipts were issued for all amounts received for refundable deposits. It was imperative that the receipts were posted in the accounting system through receipt numbers as it was the first audit trail.

The OAG noted the following anomalies from the audit review of cash:

Cash received were posted in the Navision system via general journal instead of receipt numbers. FEO further noted that the journals were neither raised nor approved for posting in the Navision System. Refer to Table 10.8 for details.

Furthermore, monthly bank reconciliations for the trust account were not prepared. Instead a yearly reconciliation was performed.

The above anomalies indicated generally lacked of appropriate financial reviews over accounting functions.

Use of journals which were not reviewed could result in incorrect accounting entries in the general ledger while absence of monthly reconciliation, potential errors, omissions or act of fraudulent activities will not be detected in a timely manner.

FEO had agreed with the audit comments that the cash receipt was posted through raising general journal. The receipts were issued for all the payments received and reconciled daily with the bank lodgment as a control measure. Going forward, the fund received was posted according to the receipts numbers as per the receipt book kept in the office .Confirmation of the posting had been attached for ease of reference.

Following its establishment in 2014, the FEO has enthusiastically embraced that it had to have completed the autonomy. This was new from Fiji and in the past, independent institutions still used FMIS. The area of accounts reporting was still not clear as there was no clear direction on which standards were to be applied and as such the FEO had sourced services of KPMG to assist in managing this transition.

Management's Comments

- FEO agreed with the comments highlighted by audit on below items:
- FEO had taken up the recommendation to post the receipt number in the system so that any anomalies could be identified.
- FEO had taken up recommendation that monthly reconciliation should be performed, reviewed and approved by respective staff.
- All journals would be verified and approved before it is posted in the system.
- These controls were now in place to strengthen the processes in Finance.

Recommendations

FEO Management should ensure that:

- Monthly trust fund account reconciliations are prepared and reviewed;
- cash received was posted using receipts into the Navision System;
- journals were prepared and approved prior to these being posted in the Navision System; and
- Review function was strengthened in the accounting function.

Section 11 Judiciary

PART A: FINANCIAL STATEMENTS

11.1 Audit Opinion

The audit of the 2017 accounts of the Judicial Department resulted in a qualified audit report. The reasons of the qualifications are as follows:

- The Department's reconciliations for Suitors, Sundries and Maintenance Trust Fund accounts were only prepared up to January 2015, January 2000 and December 1994, respectively as at 31 July 2017. Due to significant lapse in the years of reconciliation balance, the OAG was unable to satisfy on the accuracy of the closing balance of \$31,623,770 disclosed in the Judicial Trust Fund Account Statement of Receipts and Payments for the year ended 31 July 2017.
- Included in the Suitors Trust Fund Accounts were funds received on behalf of deceased persons who do not have nominees at Fiji National Provident Fund as required under section 57 of FNPf Act 2011. The Department did not maintain detailed breakdown listing of these funds received from FNPf, funds paid out to beneficiaries, and balance of fund to be refunded to FNPf where no application had been made to claim the funds from High Court. Hence, OAG was unable to establish the quantum of the amount to be refunded to the Fiji National Provident Fund.

11.2 Statement of Receipts and Expenditure

The Department collected revenue totalling \$5,007,515 and incurred a total expenditure of \$29,362,285 for the year ended 31 July 2017. Details were provided in Table 11.1.

Table 11.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|------------------------------|-------------------------|-------------------------|
| State Revenue | 4,496,946 | 2,513,075 |
| Agency Revenue | 510,569 | 193,093 |
| Total Revenue | 5,007,515 | 2,706,168 |
| Established Staff | 19,965,063 | 11,764,622 |
| Government Wage Earners | 1,222,471 | 679,488 |
| Travel & Communications | 1,912,631 | 1,130,737 |
| Maintenance & Operations | 988,476 | 508,421 |
| Purchase of Goods & Services | 1,485,422 | 442,198 |
| Special Expenditures | 1,209,134 | 426,320 |
| Total Operating Expenditure | 26,783,197 | 14,951,786 |
| Capital Construction | 1,628,228 | 645,931 |
| Capital Purchase | 478,946 | 99,913 |

| | | |
|---------------------------|------------|------------|
| Total Capital Expenditure | 2,107,174 | 745,844 |
| Value Added Tax | 471,914 | 185,255 |
| Total Expenditure | 29,362,285 | 15,882,885 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

For Maintenance and Operations, there was an increase in power supply expenditure in 2017 which was attributed to increase in use of electrical equipment. There was also an increase in the purchase of stationery and toner due to increase in volume of court cases administered.

Purchase of Goods and Services expenditure increased by \$1,043,224 in 2017 compared to 2016, which was mainly due to the purchase of the revised version of the Laws of Fiji.

For Special Expenditure, Employment Relations Tribunal was the new inclusion in the 2017 budget, thus the increase. Also, increases were noted in the operational cost of the Fine Enforcement Unit, Legal Practitioners Unit and the Fiji Mediation Centre (FMC).

Increase in Capital Construction was due to the refurbishment of existing court complex around Fiji and the old parliament complex in Veiuoto.

11.3 Appropriation Statement

The Department incurred expenditure totalling \$29.3 million in 2017 against a revised budget of \$40.2 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$10.9 million or 27%.

Savings in the Established Staff allocation was mainly attributed to vacancies which were yet to be filled.

The savings noted in the Special Expenditure was mainly due to reduction in vessel hire cost in facilitating island court sittings, reduction in Arbitration Court and Fine Enforcement Unit related costs.

For Capital Construction, some of the Capital projects for the Department were not implemented because of adverse weather conditions while some projects were in the initial stage of consultations and tendering process which resulted in savings of \$4,621,772.

Details of expenditure against the revised budget are provided in Table 11.2.

Table 11.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|-------------------------|----------------------|--------------|-----------------------|-------------------------|---------------------------|
| 1 | Established Staff | 25,383,527 | (1,397,700) | 23,985,827 | 19,965,063 | 4,020,764 |
| 2 | Government Wage Earners | 1,057,495 | 215,000 | 1,272,495 | 1,222,471 | 50,024 |
| 3 | Travel & Communication | 1,688,098 | 478,500 | 2,166,598 | 1,912,631 | 253,967 |

| | | | | | | |
|---|------------------------------|-----------|-----------|-----------|-----------|-----------|
| 4 | Maintenance & Operations | 941,000 | 150,000 | 1,091,000 | 988,476 | 102,524 |
| 5 | Purchase of Goods & Services | 981,600 | 610,980 | 1,592,580 | 1,485,422 | 107,158 |
| 6 | Operating Grants & Transfers | 3,000 | - | 3,000 | - | 3,000 |
| 7 | Special expenditure | 2,579,461 | (337,780) | 2,241,681 | 1,209,134 | 1,032,547 |

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|------------------------------------|-------------------------|------------------|--------------------------|----------------------------|------------------------------|
| | Total Operating Expenditure | 32,634,181 | (281,000) | 32,353,181 | 26,783,197 | 5,569,984 |
| 8 | Capital Construction | 6,250,000 | - | 6,250,000 | 1,628,228 | 4,621,772 |
| 9 | Capital Purchase | 200,000 | 281,000 | 481,000 | 478,946 | 2,054 |
| | Total Capital Expenditure | 6,450,000 | 281,000 | 6,731,000 | 2,107,174 | 4,623,826 |
| 13 | Value Added Tax | 1,137,600 | - | 1,137,600 | 471,914 | 665,686 |
| | TOTAL | 40,221,781 | - | 40,221,781 | 29,362,285 | 10,859,496 |

The Department collected revenue totalling \$5,007,515 in 2017, an increase of 85% from the previous year.

11.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Judicial Department operates and maintains 3 main trust fund bank accounts which include the Judicial Trust Fund Account, the Judiciary Trust Fund Account and the Legal Practitioners Unit Fund Account.

The Trust Fund Account Statement of Receipts and Payments was now presented separately in the current year for transparency purposes and to correctly reflect the trust monies received and paid out of the three separate bank accounts maintained for the various trust funds being administered by the Department. In comparison to the prior year, a consolidated statement was presented for the three trust accounts. This was noted as an improvement in disclosure by the Department in the 2017 financial statements.

11.4.1 Judicial Trust Fund Account

The Judicial Trust Account consisted of four trust fund accounts namely; Suitors Trust, Maintenance Trust, Sundries Trust and Deposit Retention for project funds.

The Suitor's Trust comprised of monies received from FNPF on behalf of deceased who did not have nominees for their FNPF accounts. According to current procedures, the High Court makes a determination on the distribution of the deceased FNPF member's account balance among the family members.

The Maintenance Trust comprised of monies received from maintenance payments by defendants to their spouses based on the judgment's passed by the Family Law Court.

The Sundries Trust comprised of monies received from civil and criminal cases based on Court judgments. These included compensations, LTA fines, cash bail, court fees, bailiff fees and small claims.

The Deposit Retention for projects comprised of funds retained for projects that were being carried out by the contractors and were paid back to them after the defects liability period. It was usually 10% of the gross cost of the project. The funds were kept in this account because some projects defects liability period lapses in the following financial year.

Table 11.3: Judicial Trust Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|-------------------------------------|-------------------------|-------------------------|
| Suitors Fund | 16,493,671 | 6,452,122 |
| Maintenance Fund | 4,385,693 | 2,216,257 |
| Sundries | 4,266,256 | 1,771,676 |
| Deposit Retention for Project Funds | 58,029 | --- |
| Total Receipts | 25,203,649 | 10,440,055 |
| Payments | | |
| Suitors Fund | 11,012,496 | 6,356,592 |
| Maintenance Fund | 3,702,031 | 2,182,229 |
| Sundries | 3,665,638 | 1,468,044 |
| Retention paid for Project Funds | 18,126 | --- |
| Total Payments | 18,398,291 | 10,006,865 |
| Net Surplus | 6,805,358 | 433,190 |
| Opening balance as at 1 August | 24,818,412 | 24,385,222 |
| Closing Balance as at 31 July | 31,623,770 | 24,818,412 |

11.4.2 Judiciary Trust Fund Account

The Trust Fund comprised of funds received from an audit firm for interest received from the Law Society Account to meet the costs and expenses for the improvement of court premises, purchase of equipment for various courts in all the divisions including acquisition of equipment for the Judiciary, implementation of electronic recording of court proceedings and on the discretion of the Chief Justice.

Table 11.4: Judiciary Trust Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|-------------------------|-------------------------|
| Receipts | | |
| Judiciary Trust Fund Account | 1,189,335 | 199,907 |
| Total Receipts | 1,189,335 | 199,907 |
| Payments | | |
| Judiciary Trust Fund Account | 1,007,226 | 261,076 |
| Total Payments | 1,007,226 | 261,076 |
| Net Surplus/(Deficit) | 182,109 | (61,169) |
| Opening balance as at 1 August | 401,462 | 462,631 |
| Closing Balance as at 31 July | 583,571 | 401,462 |

11.4.3 Legal Practitioners Unit Fund Account

The Trust Fund comprised of funds received from an audit firm for interest received from the Law Society Account to meet the costs and expenses of the Legal Practitioners Unit in the Office of the Chief Registrar in the performance of the functions and duties of the Chief Registrar under the Legal Practitioners Act 2009 and other expenses on the discretion of the Chief Registrar.

Table 11.5 Legal Practitioners Unit Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|-------------------------|-------------------------|
| Receipts | | |
| Legal Practitioners Unit Fund | 259,717 | 157,935 |
| Total Receipts | 259,717 | 157,935 |
| Payments | | |
| Legal Practitioners Unit Fund | 33,681 | 48,089 |
| Total Payments | 33,681 | 48,089 |
| Net Surplus | 226,036 | 109,846 |
| Opening balance as at 1 August | 545,865 | 436,019 |
| Closing Balance as at 31 July | 771,901 | 545,865 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls being ineffective whilst the submissions and quality of draft financial statements, timeliness and provisions of management comments and signing of financial statements were generally effective.

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

It was important to note that the deficiencies detailed in this report were identified during the OAG audit and may have had been subsequently resolved by the Department. These had been included in this report as they impacted on the overall system of control of the Department as at 31 July 2017.

11.10 Judicial Trust Fund Account Bank Reconciliation Variance

Each month the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.

The Department maintains Judicial Trust Fund Account which consists of four trust fund accounts: Suitor's Trust, Maintenance Trust, Sundries Trust and Deposit Retention for Projects Trust accounts.

As at 31 July 2017, the General Ledger for respective trust fund account had the following balances:

Table 11.6: Details of the Judicial Trust Fund Account

| Description | Description of Trust Account | General Ledger Balance as at 31 July 2017 (\$) |
|-----------------------|---|--|
| Suitors Trust | Trust account comprises monies pending from Suva, Lautoka and Labasa High Court cases on; FNPF, Public Trustee, Civil and Criminal cases. | 24,286,148.18 |
| Maintenance | Trust account comprises monies from maintenance payments by defendants to their spouses based on | 2,215,160.21 |
| Sundries Trust | Trust account comprises monies from pending Civil and Criminal cases awaiting Court judgments | 5,082,559.62 |
| Description | Description of Trust Account | General Ledger Balance as at 31 |

| | | July 2017 (\$) |
|--------------------------------------|---|------------------------|
| Deposit Retention for Projects Trust | Trust account comprises of funds retained for projects that are being carried out by the contractors were paid back to them after the defects liability period. | 39,902.04 |
| TOTAL | | \$31,623,770.05 |

The OAG highlighted that the Department had prepared monthly bank reconciliations as at 31 July 2017 for the above accounts. The audit review of the bank reconciliations revealed the following anomalies:

There was a balance of \$734,667 that appeared in the Judicial Trust account bank reconciliation as "Adjustment by the Ministry of Economy in December 2013". This amount had been appeared in the Judicial Trust reconciliation since 2013.

The OAG were not provided any confirmation that the physical cash amounting to \$734,667 had been transferred by Ministry of Economy. It was noted that the Department had raised the matter with the Ministry of Economy on numerous occasions but the issue was still yet to be resolved. As a result, the cash at bank general ledger was overstated by the same amount as there was no actual cash held against this balance.

Included in the trust fund account reconciliation as at 31 July 2017 was a reconciled balance of \$49,774 for which relevant details were not provided by the Department.

Moreover, while monthly bank reconciliations were being carried out by the Department to reconcile the receipts and payments made out of the bank account, it was noted that the trust liability reconciliations for the Suitors, Sundries and Maintenance Trust Fund accounts were only prepared up to January 2015, January 2000 and December 1994, respectively. As a result, the OAG could not obtained the detailed breakdown listing of those beneficiaries and ascertain their respective balances being held by Department as trust as at 31 July 2017.

A variance of \$12,786 was also noted between the Trust Fund Account balance (SLG 89) and the Cash at bank balance (SAG 52) in the FMIS general ledger as at 31 July 2017.

Refer to Table 11.7 for details.

| Description | Amount (\$) |
|---------------------------------|-----------------|
| FMIS Cash at Bank Balance | 31,596,654.31 |
| FMIS Trust Fund Account Balance | 31,583,868.01 |
| Variance | \$12,786 |

*excludes project retention balance \$39,902.04

In the absence of monthly reconciliations, the OAG were not able to ascertain the correctness of the balance reflected in the Judicial Trust Fund accounts and if not addressed, there was a high risk of fraudulent payments being made as the detailed current listing of the beneficiaries and their respective balances as at year end were not available.

Department's Comments:

Department was liaised with MOE to provide the funds amounting to \$734,667

The FEO also worked with MOE to rectify the variance of \$12,786.30 which had occurred due to inter-funding.

As for \$49,774 the Department went through the records from 2009 again to verify what this balance was made up of and would then action accordingly.

Department was in the process of recruiting seven (7) TRCO'S on Project to assist in the reconciliation process.

These staff would start work from 5 pm – 10 pm on Mondays to Fridays and from 8 am to 1 pm on Saturdays.

Due to shortage of office space the Department was unable to recruit staff on full time basis.

Current staffs had started the reconciliations from January 2016 and any errors found were adjusted as they go along.

Since the reconciliations were quite behind and with the limited resources, the Department were trying to bring the reconciliations up-to-date in time to come.

Recommendations

The Department should;

- ***liaise with the Ministry of Economy to rectify the variances noted above;***
- ***consider establishing a reconciliation team immediately to undertake the exercise of updating the backlog in the trust account detailed reconciliations; and***
- ***ensure that trust fund account bank statement balance, trust fund cash at bank balance in FMIS general ledger and trust fund account balance in FMIS general ledger was reconciled on a monthly basis and any errors or omissions are investigated and resolved.***

11.11 Presentation of Judicial Trust Fund Account

Trust money is to be accounted for separately from public money and other money within the meaning of this Act. Trust money is to be kept in a separate bank account pending its withdrawal and accounted for separately from “public money” and “other money”.

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.

The OAG noted that the Department maintains Judicial Trust Fund Account which consisted of four trust fund accounts: Suitor's Trust, Maintenance Trust, Sundries Trust and Deposit Retention for Projects accounts. All funds related to the above trusts were deposited in one bank account and a consolidated statement of trust receipts and payments was prepared by the Department in its Agency Financial Statements.

As at 31 July 2017, the General Ledger for respective trust fund account had the following balances:

Table 11.8: Details of the Judicial Trust Fund Account

| Description | Description of Trust Account | General Ledger |
|--------------------------------------|---|-----------------------------------|
| | | Balance as at 31/07/17 (\$) |
| Suitors Trust | Trust account comprises monies pending from Suva, Lautoka and Labasa High Court cases on; FNPF, Public Trustee and Civil and Criminal cases. | 24,286,148.18 |
| Maintenance Trust | Trust account comprises monies from maintenance payments by defendants to their spouses based on the judgments passed by the Family Law Court. | 2,215,160.21 |
| Sundries Trust | Trust account comprises monies from pending Civil and Criminal cases awaiting Court judgments. | 5,082,559.62 |
| Deposit Retention for Projects Trust | Trust account comprises funds retained for projects that are being carried out by the contractors and are paid back to them after the defects liability period. | 39,902.04 |
| TOTAL | | 31,623,770.05 |

Currently, separate statements were not presented for each trust type with the receipts and payments to be classified by the nature of receipt and expenditure. However, the current presentation in the Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one line item on the Statement even though the nature of the trust receipt and payment may vary.

In addition, the retention money was kept in the Judicial Trust Fund bank account for following three capital projects amounting to \$39,902.04.

With the various trust funds being deposited into one bank account, there was a high risk of funds for a particular trust being utilized for the other trust funds especially when there was backlog in the reconciliation for each of the trust types. With the current presentation, the trust fund accounts disclosures were deemed inadequate and did not provide adequate useful information to the users of the financial statements.

Department's Comments:

Comments of the Auditors were noted.

However, once all reconciliations were updated then the Department would know actually how much was for each different account and then consideration could be given to open separate bank accounts. Currently all monies were received on Court Orders thus deposited in one Account. Also awareness would have been conducted to all registries as they collected the monies.

Recommendation

The Department should work towards maintaining separate bank accounts for all new trust accounts created and submit separate statements accordingly.

11.12 Significant Arrears of Revenue

The credit officer must promptly follow up accounts that fall due. If the recovery was unsuccessful after one month, the following actions shall be taken:

- a demand notice for payment shall be sent to the debtor after his/her debt has been overdue for more than a month; and
- if the account still remains unpaid after the first demand notice was issued, a final notice shall be issued demanding payment within fourteen days.

If a final notice had been issued to one of the debtors listed, the Principal Accounts Officer may approve the case to be referred to the Solicitor General or the Small Claims Tribunal, after considering the cost implication and the probability of recovery.

The arrears of revenue comprises of arrears arising from court fees, fines and costs awarded to the state.

A slight decrease of \$10,464 in arrears of revenue was noted in 2017 when compared to 2016. Refer to Table 11.10 for details.

Moreover, the arrears of revenue owed to the Department between 1-2 years and more than 5 years had also decreased by \$21,739(2%) and \$316,985(3%), while the arrears of revenue between 2-5 years had increased by 44%. Refer to Table 11.11 for Aging of Debtors.

Table 11.11: Ageing of Debtors

| Year | 31/07/17 | 31/07/16 | Change | Percentage |
|-------------------|------------|------------|-----------|------------|
| | (\$) | (\$) | (\$) | Change (%) |
| Less than 1 year | 1,075,186 | 1,312,624 | (237,438) | (18%) |
| 1 – 2 years | 934,580 | 956,319 | (21,739) | (2%) |
| 2 – 5 years | 1,856,513 | 1,290,815 | 565,698 | 44% |
| More than 5 years | 9,584,412 | 9,901,397 | (316,985) | (3%) |
| Total Debtors | 13,450,691 | 13,461,155 | (10,464) | 0.08% |

The OAG audit highlighted that the Department has established a Fine Enforcement Unit in prior years to manage the arrears of revenue. However, the arrears of revenue for the Department remains substantial and indicates that debt recovery procedures employed can be further improved.

Further delay in the collection of the outstanding revenue which increased the risk of revenue not likely to be collected which may require write-offs resulted in the loss of revenue for government.

Department's Comments:

The Department was working with the Police Department to increase the Number of execution runs such as having a full time transport allocated by the Police to do day time executions during the week whilst the department provides the transport for the evening executions. On Fridays, the Police Department provided two vehicles to do day time executions to decrease the outstanding arrears of revenue. In addition, the department collected the arrears of revenue information with the intention of carrying out an analysis to make a submission for Write off of arrears of Revenue which are over 5 years and which may not be recoverable.

Recommendations

The Department should:

- work closely with Fine Enforcement Unit in an effort to recover the arrears of revenue from the defaulters; and
- consult all relevant stakeholders and outline the roadmap on ways to recover the arrears of revenue from the defaulters in a more cost-effective manner.

11.13 Increasing VAT liability account

When receipted the revenue, the VAT portion should be credited to the new liability account (863201) and the balance to the revenue code. At the end of the month, when making VAT return payment to FRCS, the VAT portion should be debited to the same liability account whilst VAT on expenditure will continue to be met from agencies budgetary funds (SEG 13).

The Department had been submitting its monthly VAT returns on a monthly basis. However, audit review of the operating trust balances noted the increasing balance of VAT from provision of goods and services.

The balance as at 31 July 2017 amounted to \$37,361.69 which had accumulated over the years. Refer to Table 11.12 below for details.

Table 11.12: Long Outstanding VAT Account

| Account | Description | 31/07/17 | 31/07/16 | 31/12/15 | 31/12/14 | 31/12/13 |
|----------------------|--|-------------|-------------|-------------|-------------|-------------|
| | | (\$) | (\$) | (\$) | (\$) | (\$) |
| 1-11101-11999-863201 | VAT from Provision of Goods & Services | (37,361.69) | (25,777.23) | (26,963.05) | (25,645.90) | (16,138.16) |

It was noted that the increased in the balance was due to the non-recognition of VAT receivable in the FMIS GL by the Department for those months in which a receivable is recorded from the VAT returns.

Department's Comments

Comments of the Audit were noted. Necessary adjustments would be made in due course.

Recommendation

The Department should liaise with the Ministry of Economy and rectify the VAT accounting issues and appropriate action is taken to correct the general ledger.

Section 12 Parliament Office

PART A: FINANCIAL STATEMENTS

12.1 Audit Opinion

The audit of the 2017 accounts of the Parliament Office resulted in the issuance of an unqualified audit opinion.

12.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$11,674 and incurred a total expenditure of \$10.8 million for the year ended 31 July 2017. Details were provided in Table 12.1.

Table 12.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|------------------------------------|-------------------------|-------------------------|
| State revenue | 11,523 | 17,129 |
| Agency revenue | 151 | 1,390 |
| Total Revenue | 11,674 | 18,519 |
| Established staff | 4,523,347 | 2,608,147 |
| Government wage earners | 387,200 | 196,070 |
| Travel and communications | 2,068,416 | 724,319 |
| Maintenance & operations | 686,670 | 414,333 |
| Purchase of goods and services | 545,203 | 616,446 |
| Operating grants and transfers | 437,500 | 750,000 |
| Special expenditures | 1,485,628 | 72,800 |
| Total Operating Expenditure | 10,133,964 | 5,382,115 |
| Capital Purchase | 261,651 | --- |
| Total Capital Expenditure | 261,651 | --- |
| Value Added Tax | 440,157 | 193,838 |
| Total Expenditure | 10,835,772 | 5,575,953 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

Revenue mainly comprised of refunds from accountable advances and recoveries arising from losses and damages.

The increased in expenditure for Travel and Communication resulted from the enactment of the new determination of allowances and benefits for Members of Parliament. This increased local subsistence, accommodation and meals. The increased in overseas travel led to increase overall expenses in this allocation due to increase travel cost, insurance, per diem and roaming charges.

The increased in expenditure for Special Expenditure resulted from the hosting of the 25th Asia Pacific Parliamentary Forum at the Intercontinental Resort and the increase in Members of Parliament sitting allowance from \$80 to \$200.

Funds allocated for Capital Purchase were used for the installation of CCTV cameras and upgraded of cameras in the common room.

12.3 Appropriation Statement

The Office incurred expenditure totalling \$10,835,772 in 2017 against a revised budget of \$10,838,878.

Details of expenditure against the revised budget were provided in Table 12.2.

Table 12.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation(\$) |
|-----|---|-------------------------|--------------|--------------------------|----------------------------|-----------------------------|
| 1 | Established Staff | --- | --- | --- | --- | |
| 2 | Unestablished Staff | --- | --- | --- | --- | |
| 3 | Travel & Communication | --- | --- | --- | --- | |
| 4 | Maintenance & Operations | --- | --- | --- | --- | |
| 5 | Purchase of Goods & Services | --- | --- | --- | --- | |
| 6 | Operating Grants & Transfers | 10,838,878 | --- | 10,838,878 | 10,395,615 | 443,263 |
| 7 | Special Expenditure | --- | --- | --- | --- | |
| | Total Operating Exp | 10,838,878 | --- | 10,838,878 | 10,395,615 | 443,263 |
| 9 | Capital Constructions | --- | --- | --- | --- | |
| 10 | Capital Grants and Transfers | --- | --- | --- | --- | |
| | Total Capital Expenditure | --- | --- | --- | --- | |
| 13 | Value Added Tax | --- | --- | --- | 440,157 | (440,157) |
| | TOTAL | 10,838,878 | --- | 10,838,878 | 10,835,772 | 3,106 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, quality of draft financial statements, provision of management comments and signing of financial statements being effective whilst the ratings on timeliness of submission of draft financial statements being ineffective.

Given the significant increase in travel allowances and communications, the Committee would like the Secretariat to provide the update on the Meet the Speaker's Programme, Parliament Bus and the Speaker's Debate and the Roaming expenses.

- 1) *How are they accounted in the Statement of Receipts and Expenditure for 2017?*
- 2) *Parliamentary grants provided to Political Parties. Can the Department highlight where is this grant provided for in the statement of receipts and expenditure for 2017?*
- 3) *Please explain why was there a decrease in operating grant and transfers from \$750,000 in 2016 to \$437,500 in 2017;*
- 4) *Please explain why was there an increase in Special Expenditures from \$72,800 in 2016 to \$1,485,628 in 2017;*
- 5) *The audit noted that there was increase in overseas travel that led to an increase in overall expenses in Travel & Communication expenditure allocation. Please advise what was the total roaming charges amounting to in 2017; and*
- 6) *Please provide an update on the Meet the Speaker's programme, parliament bus and Speaker's debate. How were they accounted for in the Statement of Receipts and Expenditure for 2017?*

The Department's response on the above questions has been provided in the Report Appendices.

The Committee noted the OAG report on Parliament and recommends that a detail analysis on the Department expenditure be provided as part of the audit report.

Section 13 Independent Commissions

FIJI INDEPENDENT COMMISSION AGAINST CORRUPTION

PART A: FINANCIAL INFORMATION

13.1 Audit Opinion

The audit of the financial statements of Fiji Independent Commission Against Corruption for the year ended 31 July 2017 resulted in an unqualified audit opinion. The Commission prepared its financial statements in accordance with International Financial Reporting Standards for Small and Medium-sized entities.

13.2 Abridged Statement of Comprehensive Income

| Description | 2017 (12 months) (\$) | 2016 (7 months) (\$) |
|--------------------------|--------------------------|-------------------------|
| Government grant | 8,215,437 | 4,301,208 |
| Other income | 136,729 | 3,667 |
| Total Revenue | 8,352,166 | 4,304,875 |
| Administrative Expenses | 719,976 | 412,022 |
| Other Expenses | 7,581,863 | 4,191,242 |
| Total Expenditure | 8,301,839 | 4,603,264 |
| Net Profit/(Loss) | 50,327 | (298,389) |

The financial year end for the Commission was changed from 31 December to 31 July in accordance with the Financial Management (Amendment) Act 2016. The financial statements for the year ended 2017 was for a 12-month whereas the financial period for 2016 reflect transactions for a seven-month period, thus the significant variances with the comparative balances were noted.

13.3 Abridged Statement of Financial Position

| Description | 2017 (12 Months) (\$) | 2016 (7 months) (\$) |
|-------------------------------|--------------------------|-------------------------|
| Cash | 1,068,206 | 1,113,928 |
| Receivables | 53,119 | 31,119 |
| Other current assets | 263,455 | 121,807 |
| Property, plant and equipment | 1,599,308 | 1,516,630 |
| Intangible assets | 416,108 | 517,237 |
| Total Assets | 3,400,196 | 3,300,721 |
| Trade and other payables | 207,827 | 211,459 |
| Employee entitlements | 334,813 | 282,033 |

| | | |
|--------------------------|------------------|------------------|
| Total Liabilities | 542,640 | 493,492 |
| Net Assets | 2,857,556 | 2,807,229 |
| Accumulated funds | 2,857,556 | 2,807,229 |
| Total Equity | 2,857,556 | 2,807,229 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, quality of draft financial statements, provision of management comments and signing of financial statements being effective whilst the ratings on timeliness of submission of draft financial statements being ineffective.

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Commission. These have been included in this report as they impacted on the overall system of control of the Commission as at 31 July 2017.

13.8 Zero Written Down Values

Factors such as a change in how an asset was used, significant unexpected wear and tear, technological advancement, and changes in market prices may indicate that the residual value or useful life of an asset has changed since the most recent annual reporting date. If such indicators were present, an entity shall review its previous estimates and, if current expectations differ, amend the residual value, depreciation method or useful life as a change in an accounting estimate.

Included in the fixed assets register were assets with zero written down value (WDV) amounted to \$1,051,779 or 21% of total fixed assets, which was still being used in the Commission's operating activities.

When fully depreciated assets were still used, it suggests that management's initial estimate of the useful lives of these assets may not have had been correct or had not been revised to take account of revision in the estimated useful life.

Non-revision of the estimated useful life of the assets would result in an overstatement of depreciation expense in prior periods and understatement of the written down value of property, plant and equipment.

In addition to the above, since no depreciation was charged on assets with zero WDV, the expenditure was understated and operating results overstated by the amount of depreciation which would have been charged if the assets were revalued and depreciated.

Commission's Comments

An asset assessment was made by the Commissioner's BOS Committee. None of the Commission's significant assets experienced a significant wear and tear, change in market demand/price or technological change that would indicated that the useful life of an asset had changed. The Commission was not an income generating organization and does not consider it worthwhile to hire an expert to assess useful life of an asset.

The Commission was in the process of revising the policy to adopt a cost model for fully depreciated assets and would continue to use it until derecognized on disposal or when no future benefit was expected from its use or disposal.

Recommendation

The Commission should review the estimated useful lives of significant assets that have not yet been fully depreciated and ensure that the estimated useful life remains appropriate. Where the useful life has changed, the remaining book value should be depreciated prospectively over the remaining (revised) useful life.

The Committee noted the explanation given by FICAC and requested the OAG to provide an update in its next audit report.

13.9 Risk Management Framework

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

The OAG audit noted that the Commission does not have a risk management framework in place.

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

Commission's Comment

The recommendation by OAG was duly noted by the Commission and it has worked on its internal risk management procedure.

The Committee concurred with the OAG recommendation that the Commission should work towards developing a risk management framework.

PUBLIC SERVICE COMMISSION

PART A: FINANCIAL STATEMENTS

13.10 Audit Opinion

The audit of the 2017 accounts of the Public Service Commission resulted in the issuance of an unqualified audit report.

13.11 Statement of Receipts and Expenditure

The Public Service Commission allocation caters for the salaries, allowances and other expenses for contracted Permanent Secretaries in civil service. The Ministry of Civil Service is responsible for the administration of this fund under the budget. The Commission incurred a total expenditure of \$4,983,911 for the year ended 31 July 2017. Details were provided in Table 13.3.

Table 13.3: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--|-------------------------|-------------------------|
| Operating Grants and Transfers – Salaries for Permanent Secretaries | 4,983,911 | 2,193,373 |
| Total Operating Expenditure | 4,983,911 | 2,193,373 |
| Total Expenditure | 4,983,911 | 2,193,373 |

13.12 Appropriation Statement – Head 13

The Commission incurred expenditure totalling \$4,983,911 in 2017 against a revised budget of \$5,502,530 in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$518,619 or 9%.

Details of expenditure against the revised budget are provided in Table 13.4.

Table 13.4 Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|---------------------------------|----------------------------|-----------------|-----------------------------|-------------------------------|---------------------------------|
| 6 | Operating grants & transfers | 5,502,530 | --- | 5,502,530 | 4,983,911 | 518,619 |
| | Total Operating Expenditure | 5,502,530 | --- | 5,502,530 | 4,983,911 | 518,619 |
| | Total Expenditure | 5,502,530 | --- | 5,502,530 | 4,983,911 | 518,619 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected

transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The assessment of financial governance for the Public Service Commission was performed together with the assessment of Ministry of Civil Service. The results are included therein.

The Committee noted the OAG Report on the Public Service Commission.

Section 14 Office of the Director of Public Prosecutions

PART A: FINANCIAL STATEMENTS

14.1 Audit Opinion

The audit of the 2017 accounts of the Office of the Director of Public Prosecutions resulted in the issuance of an unqualified audit opinion.

14.2 Statement of Receipts and Expenditure

The Office collected revenue totalling \$6,556 and incurred a total expenditure of \$5.2 million for the year ended 31 July 2017. Details were provided in Table 14.1.

Table 14.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|----------------------|----------------------|
| Revenue | | |
| State revenue | 5,967 | 8,830 |
| Agency revenue | 589 | 685 |
| Total Revenue | 6,556 | 9,515 |
| Expenditure | | |
| Established staff | 2,789,866 | 1,520,985 |
| Government wage earners | 193,972 | 111,494 |
| Travel and communications | 341,940 | 156,083 |
| Maintenance and operations | 392,186 | 290,283 |
| Purchase of goods and services | 1,192,106 | 604,984 |
| Special expenditures | 120,165 | --- |
| Total Operating Expenditure | 5,030,235 | 2,683,829 |
| Value Added Tax | 182,041 | 96,545 |
| Total Expenditure | 5,212,276 | 2,780,374 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

Revenue amounted to \$6,556 in 2017 mainly comprised of disclosure fees, refund from travel and accommodation and commission.

Special expenditures increased by \$120,165 in 2017 compared to 2016 due to separate funds provided for Serious Fraud Division, Child Protection Division and General Crimes Division.

14.3 Appropriation Statement

The Office incurred expenditure totalling \$5.2 million in 2017 against a revised budget of \$5.7 million, resulting in a saving of \$572,867 or 10%. The savings was due to items that were budgeted and could not be purchased due to unavailability of stock and payment for Queen Counsels hired from abroad depended on the trial dates set by the court.

Details of expenditure against the revised budget are provided in Table 14.2. Table 14.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|------------------------------|-------------------------|--------------|-----------------------------|----------------------------|------------------------------|
| 1 | Established Staff | 3,398,481 | (538,019) | 2,860,462 | 2,789,866 | 70,596 |
| 2 | Unestablished Staff | 188,032 | 6,688 | 194,720 | 193,972 | 748 |
| 3 | Travel & Communication | 244,930 | 100,939 | 345,869 | 341,940 | 3,929 |
| 4 | Maintenance & Operations | 337,200 | 85,569 | 422,769 | 392,186 | 30,583 |
| 5 | Purchase of Goods & Services | 1,315,000 | 341,823 | 1,656,823 | 1,192,106 | 464,717 |
| 7 | Special Expenditure | 120,000 | 1,000 | 121,000 | 120,165 | 835 |
| | Total Operating Expenditure | 5,603,643 | (2,000) | 5,601,643 | 5,030,235 | 571,408 |
| 13 | Value Added Tax | 181,500 | 2,000 | 183,500 | 182,041 | 1,459 |
| | TOTAL | 5,785,143 | --- | 5,785,143 | 5,212,276 | 572,867 |

14.4 Trust Fund Accounts

As at 31 July 2017, funds amounting to \$265,778 were maintained in trust fund accounts which consisted of funds amounting to \$82,916 for DPP Trust Account and \$182,862 for Forfeited Assets Fund Account.

14.4.1 DPP Trust Account

The purpose of this fund was to administer the trainings normally conducted by the Office. Money received in this account from parties such as Police Force, lawyers and other participants and payments are made for provision of the trainings and bank interest. Payments of \$437 were for refund of prosecution course fees and bank fees. Details were provided in Table 14.3

14.3 Director of Public Prosecutions – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--|----------------------|----------------------|
| Receipts | | |
| Lawyers' Prosecution Training Fees | 1,219 | 2,700 |
| Interest | 49 | 47 |
| Total Receipts | 1,268 | 2,747 |
| Payments | | |
| Refund of Lawyers' Prosecution Training Fees | 300 | 300 |
| Bank Fees | 137 | 79 |
| Total Payments | 437 | 379 |
| Net Surplus | 831 | 2,368 |
| Opening balance as at 1 August | 82,085 | 79,717 |
| Closing balance as at 31 July | 82,916 | 82,085 |

14.4.2 Forfeited Assets Fund Account

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

Receipts consisted of \$644 for bank interest and payments of \$171,628 were made for purchase of second-hand containers for Fiji Police Force, hand held analyzer for Fiji Revenue & Customs Service and bank fees. Details are provided in Table 14.4

14.4 Forfeited Assets – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--|----------------------|----------------------|
| Receipts | | |
| Proceeds from sale of forfeited assets | --- | 205,440 |
| Proceeds of the mortgagee sale | --- | 89,623 |
| Interest | 344 | 110 |
| Error in deposit of prosecution fees | 300 | --- |
| Total Receipts | 644 | 295,173 |
| Payments | | |

| | | |
|--|-----------|---------|
| Purchase of second hand containers | 49,327 | --- |
| Purchase of hand held analyser | 122,000 | --- |
| Bank fees | 1 | --- |
| Transfer to DPP Trust Account for error in deposit | 300 | --- |
| Total Payment | 171,628 | --- |
| Net (Deficit)/Surplus | (170,984) | 295,173 |
| Opening balance as at 1 August | 353,846 | 58,673 |
| Closing balance as at 31 July | 182,862 | 353,846 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, quality of draft financial statements, provision of management comments, signing of financial statements and timeliness of submission of draft financial statements being generally effective.

Section 15 Ministry of Justice

PART A: FINANCIAL STATEMENTS

15.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Justice resulted in the issuance of a qualified audit opinion.

The qualification was due to the Ministry not maintaining detailed breakdown listings of the companies under provisional liquidations and the individuals under receiverships. Consequently, I was unable to substantiate the completeness of the closing balance of \$587,437 and \$255,603 reflected in the Statement of Receipts and Payments for the Official Receiver Liquidation Trust Fund Account and the Official Receiver Bankruptcy Trust Fund Account, respectively for the period ended 31 July 2017.

15.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$2,385,560 and incurred a total expenditure of \$4,732,335 for the year ended 31 July 2017. Details were provided in Table 15.1.

Table 15.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 | 31 July 2016 |
|------------------------------|------------------|------------------|
| State Revenue | 2,385,560 | 1,418,274 |
| Total Revenue | 2,385,560 | 1,418,274 |
| Established Staff | 2,305,416 | 1,189,941 |
| Government Wage Earners | 139,050 | 108,126 |
| Travel & Communications | 119,887 | 82,922 |
| Maintenance & Operations | 409,650 | 307,213 |
| Purchase of Goods & Services | 99,668 | 69,248 |
| Operating Grants & Transfers | 11,500 | - |
| Special Expenditure | 851,821 | 216,434 |
| Total Operating Expenditure | 3,936,992 | 1,973,884 |
| Capital Construction | 524,039 | 207,238 |
| Capital Purchases | 121,031 | 36,927 |
| Total Capital Expenditure | 645,070 | 244,165 |
| Value Added Tax | 150,273 | 74,672 |
| Total Expenditure | 4,732,335 | 2,292,721 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

Special Expenditure increased by \$635,387 in 2017 compared to 2016 due to the increase in project staff establishment for the digitisation program from 30 to 60 project staffs as a result of the large volume of documents to be scanned.

Capital Construction costs increased by \$316,801 in 2017 compared to 2016 due to the upgrading and refurbishment of headquarters and decentralisation of Births, Deaths and Marriages services to Nabouwalu, Sigatoka, Navua and Korovou.

15.3 Appropriation Statement

The Ministry incurred expenditure totalling \$4.7 million in 2017 against a revised budget of \$6.6 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$1.9 million or 28%. The savings was mainly attributed to operating expenditure.

The savings under Established Staff allocation was mainly due to vacancies which were yet to be filled at year-end.

The savings under Special Expenditure was mainly attributed to the non-utilisation of consumer tribunal funds allocation due to no cases received during the financial period, less refund of revenue made in contrast to estimation made and savings made under anti-corruption awareness and digitisation program.

Details of expenditure against the revised budget were provided in Table 15.2.

Table 15.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure(\$) | Lapsed Appropriation(\$) |
|-----|------------------------------|-------------------------|--------------|--------------------------|---------------------------|-----------------------------|
| 1 | Established Staff | 2,846,213 | (18,121) | 2,828,092 | 2,305,416 | 522,676 |
| 2 | Government Wage Earners | 147,514 | 8,075 | 155,589 | 139,050 | 16,539 |
| 3 | Travel & Communication | 276,000 | --- | 276,000 | 119,887 | 156,113 |
| 4 | Maintenance & Operations | 627,000 | (18,034) | 608,966 | 409,650 | 199,316 |
| 5 | Purchase of Goods & Services | 181,500 | 8,500 | 190,000 | 99,668 | 90,332 |
| 6 | Operating Grants & Transfers | 11,500 | --- | 11,500 | 11,500 | --- |
| 7 | Special expenditure | 1,440,870 | (8,500) | 1,432,370 | 851,821 | 580,549 |
| | Total Operating Expenditure | 5,530,597 | (28,080) | 5,502,517 | 3,936,992 | 1,565,525 |

| | | | | | | |
|----|----------------------|------------------|------------|------------------|------------------|------------------|
| 8 | Capital Construction | 600,000 | --- | 600,000 | 524,039 | 75,961 |
| 9 | Capital Purchase | 185,000 | 28,080 | 213,080 | 121,031 | 92,049 |
| | Total Capital | 785,000 | 28,080 | 813,080 | 645,070 | 168,010 |
| | Expenditure | | | | | |
| 13 | Value Added Tax | 297,900 | --- | 297,900 | 150,273 | 147,627 |
| | TOTAL | 6,613,497 | --- | 6,613,497 | 4,732,335 | 1,881,162 |

The Ministry collected revenue totalling \$2,385,560 in 2017, an increase of 68% from the previous year.

15.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use. The Ministry of Justice operates and maintains two main trust fund bank accounts, which include the Official Receiver Liquidation Trust Fund Account and the Official Receiver Bankruptcy Trust Fund Account.

The Official Receiver administers Liquidation and Bankruptcy Accounts in accordance with the Companies Act 2015 and Bankruptcy Act 1944, respectively.

The creditor files the petition against the debtor by paying a sum of \$150 for individual debtors and \$700 for Companies.

The petitions are then lodged with the Magistrates' Court or High Court which then appoints the Official Receiver as the Official Receiver of a debtor's estate for individuals or as the Provisional Liquidator for a company.

The Official Receiver then would have to take necessary steps as required under the Companies Act 2015 and the Bankruptcy Act 1944 to ensure recoveries were made from the debtors to pay off the creditors.

Money received from the individual debtors was deposited in the Bankruptcy Trust Bank Account for payment to creditors. Money received from Liquidated Companies on the other hand was deposited into the Liquidation Trust Bank Account for payment to creditors.

15.4.1 Official Receiver Liquidation Trust Fund Account

Table 15.3: Official Receiver Liquidation Trust Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 | 31 July 2016 |
|----------------|-----------------|-----------------|
| Receipts | | |
| Debt Collected | 1,461,819 | 938,335 |
| Petition | 31,416 | 9,800 |
| Search Fees | 6,233 | 1,436 |
| Proof of Debt | 2,004 | 500 |
| Total Receipts | 1,501,472 | 950,071 |
| Payments | | |
| Debt Payment | 993,143 | 247,506 |

| | | |
|---------------------------------|-----------|----------|
| Company Operational Expenditure | 520,542 | 730,231 |
| Debtor Refund | 7,953 | --- |
| Petition Refund | 3,788 | --- |
| Valuation Costs | 3,850 | --- |
| Publication Costs | 1,456 | 1,197 |
| Bank Fees & Charges | 551 | 1,397 |
| Total Payments | 1,531,283 | 980,331 |
| Net Surplus | (29,811) | (30,260) |
| Opening balance as at 1 August | 617,248 | 647,508 |
| Closing Balance as at 31 July | 587,437 | 617,248 |

15.4.2 Official Receiver Bankruptcy Trust Fund Account

Table 15.4: Official Receiver Bankruptcy Trust Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|----------------------|----------------------|
| Receipts | | |
| Debt Collected | 102,356 | 58,666 |
| Search Fees | 29,410 | 20,870 |
| Official Receiver Fees & Costs | 29,037 | 9,299 |
| Petition | 7,618 | 3,000 |
| Proof of Debt | 64 | 19 |
| Total Receipts | 168,485 | 91,854 |
| Payments | | |
| Debt Payment | 101,722 | 44,767 |
| Debtor Refund | 24,908 | 1,014 |
| Publication Costs | 3,044 | 1,588 |
| Petition Refund | 2,375 | --- |
| Bank Fees & Charges | 463 | 1,375 |
| Total Payments | 132,512 | 48,744 |
| Net Surplus | 35,973 | 43,110 |
| Opening balance as at 1 August | 219,630 | 176,520 |
| Closing Balance as at 31 July | | |
| | 255,603 | 219,630 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, quality of draft financial statements, provision of management comments and signing of financial statements being effective whilst the ratings on timeliness of submission of draft financial statements being ineffective.

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2017.

15.10 Absence of Detailed Listing for Official Receivers Trust Fund Account Balance

Within 5 days after the end of each month, the Assistant Accounts Officer shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹Details of balances must be attached to the reconciliation statement.²

The Ministry maintains two separate Bank Accounts for the Official Receiver Bankruptcy Accounts and the Official Receiver Liquidation Accounts.

The Bankruptcy Accounts maintains records of receipts and payments for individuals under receivership whilst the Liquidation Accounts maintains records of receipts and payments for companies under provisional liquidations.

The details of cash at bank balances for the Official Receivers Bankruptcy and Liquidation Trust Fund Accounts are shown in Table 15.5.

Table 15.5: Official Receiver Trust Account Balance

| Description | Amount (\$) |
|-------------------|----------------|
| Liquidation Trust | 587,436.88 |
| Bankruptcy Trust | 255,602.64 |
| Total | 843,039.52 |

The OAG highlighted that detailed accounts listing of the balances for companies and individuals under provisional liquidation and receivership as at 31 July 2017 were not maintained.

Discussion with the Acting Official Receiver revealed that the detail listings were maintained in soft copies which were lost when the computer in which it was held crashed. The Ministry did not maintain a hard copy of the detail listings.

In the absence of detailed listings, we were not able to ascertain the correctness of the balance reflected in the Liquidation and Bankruptcy Trust Fund accounts.

Ministry's Comment

The recommendations of the auditors are noted. The Ministry has an updated statement of individual debtors in their respective files while the Ministry is currently preparing the consolidated list of all debtors by checking individual files.

In addition to this, the Ministry is liaising with the software developers to develop software for recording and maintaining the Trust Fund Account.

Recommendations

The Ministry should ensure that the manual records of individuals under receivership and companies under provisional liquidations are up to date, consolidated and reconciled with the respective Trust Fund Account balances.

15.11 Outstanding VAT Liability

When receipting revenue, the VAT portion should be credited to the new liability account (863201) and the balance to the revenue code. At the end of the month, when making VAT return payment to FRCS, the VAT portion should be debited to the same liability account whilst VAT on expenditure will continue to be met from agencies budgetary funds (SEG 13). 3

The Ministry has been submitting its monthly VAT returns on a monthly basis. However, audit review of the Operating Trust Fund Account balances revealed outstanding accumulated balance of VAT on revenue which comprises of 74% of Operating Trust Fund Account closing balance of \$349,211 as at 31/07/17. Refer to Table 15.6 for details.

Table 15.6: Long Outstanding VAT Account

| Account | 31/07/17 (\$) | 31/07/16 (\$) | 31/12/15 (\$) | 31/12/14 (\$) | 31/12/13 (\$) |
|-------------------|---------------|---------------|---------------|---------------|---------------|
| 11510191991863201 | (798.91) | (33.34) | (9.33) | (6,746.75) | (8,644.77) |
| 11510191992863201 | (55,499.25) | (51,918.72) | (59,480.87) | (50,416.33) | (5,252.11) |
| 11510191996863201 | (45,974.00) | (38,061.63) | (36,837.87) | (28,617.67) | (33,986.60) |
| 11510191997863201 | (45,800.20) | (51,268.18) | (51,542.34) | (31,661.60) | (40,558.94) |
| 11510192992863201 | (63,667.22) | (83,639.24) | (81,652.52) | (81,673.20) | (69,277.13) |
| 11510192995863201 | (9,542.36) | (6,344.91) | (4,675.96) | (3,487.99) | (1,677.80) |
| 11510193992863201 | (35,567.20) | (33,356.12) | (30,137.77) | (20,576.02) | (27,590.70) |
| Total | (256,849.14) | (264,622.14) | (264,336.66) | (223,179.56) | (186,988.05) |

Significant balances in the VAT on revenue indicates that monies kept in the trust fund were not promptly paid to Fiji Revenue and Custom Services (FRCS) on time and/or unaccounted balances are maintained in the Operating Trust Fund account.

Non-payment of VAT to FRCS on time could result in penalties being imposed by the FRCS.

Ministry's Comments

The recommendations of the auditors were noted by the Ministry were liaised with Ministry of Economy in order to clear the balances.

Recommendation

The Ministry should investigate the significant balances in the VAT on revenue account as at 31/07/2017 and take appropriate action to clear the balances.

Section 15A Fiji Corrections Service

PART A: FINANCIAL STATEMENTS

15A.1 Audit Opinion

The audit of the 2017 accounts of the Fiji Corrections Service resulted in the issuance of an unqualified audit report.

15A.2 Statement of Receipts and Expenditure

The Fiji Corrections Service collected revenue totalling \$66,383 and incurred a total expenditure of \$33,972,721 for the year ended 31 July 2017. Details were provided in the Table 15A.1.

Table 15A.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|------------------------------------|-------------------|-------------------|
| State Revenue | 64,779 | 63,076 |
| Agency Revenue | 1,604 | 457 |
| Total Revenue | 66,383 | 63,533 |
| Established Staff | 18,275,010 | 11,205,824 |
| Government Wage Earners | 31,721 | 20,361 |
| Travel and Communications | 473,504 | 261,005 |
| Maintenance and Operations | 1,890,104 | 1,291,048 |
| Purchase of Goods and Services | 4,349,534 | 2,047,053 |
| Operating Grants and Transfers | 9,623 | 4,821 |
| Special Expenditures | 359,071 | 125,256 |
| Total Operating Expenditure | 25,388,567 | 14,955,368 |
| Capital Construction | 6,844,787 | 1,275,618 |
| Capital Purchase | 364,890 | 157,521 |
| Total Capital Expenditure | 7,209,677 | 1,433,139 |
| Value Added Tax | 1,374,477 | 472,946 |
| Total Expenditure | 33,972,721 | 16,861,453 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

15A.3 Appropriation Statement

The Fiji Corrections Service incurred expenditure totalling \$33.9 million in 2017 against a revised budget of \$40.9 million, resulting in a saving of \$7 million or 17%.

The significant savings of \$3.2 million or 15% in Established Staff resulted from vacant positions which were not filled during the financial year.

Funds allocated under operating grant and transfers are used to pay those inmates with formal qualifications who provide services to institutions while in custody. The funds are released to inmates upon their discharge from the care of Fiji Corrections Service. For the financial year, there were less inmates released hence savings were noted for the funds allocated under operating grants and transfers.

Savings in Special Expenditure amounting to 41% was due to reduction in self-help projects, businesses and rehabilitation programs provided to sustain inmates when integrating into the community. Savings in Capital Construction budget resulted from the delay caused by vetting of contracts from SGs Office, tender process for approval, bond payment from contractors and drawing amendment approval from GTB or FPO for change of scope and cost.

Details of expenditure against the revised budget are provided in Table 15A.2.

Table 15A.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate(\$) | Changes(\$) | Revised Estimate(\$) | Actual Expenditure(\$) | Lapsed Appropriation(\$) |
|-----|------------------------------|------------------------|-------------|-------------------------|---------------------------|-----------------------------|
| 1 | Established Staff | 22,824,859 | (1,288,000) | 21,536,859 | 18,275,010 | 3,261,849 |
| 2 | Government Wage Earners | 34,656 | --- | 34,656 | 31,721 | 2,935 |
| 3 | Travel & Communication | 490,670 | --- | 490,670 | 473,504 | 17,166 |
| 4 | Maintenance & Operations | 1,873,000 | 138,000 | 2,011,000 | 1,890,104 | 120,896 |
| 5 | Purchase of Goods & Services | 3,476,232 | 1,050,000 | 4,526,232 | 4,349,534 | 176,698 |
| 6 | Operating Grants & Transfers | 46,260 | --- | 46,260 | 9,623 | 36,637 |
| 7 | Special expenditure | 605,650 | --- | 605,650 | 359,071 | 246,579 |
| | Total Operating Expenditure | 29,351,327 | --- | 29,251,327 | 25,388,567 | 3,862,760 |
| 8 | Capital Construction | 9,775,700 | --- | 9,775,700 | 6,844,787 | 2,930,913 |
| 9 | Capital Purchase | 370,000 | --- | 370,000 | 364,890 | 5,110 |
| | Total Capital Expenditure | 10,145,700 | --- | 10,145,700 | 7,209,677 | 2,936,023 |
| 13 | Value Added Tax | 1,493,200 | 100,000 | 1,593,200 | 1,374,477 | 218,723 |
| | TOTAL | 40,990,277 | --- | 40,990,227 | 33,972,721 | 7,017,506 |

The Department collected revenue totalling \$66,383 in 2017; an increase of 4percent from the previous year.

15A.4 Main Trust Fund Account

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

15A.4.1 Prisoners Cash Trust Fund

Money held in trust consist of confiscated cash from prisoners upon convictions, engagement in the Trading and Manufacturing Small Business Units (TMA SBUs), engagement in the art gallery and commercial wage job placements. For the TMA SBUs, the wage rate depends on the job cost, skill of the prisoner and years of experience in the trade. The more skillful the prisoner, the higher the wage rate which is charged. For commercial wage job placements, the wage rate depends on the rate offered by the company. For the art gallery, 60% of sale goes to the prisoner while 40% is used to purchase gallery items. The hours worked by the prisoners were recorded in the timesheets and receipted when deposited into the Prisoners Trust Account.

Any pay out for prisoners upon discharge was taken out from the Trust Account upon production of receipts by a prisoner. Pay outs were based on actual cash earned by the prisoners during imprisonment. If there were discipline issues during imprisonment these were accounted for when making payments to prisoners during release but upon Commissioner's discretion. All payments are supported by receipts and approved by the Commissioner before payment was made.

Table 15A.3: Prisoners Cash Trust Fund – Statement of Receipts and Payments

| Description | 31 July 2017(\$) | 31 July 2016(\$) |
|------------------------------------|------------------|------------------|
| Receipts | | |
| Receipts | 389,987 | 26,730 |
| Total Receipts | 389,987 | 26,730 |
| Payments | | |
| Payments | 169,024 | 43,759 |
| Total Payments | 169,024 | 43,759 |
| Net surplus/ (Deficit) | 220,963 | (17,029) |
| Balance as at 1 August | 440,360 | 457,389 |
| Closing Balance as at 31 July 2017 | 661,323 | 440,360 |

15A.5 Consolidated Trading and Manufacturing Account

The Fiji Corrections Service operates the Trading and Manufacturing Account (TMA) and is guided by its legal mandate to operate its Commercial Enterprises Unit as stipulated under the Fiji Corrections Act 2006 under Part 10 Clause 45 (a) to (d).

The Department's TMA consisted of six Small Business Units (SBUs) namely the Bakery, Joinery, Piggery, Poultry, Tailor and Crops. The summary of the activities are presented in a consolidated form as there is only one bank account for all the SBUs.

The operation of these TMA helps in the rehabilitative work programs with key objective of teaching and developing inmates with basic industrial and agricultural skills. The TMA also generates much needed revenue through the sale of agricultural products, joinery, tailor and bakery materials.

The activities for the TMA are as follows:

Bakery - is responsible for baking long loaves and slice bread. Bakery unit is located within the Maximum Correction facility. This is the only product currently produced at the bakery. The production is to cater for the demand from the corrections institution and two main external customers which are the Fiji Military Forces and Fiji Navy. It also includes supply for special events like the Hibiscus Festival and Show Case when the need arises.

Crops - does farming of crops and vegetables such as ginger, cassava, dalo and many other products according to seasons. The produce are mostly used to cater for institutional needs and also for sale to local buyers.

Joinery - comprises of inmates who are involved with the construction of furniture items for institutional and commercial use. The furniture include construction of tables, desks, chairs, coffin boxes and wardrobes.

Piggery - is responsible for breeding pigs and supplying pig meat to buyers along the Navua to Nausori corridor. The unit breeds pigs from weaner to baconer. Although it's not part of the major supplies of pig meat in Fiji, the unit is aiming to improve its breeding numbers.

Poultry - is responsible for breeding live chickens for supply of fresh eggs which are then retailed in the local market. The eggs produced are of high quality with affordable prices compared to other suppliers of fresh eggs and is mostly bought by households and businesses around the greater Suva area. Additionally, the unit sells live chicken.

Tailor - is responsible for making garments such as school uniforms, beddings, government uniforms, health workers uniforms/coats and many more. Garments are mostly bought by clothing retail shops around Fiji. The unit also specializes in custom made designs and modifies the designs according to customer needs.

The operating results for each business unit are tabulated below:

| | Business Units | | | | | | Consolidated |
|----------------------------|----------------|---------------|--------------|---------------|---------------|---------------|----------------|
| | Bakery | Crops | Joinery | Piggery | Poultry | Tailoring | |
| Income | | | | | | | |
| Gross Profit | 207,096 | 81,517 | (38,498) | 230,868 | 278,912 | 15,650 | 775,545 |
| Expenses | | | | | | | |
| Maintenance and Operations | 32,836 | 94,990 | 9,561 | 69,828 | 31,874 | 14,290 | 253,379 |
| Total | 32,836 | 94,990 | 9,561 | 69,828 | 31,874 | 14,290 | 253,379 |
| Expenses | | | | | | | |
| Net Profit/(Loss) | \$174,260 | \$(13,476) | \$(48,059) | \$161,041 | \$247,038 | \$1,361 | \$522,166 |

As can be seen from the table above, losses incurred in operation of Crops and Joinery business units were financed from surpluses in other operations.

The consolidated Trading and Manufacturing Accounts are presented in the tables below:

Table 15A.4: Manufacturing Account – Consolidated Trading Activity

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|---|----------------------|----------------------|
| Opening Raw Materials | 142,969 | 150,988 |
| Add: Purchases | 1,066,375 | 872,459 |
| | 1,209,344 | 1,023,447 |
| Less: Closing Raw Materials | 44,019 | 142,969 |
| Raw Materials Used | 1,165,325 | 880,478 |
| Add: Opening Work in Progress | 108,721 | 58,031 |
| Add: Direct Cost – Labour | 37,153 | 10,905 |
| Less: Closing Work in Progress | 95,424 | 108,721 |
| Cost of Manufactured Goods Transferred to Trading Account | 1,215,775 | 840,693 |

Table 15A.5: Trading Account – Consolidated Trading Activity

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--|----------------------|----------------------|
| Sales | 2,033,087 | 1,508,348 |
| Total Sales | 2,033,087 | 1,508,348 |
| Opening Stock | 396,308 | 459,387 |
| Add: Cost of Manufactured Goods transferred from Manufacturing Account | 1,215,775 | 840,693 |
| Less: Closing Stock of Finished Goods | 354,541 | 396,308 |
| Cost of Goods Sold | 1,257,542 | 903,772 |
| Gross Profit transferred to Profit & Loss Account | 775,545 | 604,576 |
| Description | 31 July 2017(\$) | 31 July 2016(\$) |
| Income | | |
| Gross Profit Transferred from Trading Account | 775,545 | 604,576 |
| Total Income | 775,545 | 604,576 |
| Expenses | | |

| | | |
|----------------------------|---------|---------|
| Maintenance and Operations | 253,379 | 169,008 |
| Total Expenses | 253,379 | 169,008 |
| Net Profit | 522,166 | 435,568 |

Table 15A.7: Balance Sheet – Consolidated Trading Activity

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--|----------------------|----------------------|
| Assets | | |
| Cash at Bank | 753,527 | 639,420 |
| Debtors | 218,558 | 241,118 |
| Raw Materials | 44,019 | 142,969 |
| Works in Progress | 95,424 | 108,721 |
| Finished Goods | 354,541 | 396,308 |
| VAT Receivable | 13,390 | 2,303 |
| Total Assets | 1,479,459 | 1,530,839 |
| Net Assets | 1,479,459 | 1,530,839 |
| Equity | | |
| TMA Accumulated Surplus | 950,397 | 972,388 |
| TMA Surplus transferred to Consolidated Fund | 6,896 | 122,883 |
| Net Profit | 522,166 | 435,568 |
| Total Equity | 1,479,459 | 1,530,839 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, provision of management comments and signing of financial statements being effective whilst the ratings on quality and timeliness of submission of draft financial statements being ineffective.

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Department. These have been included in this report as they impacted on the overall system of control of the Fiji Corrections Service as at 31 July 2017.

15A.11 Anomalies in the Prisoner's trust fund balance

Within 5 days after the end of each month, the reconciliation clerk shall prepare a trust reconciliation to reconcile trust account balances to the ledger total and the trust bank account.¹ Details of balances must be attached to the reconciliation.²

Review of the Prisoner's trust fund account revealed that the beneficiaries listing was not updated for the year ended 31 July 2017. The General Ledger (FMIS) for the trust account recorded a balance of \$661,323.80.

In addition, stale cheques amounting to \$11,269.95 was still appearing in the unrepresented cheque listing of the Prisoner's Trust Fund bank reconciliation as at 31 July 2017.

The above findings indicate that proper controls and supervisory checks were not put into place for the record keeping and administration of Prisoner's Cash Trust Account. In the absence of updated beneficiaries' listings, it will be difficult for FCS to verify claims made by beneficiaries.

As a result the accuracy of the Prisoner's Trust Fund Accounts could not be substantiated.

Management Comments:

The audit comments and recommendations were noted.

The Department had completed identifying funds in the Trust account for the following years:

- *1 August 2017 till April 2018 - \$68,284.24*
- *1 August 2016 to 31 July 2017 - \$220,963.24*
- *1 August 2015 to 31 July 2016 - \$125,723.26*
- *Facilitating the above has been a challenge as we had to locate receipts for previous years to identify these beneficiaries. Be assured that these records are properly maintained into these years and identified easily.*

ACTION TAKEN: *Beneficiaries were identified for the following years:*

- *1 August 2017 till April 2018 – separated accounts in trust account*

- 1 August 2016 to 31 July 2017 - \$220,963.24
- 1 August 2015 to 31 July 2016 - \$125,723.26

Recommendations:

The Department should identify all the beneficiaries and reconcile their record against the general ledger (FMIS) balance.

The Department should verify the trust fund reconciliation and make adjustments accordingly.

Section 16 Ministry of Communication

Department of Information and Communication

PART A: FINANCIAL STATEMENT

16.1 Audit Opinion

The audit of the 2017 accounts of the Department of Information and Communication resulted in the issuance of an unqualified audit opinion.

16.2 Statement of Receipts and Expenditure

The Department of Information and Communication collected revenue totalling \$24,547 and incurred a total expenditure of \$9,589,654 for the year ended 31 July 2017. Details were provided in Table 16.1.

Table 16.1: Statement of Receipts and Expenditure for 2017

| DESCRIPTION | 31 July 2017 (\$) | 31 July 2016 (\$) |
|---------------------------------|-------------------|-------------------|
| State Revenue | | |
| Revenue from Production of Film | 413 | 606 |
| Licence Telecom and TV | --- | 42 |
| Other State Revenue | 20,341 | --- |
| Total State Revenue | 20,754 | 648 |
| Agency Revenue | | |
| Miscellaneous | 3,793 | 8,080 |
| Total Agency Revenue | 3,793 | 8,080 |
| TOTAL REVENUE | 24,547 | 8,728 |
| Established Staff | 1,078,089 | 632,650 |
| Government Wage Earners | 148,439 | 78,164 |
| Travel & Communication | 253,981 | 114,302 |
| Maintenance & Operations | 97,774 | 57,463 |
| Purchase of Goods & Services | 770,654 | 395,590 |
| Operating Grants & Transfers | 549,142 | 283,150 |
| Special Expenditure | 2,205,091 | 150,665 |
| Total Operating Expenditure | 5,103,170 | 1,711,984 |
| Capital Construction | 4,014,641 | --- |
| Total Capital Expenditure | 4,014,641 | --- |
| Value Added Tax | 471,843 | 59,243 |
| TOTAL EXPENDITURE | 9,589,654 | 1,771,227 |

The financial year-end for Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflect transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

16.3 Appropriation Statement

The Department incurred expenditures totalling \$9.59 million in 2017 against a revised budget of \$17.9 million, resulting in a savings of \$8.3 million or 47%. The savings was mainly attributed to capital expenditure.

Details of expenditures against the revised budget were provided in Table 16.2.

Table 16.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|------------------------------------|-------------------------------------|-------------------------|--------------|--------------------------|----------------------------|------------------------------|
| 1 | Established Staff | 1,652,292 | (25,000) | 1,627,292 | 1,078,089 | 549,203 |
| 2 | Government Wage Earners | 156,613 | 25,000 | 181,613 | 148,439 | 33,174 |
| 3 | Travel & Communication | 283,782 | 25,000 | 308,782 | 253,981 | 54,801 |
| 4 | Maintenance & Operations | 203,520 | --- | 203,520 | 97,774 | 105,746 |
| 5 | Purchase of Goods & Services | 1,040,072 | (25,000) | 1,015,072 | 770,654 | 244,418 |
| 6 | Operating Grants & Transfers | 1,297,598 | --- | 1,297,598 | 549,142 | 748,456 |
| 7 | Special Expenditure | 2,880,000 | --- | 2,880,000 | 2,205,091 | 674,909 |
| Total Operating Expenditure | | 7,513,877 | --- | 7,513,877 | 5,103,170 | 2,410,707 |
| 8 | Capital Construction | 9,160,000 | --- | 9,160,000 | 4,014,641 | 5,145,359 |
| Total Capital Expenditure | | 9,160,000 | --- | 9,160,000 | 4,014,641 | 5,145,359 |
| 13 | Value Added Tax | 1,221,000 | --- | 1,221,000 | 471,843 | 749,157 |
| TOTAL | | 17,894,877 | --- | 17,894,877 | 9,589,654 | 8,305,223 |

The Department collected revenue totalling \$24,547 in 2017, an increase of 181% from the previous year.

16.4 Main Trust Fund Account

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

16.4.1 Telecommunication Development Trust Fund Account

The Telecommunication Promulgation and the Telecommunications (Trust Fund) Regulations 2016 established the Trust Fund Account for the purpose of imposing a levy on the interconnections to fund

National developments in telecommunication such as Telecentres and the Digital Television expenditures. Carriers such as telecommunication companies are liable to pay to the Ministry a levy at such rate as may be specified by order to be published in the Gazette and different rates may be specified in respect of different types of interconnection. Funds are used for Information Communication Technology development purposes.

Details of receipts against payments were provided in Table 16.3.

Table 16.3: Telecommunication Development Trust Fund Account - Statement of Receipts and Payments

| Descriptions | 31 July 2017 (\$) | 31 July 2016 (\$) |
|------------------------------------|----------------------|----------------------|
| Receipts | | |
| Telecommunication Companies Levies | 6,320,657 | 3,781,662 |
| Pay Reimbursement | 188 | 73 |
| Interest | 12,708 | 12,291 |
| Refund from JICA Project | 1,312,320 | --- |
| Total Receipts | 7,645,873 | 3,794,026 |
| PAYMENTS | | |
| DTV Expenses | 23,671,568 | 1,881,838 |
| Tele-centre Expenses | 507,861 | 371,221 |
| Bank Fees | 225 | 93 |
| VAT Payment to FRCA | 1,291,940 | --- |
| Total Payments | 25,471,594 | 2,253,152 |
| Net Surplus/(Deficit) | (17,825,721) | 1,540,874 |
| Balance as at 1 August | 21,428,144 | 19,887,270 |
| Closing Balance as at 31 July | 3,602,423 | 21,428,144 |

One of the core responsibilities of the Department of Communication is the implementation of the Digital Television Infrastructure. This involved the migration of television broadcasting from analogue to digital which ensured that equal and equitable access to all operators.

The Department of Communication utilised a sum of \$23,671,568 from the main trust fund account during the financial year 2016-2017 for the Digital Television Infrastructure project which includes a grant of \$21,300,024 paid to Walesi Limited.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, quality of draft financial statements, provision of management comments and signing of financial statements being effective whilst the ratings on timeliness of submission of draft financial statements being ineffective.

Section 16A Department of Information Technology and Computing Services

PART A: FINANCIAL STATEMENT

16A.1 Audit Opinion

The audit of the 2017 accounts of the Department of Information Technology and Computing Services resulted in the issuance an unqualified audit opinion.

16A.2 Statement of Receipts and Expenditure

The Department collected revenue totalling \$20,502 and incurred a total expenditure of \$10,142,510 for the year ended 31 July 2017. Details were provided in Table 16A.1 below.

Table 16A.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (Re-stated) (\$) |
|------------------------------|-------------------------|-------------------------------------|
| State Revenue | | |
| Commission | 69 | 130 |
| Total State Revenue | 69 | 130 |
| Agency Revenue | | |
| Miscellaneous Revenue | 20,433 | 15,804 |
| Total Agency Revenue | 20,433 | 15,804 |
| Total Revenue | 20,502 | 15,934 |
| | | |
| Operating Expenditure | | |
| Established Staff | 1,570,594 | 915,699 |
| Government Wage Earners | 17,748 | 19,639 |
| Travel & Communications | 1,334,290 | 836,909 |
| Maintenance & Operations | 1,213,312 | 884,631 |
| Purchase of Goods & Services | 3,274,015 | 2,213,462 |
| Special Expenditure | 1,217,068 | 1,314,153 |
| Total Operating Expenditure | 8,627,027 | 6,184,493 |
| Capital Purchases | 793,468 | 18,072 |
| Total Capital Expenditure | 793,468 | 18,072 |
| Value Added Tax | 722,015 | 519,079 |
| Total Expenditure | 10,142,510 | 6,721,644 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

16A.3 Appropriation Statement

The Department of Information Technology and Computing Services incurred expenditure totalling \$10.1 million in 2017 against a revised budget of \$18.4 million resulted in the savings of \$8.3 million or 45percent.

Details of expenditure against the revised budget are provided in Table 16A.2.

Table 16A.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|----------------------------------|-------------------------|--------------------------|----------------------------|------------------------------|
| 1 | Established Staff | 3,219,765 | 3,219,765 | 1,570,594 | 1,649,171 |
| 2 | Government Wage Earners | 32,172 | 32,172 | 17,748 | 14,424 |
| 3 | Travel & Communications | 1,614,392 | 1,614,392 | 1,334,290 | 280,102 |
| 4 | Maintenance & Operations | 2,186,000 | 2,186,000 | 1,213,312 | 972,688 |
| 5 | Purchase of Goods & Services | 4,304,760 | 4,304,760 | 3,274,015 | 1,030,745 |
| 7 | Special Expenditure | 2,000,000 | 2,000,000 | 1,217,068 | 782,932 |
| | Total Operating Cost | 13,357,089 | 13,357,089 | 8,627,027 | 4,730,062 |
| 9 | Capital Purchase | 2,904,639 | 2,904,639 | 793,468 | 2,111,171 |
| 10 | Capital Grants & Transfers | 1,000,000 | 1,000,000 | --- | 1,000,000 |
| | Total Capital Expenditure | 3,904,639 | 3,904,639 | 793,468 | 3,111,171 |
| 13 | Value Added Tax | 1,170,900 | 1,170,900 | 722,015 | 448,885 |
| | TOTAL | 18,432,628 | 18,432,628 | 10,142,510 | 8,290,118 |

The Department collected revenue totalling \$20,502 in 2017, a decline of 28.7% from the previous year.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, and quality of draft financial statement being effective whilst the ratings on provision of management comments and signing of financial statements and timeliness of submission of draft financial statements being ineffective.

PART C: SIGNIFICANT AUDIT FINDINGS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These have been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2017.

16A.8 Human Resource Constraint

It is imperative that vacant positions are filled within reasonable time frame to ensure smooth operation of the Department and timely delivery of services.

The OAG noted that sixty (60) vacant positions or 56% of 108 approved positions of the Department were not filled as at the date of audit¹. Refer table below for details:

Table 16A.1: Details of Vacant Positions

| Post | Number of Posts |
|--|--------------------|
| Established | |
| Manager ITCS | 1 |
| Assistant Manager | 2 |
| Director – Project | 1 |
| Manager – Project | 3 |
| Senior Systems Analyst / Programmer | 2 |
| System Analyst / Engineers | 7 |
| System Analyst / Programmer | 11 |
| Analyst Programmer / Engineer | 4 |
| Assistant Programmer | 11 |
| Computer Operator Supervisor | 1 |
| Computer Operator | 10 |
| Accounts Officer | 1 |
| Clerical Officer | 1 |
| Senior Project Administrator | 2 |
| Secretary | 1 |
| | |
| Government Wage Earner | |
| Driver | 2 |
| | |
| TOTAL | 60 |

Delay in the filling of the vacant positions could impact on the service delivery of the Department and as such it may not be able to achieve the desired outputs as per their Annual Corporate Plan.

Management Comments

Creation of Teams and Reclassification and Renaming of Posts

The department has created five (5) teams and reclassified or renamed seventeen (17) posts to handle most of the critical work at ITCS. We had lost a lot of key staff to the corporate and private sectors for various reasons.

Below were some of the teams that the Department had created and the jobs (JD) had been re-aligned to the actual work that the teams and the team members would perform:

Recommendation

The Department should prioritize filling the vacant posts which were in need as soon as possible.

| Team | Number of Staff | Critical Roles Performed |
|--------------------|-----------------|--|
| Website | 3 | Creating and maintaining government departments/ministries websites |
| e-Services | 4 | Providing local support to the users of e-Services applications that we developed by Yalamanchili |
| Business Solutions | 4 | Develop and maintain government departments/ministries applications developed locally |
| Facilities | 2 | To support and maintain the Data Center facilities |
| Procurement | 4 | To facilitate the procurement process for all IT and IT related equipment requests from government ministries/departments. |

Website – the Department had advertised the 3 posts (Senior Web Designer, Website Developer, and Junior Website Developer) for the team. SC submission was made and approved for the appointment of the Website Developer but unfortunately the appointee turned it down because the salary offered was lower than what existed outside government. In addition to this, the benefits offered by the corporate and private sectors were very attractive. The post would have been re-advertised.

e-Services – the four (4) posts had been advertised and applications had been received.

Business Solutions - the four (4) posts had been advertised and applications had been received.

Facilities – two officers had been recruited and had settled in well at the DC.

Procurement – two (2) of the four (4) positions advertised had been recruited i.e. both Assistant Procurement Officers. The interview for the Manager Procurement post had been completed and the report would be finalized. The appointment paper for the Senior Procurement Officer was with the Steering Committee for the endorsement of the posts holder.

In total, four (4) officers had been recruited to fill the re-classified/renamed posts. One appointment paper was with the Committee for approval and one would be submitted this week bringing a total of recruited officers to 6 out of the 17 advertised. The Department hoped to fill the remaining eleven (11) posts which were already advertised before end of this fiscal year.

Apart from the technical staff, a Driver (GWE) was also recruited. The officer's appointment was later terminated when he failed his police clearance. The post would be re-advertised.

Expiry and Renewal of Contracts

Apart from advertising and trying to fill the substantively vacant posts, the department was also advertising the posts which were expiring. Outlined below were some of the posts that expired and recruitment had been carried out.

A total of twenty two (22) contracts expired and the OMRS system was carried out to the posts filled.

Challenges faced by ITCS when trying to fill the vacant posts:

Salary – government salary was much lower than the salaries offered outside government. Even with the new salary bands, government salary for IT professionals was still not attractive.

Incentives – government did not offer any incentive compared to other organizations who offer very attractive salaries.

Resignations – departures to join other organizations, migration or to pursue studies and business careers.

Job security – the three years contract was too short for some officers so they leave before the end of their contracts to sign up with other organizations.

As much as the department wants to fill up all the vacant positions, it was easier said than done. Some of the best people recruited or appointed through the OMRS process, opt not to sign the government contract due to low salaries and non-attractive conditions. Some of those who do accept the contracts leave when they find a better offer outside government.

IT or ICT was a very lucrative profession and retaining officers for longer periods could be quite difficult given some of the challenges as highlighted above. However, ITC continues its drive in trying to fill as many vacant posts as possible and satisfy the IT needs of the government ministries/departments with its limited human resources.

Cheques for Work Not Done

The guiding principles of procurement require that any procurement of goods, services or works shall be issued so as to promote value for money and maximize economy and efficiency and the ethical use of government resources. The Accounting Head must not certify a payment as correct unless they were satisfied that there was documentation that the goods, services or works had been received.

The Department awarded contract to the Contractor for supply and installation of fiber cabling works for Government Central Business District (CBD) areas a total cost of VIP FJD \$871,000 4 as per payment schedule below:

Table 16A.2: Payment Schedule

| Project Phase | Total Amount (\$) |
|---------------|----------------------|
| Phase I | 258,500 |
| Phase II | 277,500 |
| Phase III | 335,000 |
| Total | 871,000 |

The quotation from the Contractor states that 50% of the payments were to be made on placement orders and the other 50% were to be made upon the successful completion of contract.

The OAG noted that the Department processed payments totaling \$306,250 as 50% for phase two and three of fiber works without any work carried out by the contractor. The cheques were converted into bank cheques and retained in the Department's safe at the time of audit⁶. The Department revealed that the cheques would be released later once the work is completed.⁷ Refer Table 16A.3 below for details of the cheque:

Table 16A.3: Detail of Advance Cheques Processed causing over expenditure

| Date | Cheque Number | Total Amount (\$) | Details |
|------------|---------------|-------------------|---|
| 27/07/2017 | 20286 | 167,500 | <ul style="list-style-type: none"> • Paid to BSP to convert into a bank cheque for 50% payment for installation of phase 3 fibre works from Sukuna House to Fiji Corrections Services to ITC Data Centre as the contract. • Cheques were processed and held at HQ Accounts. • The contractor had not commenced on work for phase 2 and phase 3 of the project. |
| 27/07/2017 | 20287 | 138,750 | <ul style="list-style-type: none"> • Paid to BSP to convert into a bank cheque for 50% payment for installation of phase 2 fibre works from PSC HQ to President Office to GCC Complex to Police Nasova as per the contract • Cheques were processed and held at HQ Accounts |

| Date | Cheque Number | Total Amount (\$) | Details |
|--------------|---------------|-------------------|--|
| | | | <ul style="list-style-type: none"> • The contractor had not commenced on work for phase 2 and phase 3 of the project. |
| Total | | 306,250 | |

The OAG also noted that the Department with the assistance of Ministry of Economy took action on 23 February, 2018 to rectify the overstatement in the general ledger system after the audit inquiry. The cash cheques held were deposited back into the Government consolidated fund bank account.

While the adjustments had been made after audit notification, the above practices increase the risk of fraud and misappropriation of funds without being detected in a timely manner.

Management's Comments:

Phase 2 of the project had already started and was half way through the work; FRA intervened because there was no agreement done between the department and FRA as the work would be affecting the road condition. This was rectified and the project recommenced.

The timeframe specified for each phase was given and we were sure that it would be completed before the end of July so we discussed with management to prepare the cheque.

Also the closing of accounts circular in regards to date of advance payment closing and FMIS not been available for 1 week were factors of preparing advance cheque and payment processes were followed as advance payment was approved by the chief Accountant.

Budget for the new financial year for Government Fiber was reduced and could not cater for the balance of the remaining phases and also the process we followed was discussed in the Accounting Head forum and it was shared by our colleagues from Ministry of Lands.

As this process had been raised by the OAG, the Department would ensure that it would not be repeated and would also inform the Accounting Head forum to avoid using this process in future.

Recommendation:

- The Department should strengthen internal control to ensure that the above was not repeated and ensure cheques are processed and released to the contractor after the successful completion of the work with necessary documentation in place to justify the processing of payments.

Section 17 Ministry of Civil Service

PART A: FINANCIAL STATEMENTS

17.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Civil Service resulted in the issuance of an unqualified audit report.

17.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$42 and incurred a total expenditure of \$43,383,399 for the year ended 31 July 2017. Details were provided in Table 17.1.

Table 17.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|-------------------------|-------------------------|
| State Revenue | 42 | --- |
| Agency Revenue | --- | 1,002,443 |
| Total Revenue | 42 | 1,002,443 |
| Established Staff | 40,789,894 | 1,221,347 |
| Government Wage Earners | 34,629 | 57,617 |
| Travel & Communications | 121,948 | 86,150 |
| Maintenance & Operations | 142,172 | 80,692 |
| Purchase of Goods and Services | 1,079,021 | 13,049 |
| Operating Grants and Services | 1,047,988 | 475,863 |
| Special Expenditure | 539 | --- |
| Total Operating Expenditure | 43,216,191 | 1,934,718 |
| Value Added Tax | 167,208 | 33,500 |
| Total Expenditure | 43,383,399 | 1,968,218 |

17.3 Appropriation Statement

The Ministry incurred expenditure totalling \$43,383,399 in 2017 against a revised budget of \$45,451,168 million in accordance with Section 19 of the Financial Management Act 2004, resulting in a saving of \$2,067,769 or 4.5%.

Significant savings were noted in allocations for government wage earners, travel and communication, maintenance and operation, purchase of goods and services and special expenditure. This was mainly due to contracting a company to provide security at the Centre for Training and Development complex instead of hired individual security guards and reduced operational costs on telephone, printing,

procurement of office supplies and stationeries and minimal hiring of volunteers from the National Employment Centre.

Included in the established staff expenditure is a sum of \$40,283,910.03 for personnel emoluments and FNPF for doctors employed by Ministry of Health and Medical Services. The Ministry of Civil Service was responsible for the administration of this fund in accordance with the budget appropriated by Parliament.

Details of expenditure against the revised budget were provided in Table 17.2.

Table 17.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate | Changes | Revised Estimate | Actual Expenditure | Lapsed Appropriation |
|-----|---------------------------------|--------------------|----------|---------------------|-----------------------|-------------------------|
| 1 | Established Staff | 41,844,468 | --- | 41,844,468 | 40,789,894 | 1,054,574 |
| 2 | Government Wage Earners | 48,700 | --- | 48,700 | 34,629 | 14,071 |
| 3 | Travel & Communication | 160,000 | 30,000 | 190,000 | 121,948 | 68,052 |
| 4 | Maintenance & Operations | 205,000 | 37,488 | 242,488 | 142,172 | 100,316 |
| 5 | Purchase of goods & services | 1,797,700 | (77,488) | 1,720,212 | 1,079,021 | 641,191 |
| 6 | Operating grants & transfers | 1,200,700 | --- | 1,200,700 | 1,047,988 | 152,712 |
| 7 | Special expenditure | - | 10,000 | 10,000 | 539 | 9,461 |
| | Total Operating Expenditure | 45,256,568 | --- | 45,256,568 | 43,216,191 | 2,040,377 |
| 13 | Value added tax | 194,600 | --- | 194,600 | 167,208 | 27,392 |
| | TOTAL | 45,451,168 | --- | 45,451,168 | 43,383,399 | 2,067,769 |

The Ministry collected revenue totalling \$42 in 2017, a decrease of 99.9% from the previous year due to the transfer of the PSC scholarship bond recovery previously recorded in the Ministry's general ledger to the Fiji Revenue and Custom Services.

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, quality of draft financial statements, provision of management comments and signing of financial statements being effective whilst the ratings on timeliness of submission of draft financial statements being ineffective.

Section 18 Ministry of Rural and Maritime Development and National Disaster Management

PART A: FINANCIAL STATEMENTS

18.1 Audit Opinion

The audit of the 2017 accounts of the Ministry of Rural and Maritime Development and National Disaster Management resulted in the issuance of a qualified audit report. The reasons of the qualification were as follows:

A variance of \$197,953 existed between the total revenue recorded in the general ledger and subsidiary revenue records maintained by the Ministry. Consequently, I could not confirm the accuracy and completeness of the operating revenue of \$1,417,065.

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

Internal controls over revenue, expenses and trust fund accounts were generally found to be weak and if not addressed promptly may result in material misstatements and possible financial losses in the near future.

18.2 Statement of Receipts and Expenditure

The Ministry collected revenue totalling \$1,417,065 and incurred a total expenditure of \$24,310,769 for the year ended 31 July 2017. Details are provided in Table 18.1.

Table 18.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|----------------------|----------------------|
| State Revenue | 1,340,496 | 689,683 |
| Agency Revenue | 76,569 | 105,056 |
| Total Revenue | 1,417,065 | 794,739 |
| Established Staff | 5,422,886 | 3,845,814 |
| Government Wage Earners | 1,477,614 | 1,297,563 |
| Travel & Communications | 510,798 | 391,995 |
| Maintenance & Operations | 981,759 | 871,284 |
| Purchase of Goods & Services | 887,833 | 729,762 |
| Operating Grants and Transfers | 398,507 | 307,089 |
| Special Expenditures | 824,755 | 14,440,892 |
| Total Operating Expenditure | 10,504,152 | 21,884,399 |
| Capital Construction | 1,570,783 | 795,898 |
| Capital Purchase | 198,834 | 192,740 |
| Capital Grants and Transfers | 11,566,666 | 6,672,186 |

| | | |
|---------------------------|-------------------|-------------------|
| Total Capital Expenditure | 13,336,283 | 7,660,824 |
| Value Added Tax | 470,334 | 1,858,671 |
| Total Expenditure | 24,310,769 | 31,403,894 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

Revenue mainly comprised of business and liquor licences and registration of marriage/birth fees collected on behalf of other government agencies. The Liquor License revenue increased by \$426,956 in 2017 compared to 2016 because of the renewal of license fee which is prepared on an annual basis and processed during the month of October. Thus all renewal of liquor license was received during the last quarter of the calendar year for 2017 rather than 2016.

Established staff expenditure increased by \$ 1,577,072 in 2017 compared to 2016 due to the payment to officers' salaries for outstanding annual and long service leave. The Ministry was included in Tranche 1 for the Job Evaluation Exercise which resulted in increase in staff salaries.

Special expenditure decreased by \$ 13,616,137 in 2017 compared to 2016 because provisions in 2016 had increased dramatically due to virement of funds to meet expenses relating to the Tropical Cyclone Winston operations.

Capital construction expenses increased by \$ 774,885 in 2017 compared to 2016 because of the change in financial year from twelve months in 2017 against the seven months in 2016. In 2017 about 43 projects were implemented in the Non-Cane Access Road program compared to 29 projects implemented in 2016 which resulted in the large increase.

Capital Grants & Transfer expenses increased by \$4,894,480 in 2017 compared to 2016 due to the change in financial year. The total number of capital projects implemented in 2017 averaged to 219 compared to 130 projects in 2016 which increased the utilisation of funds. In 2017, payments were inclusive of 1st and 2nd quarter projects except in 2016 where only the 1st quarter projects were implemented due to the change in financial year.

18.3 Appropriation Statement

The Ministry incurred expenditure totalling \$24.3 million in 2017 against a revised budget of \$31.9 million in accordance with section 19 of the Financial Management Act 2004, resulting in a saving of \$7.6 million or 24%.

The savings of \$284,997 under the Operating Grants and Transfers allocation was mainly due to the non-payment of District Advisory Councillors (DAC) allowances during the year for non-submission of reports. As per the Terms of Reference for payment of allowance to DAC members, payments can only be effected after the DAC member' reports are received and verified by the Provincial Administrators and District Officers.

The Emergency Water Supplies budget was not fully utilized in 2017 as no major drought was recorded during the year. This resulted in a saving of \$467,025 under the Special Expenditure allocation as the fund is maintained at Headquarters and is only released to Divisional Commissioners upon request.

The savings of \$769,217 under the Capital Construction allocation was due to under-utilisation of funds appropriated for the Nacula Health Centre project and the non-execution of the Kubulau Government Station (Construction of Post Office and Staffs Quarters) project due to the delay in the tender process.

There was a saving of \$5,714,852 under the Capital Grants and Transfers allocation. This resulted from the following:

- the under-utilisation of budgeted funds allocated to each divisions for Project Preparatory Works for those projects intended to be carried out in the 2017/2018 financial year;
- the non-execution of the various appropriated Divisional Development Projects due to the delay in the tender processes; and
- the non-execution of the various Disaster Risk Rehabilitation Projects in the respective divisions due to the delay in submission of project documents such as plans and costing to facilitate the tender process and submission of RIE from the divisions and for some projects, no bids were received after the projects were placed on tender.

Details of expenditure against the revised budget were provided in Table 18.2.

Table 18.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation(\$) |
|-----|---------------------------------|-------------------------|--------------|--------------------------|----------------------------|-----------------------------|
| 1 | Established Staff | 5,461,409 | - | 5,461,409 | 5,422,886 | 38,523 |
| 2 | Government Wage Earners | 1,546,577 | (27,921) | 1,518,656 | 1,477,614 | 41,042 |
| 3 | Travel & Communication | 435,160 | 97,862 | 533,022 | 510,798 | 22,224 |
| 4 | Maintenance & Operations | 975,900 | 67,682 | 1,043,582 | 981,759 | 61,823 |
| 5 | Purchase of Goods & Services | 1,140,110 | (108,943) | 1,031,167 | 887,833 | 143,334 |
| 6 | Operating Grants & Transfers | 683,504 | - | 683,504 | 398,507 | 284,997 |
| 7 | Special expenditure | 1,320,460 | (28,680) | 1,291,780 | 824,755 | 467,025 |
| | Total Operating Expenditure` | 11,563,120 | - | 11,563,120 | 10,504,152 | 1,058,968 |
| 8 | Capital Construction | 2,340,000 | - | 2,340,000 | 1,570,783 | 769,217 |

| | | | | | | |
|----|----------------------------|-------------------|----------|-------------------|-------------------|------------------|
| 9 | Capital Purchase | 200,000 | - | 200,000 | 198,834 | 1,166 |
| 10 | Capital Grants & Transfers | 17,281,518 | - | 17,281,518 | 11,566,666 | 5,714,852 |
| | Total Capital | 19,821,518 | - | 19,821,518 | 13,336,283 | 6,485,235 |
| | Expenditure | | | | | |
| 13 | Value Added Tax | 577,100 | - | 577,100 | 470,334 | 106,766 |
| | TOTAL | 31,961,738 | - | 31,961,738 | 24,310,769 | 7,650,969 |

The Ministry collected revenue totalling \$1,417,065 in 2017, an increase of 78% from the previous year.

18.4 Main Trust Fund Account

Trust money is to be accounted for separately from public money and other money. Trust money is to be kept in a separate bank account pending its withdrawal for use.

The Ministry of Rural and Maritime Development and National Disaster Management operates and maintains two main trust fund bank accounts which include the Provincial Development Trust Fund Account, and the PM's Office Disaster and Rehabilitation Trust Fund Account.

The Trust Fund Account Statement of Receipts and Payments is presented separately in the current year for transparency purposes and to correctly reflect the trust monies received and paid out of the two accounts. This is an improvement by the Ministry when compared to 2016 when a consolidated statement was presented for both the accounts.

18.4.1 Provincial Development Trust Fund Account

The Provincial Development Trust Account comprise of the following funds which were all kept in one bank account:

- **Tender Deposit Trust Fund:** for tender deposits which were refunded to unsuccessful tenderers or at the expiry of the contracted tender;
- **Rural Housing Deposit Trust Fund Account:** a scheme where rural dwellers were assisted by Government in the building of their homes and they were required to meet one third of the cost;
- **Unclaimed Wages Trust Fund Account:** was where the wages of an employee is kept and this is then paid to the legal beneficiaries in the event of the death of a worker;
- **PM Relief and Rehabilitation Trust Fund Account:** was where the rural dwellers deposit the full cost of building materials for their houses. Government would negotiate and get cheaper quotes for the materials and also provide free transportation for the delivery of the materials; and
- **Special Purpose Trust Account – Vatukoula:** was to cater for Vatukoula Housing Clients Assistance which consisted of two-thirds government contribution.

Table 18.3: Provincial Development Trust Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--|----------------------|----------------------|
| Receipts | | |
| Tender Deposits | - | 64,556 |
| Rural Housing Deposit Scheme II | 411,314 | 166,245 |
| Unclaimed Wages | - | 14,403 |
| Rural Housing Scheme I / PM Relief & Rehab Committee | 72,324 | 40,289 |
| Special Purpose Trust Account – Vatukoula | 163,038 | - |
| One – Third Self Help Projects | 108,739 | 31,770 |
| Cities Trust | 999 | - |
| Total Receipts | 756,414 | 317,263 |
| Payments | | |
| Tender Deposits | - | 89,039 |
| Rural Housing Deposit Scheme II | 210,220 | 161,438 |
| Rural Housing Scheme I / PM Relief & Rehab Committee | 71,819 | 59,817 |
| Special Purpose Trust Account – Vatukoula | - | - |
| One – Third Self Help Projects | 86,906 | 61,165 |
| Total Payments | 368,945 | 371,459 |

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|---------------------------------------|----------------------|----------------------|
| Net Surplus/(Deficit) | 387,469 | (54,196) |
| Opening balance as at 1 August | 1,871,135 | 1,925,331 |
| Closing Balance as at 31 July | 2,258,604 | 1,871,135 |

18.4.2 Prime Minister's Office Disaster and Rehabilitation Trust Fund Account

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

Table 18.4: Prime Minister's Office Disaster and Rehabilitation Trust Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016(\$) |
|--|----------------------|---------------------|
| Receipts | | |
| Prime Minister's Office Disaster & Rehabilitation Trust Fund | 1,924,774 | 10,898,368 |
| Total Receipts | 1,924,774 | 10,898,368 |
| Payments | | |
| Prime Minister's Office Disaster & Rehabilitation Trust Fund | 230,916 | 12,461,703 |
| Total Payments | 230,916 | 12,461,703 |
| Net Surplus/(Deficit) | 1,693,858 | (1,563,335) |
| Opening balance as at 1 August | 1,123,701 | 2,687,036 |
| Closing Balance as at 31 July | 2,817,559 | 1,123,701 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls being effective whilst the, submission of draft financial statements, quality of draft financial statements, provision of management comments and signing of financial statements and the timeliness of submission of draft financial statements being ineffective.

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

It was important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Ministry. These had been included in this report as they impacted on the overall system of control of the Ministry as at 31 July 2017.

18.10 Variance in Operating Revenue

Each Accounting Head must ensure that the recording of revenue was reconciled monthly with the Ministry of Economy.

An unreconciled variance of \$197,953 exists between the total operating revenue recorded in the revenue reports maintained by the Ministry and the total revenue as per the FMIS general ledger. Refer to Table 18.5 below for details.

Table 18.5: Variance in Operating Revenue

| Description | Revenue Reports | | | | | Total as | FMIS | Variance |
|-----------------|-----------------|---------|----------|---------|---------|-----------------|-----------|-----------|
| | HQ | Western | Northern | Eastern | Central | per | Balance | |
| | (\$) | (\$) | (\$) | (\$) | (\$) | Revenue Reports | (\$) | (\$) |
| Fees-Cemetery | 32 | --- | 549 | --- | --- | 581 | 539 | 42 |
| Registration | 2,500 | 11,178 | 4,344 | 722 | 66 | 18,810 | 21,305 | (2,495) |
| Fees-Misc (Pub | 1,514 | 13 | 1,096 | 17,528 | 6,768 | 26,920 | 87,394 | (60,474) |
| Trustee) | | | | | | | | |
| License Liquor | 6,881 | 198,654 | 46,330 | 17,615 | 527,526 | 797,006 | 815,110 | (18,104) |
| License Trading | 28,334 | 169,049 | 82,461 | 15,838 | 61,465 | 357,147 | 404,962 | (47,815) |
| License Others | 511 | 1,084 | 2,151 | 756 | 401 | 4,903 | 5,215 | (312) |
| Commission | --- | --- | --- | --- | --- | --- | 5,299 | (5,299) |
| Commission | --- | --- | --- | --- | --- | --- | 260 | (260) |
| Commission | --- | --- | --- | --- | --- | --- | 412 | (412) |
| Miscellaneous | 755 | 1,300 | 11,000 | 690 | --- | 13,745 | 76,569 | (62,824) |
| Revenue | | | | | | | | |
| Total Revenue | 40,527 | 381,278 | 147,931 | 53,149 | 596,226 | 1,219,112 | 1,417,065 | (197,953) |

Details to explain the variance were not provided by the Ministry. However, the Ministry was informed that not all receipts had been included in revenue reports due to the delay in the submission of the relevant documents related to revenue by various District Offices to Headquarters.

The above finding indicated that proper reconciliations and supervisory checks were not carried out to ensure that the subsidiary revenue records are updated on a regular basis. In the absence of subsidiary records, there was a risk that fraud, errors and omissions would not be detected in a timely manner.

Ministry's Comments

The Ministry had noted the audit comments and recommendations. The Ministry had put in place a paperless system to address this.

Recommendations

The Ministry should ensure that:

- strict timelines are set for all District Offices to submit the carbon copies of the receipts and related source documents to the Headquarters on a timely basis and appropriate actions are taken for any non-compliance; and

- all revenue receipts are updated in the subsidiary revenue reports and posted into the general ledger and reconciled on a regular basis. Any variances identified should be investigated and promptly rectified.

18.11 Procurements facilitated from the Inter-Departmental Clearance (IDC) Account

The IDC Account was maintained to record transactions effected by one department on behalf of another such as re-allocation of costs and reversal of salaries.

Transactions were charged to the agency's IDC Account pending clearance by that agency.² The Manager Finance or Accounts Officer must not certify a payment as correct unless they were satisfied that the expenditure account was charged to was correct.

The Ministry review of IDC account reconciliation noted that the Ministry had incorrectly cleared its IDC Account allocation at the end of the financial year. It was noted that a sum of \$52,067.35 was journalised from the IDC account allocation (1-18101-68999-536101) to the VAT on revenue allocation (1-18101-68999-863201) through the journal voucher reference number 139/07 of 2017 in order to clear the IDC account at year-end.

The Ministry further noted that the sum of \$52,067.35 related to the unreconciled difference in the total salaries and wages of Fiji Roads Authority (FRA) staffs which was paid by the Ministry on behalf of the FRA and the total amount reimbursed by the Authority for the period January to July 2017. Salaries and wages were paid were charged to the Ministry's IDC Account and cleared upon receipt of reimbursements from the Authority.

The OAG audit also noted that during the year, the Ministry processed payments directly from the IDC Account instead of charged expenses incurred directly to the relevant expenditure allocations.

Refer to Table 18.6 below for examples of payments.

Table 18.6: Examples of procurements made from the IDC account

| Date | EFT Number JV number | Particulars | Amount (\$) |
|----------|-------------------------|---|----------------|
| 19/06/17 | 5822 | Payment for bills from 28 April - 30 May. This was later credited via JV 71/06 and debited 1-18101-68999-040421 allocation. | 5,713 |
| 11/11/16 | 35181 | Payment of airfare for CED & CWD attending rapid disaster resp. toolkit, Indonesia | 7,650 |
| 11/07/17 | 5937 | Purchase of 4 tyres - GP967 | 2,320 |
| 02/02/17 | 4520 | Purchase of ration (50 kg sugar) for Qamea Island | 2,281 |
| 08/02/17 | 4558 | Purchase of ration for Qamea Island landslide victims | 11,141 |
| 31/03/17 | 4785 | Purchase of ration for Qamea Island | 6,685 |
| 13/04/17 | 5637 | Retention payment for construction of stone masonry wall at Kumi village. | 7,167 |

It was noted that this was done due to unavailability of funds in the relevant expenditure allocations.

The above anomalies indicated that procurement planning was not done and cash flows were not properly managed to ensure that sufficient funding was available when required. The absence of proper supervisory checks to ensure that proper reconciliations are carried out is another contributing factor.

Whilst adjustments to correct these charges have been made at year-end, the above practice indicates that the IDC Account was not used solely for the purpose it was established.

Ministry's Comments

The Ministry had noted the audit comments and recommendations. The Ministry would ensure planning for procurement was done and proper management of cash flow was implemented to avoid using IDC allocation.

Recommendations

The Ministry should ensure that:

- the practice of directly processing payments from the IDC Account is ceased and proper cash flow forecasts are done to ensure that funds are available for required expenditures; and
- supervisory and control checks in the operation of the IDC Account are strengthened to avoid discrepancies highlighted above from reoccurring in the future.

18.12 Unauthorized Journal Vouchers

Only the Manager Finance or Accounts Officer shall approve journal adjustments. Once the journal voucher had been approved, it shall be posted into the appropriate ledger and the general ledger system.

The OAG review that in a sample of journal vouchers noted instances of journal adjustments being done into the general ledger (FMIS) without the approval of Manager Finance or Accounts Officer. The journal vouchers were prepared and posted into the General Ledger by the Revenue Clerical Officer.

As a result of the above, misallocations in the general ledger were prevalent which had to be corrected through audit adjustments and in some cases remained unadjusted due to the non-provision of relevant source documents. Refer to table 18.7 for examples.

Table 18.7: Examples of Journal Voucher not approved

| Date | Journal Voucher Number | Reason for adjustment | Amount (\$) |
|----------|---------------------------|--|----------------|
| 29/08/16 | BLC 67/08/16 | Revenue clearance for Headquarters | 49,946 |
| 29/08/16 | BLC 69/08/16 | Revenue clearance for Headquarters | 85,018 |
| 06/10/16 | BLC 236/10/16 | Clearance for emergency water carting and revenue as at 06/10/16 | 406,470 |
| 04/11/16 | BLC 406/10/16 | Revenue clearance for Commissioner Northern Office as at 14/10/16 | 12,000 |
| 04/11/16 | BLC 419/10/16 | Revenue clearance for Headquarters as at 21/10/16 | 52,027 |

| | | | |
|----------|----------------|--|-----------|
| 03/02/17 | BLC 846/02/17 | Revenue clearance for Qamea rations received from PM's Rehab and relief fund | 170,950 |
| 13/03/17 | BLC 1019/03/17 | Revenue clearance on the transfer of fund from DRRF to the PMNDRRF | 1,000,000 |
| No date | BLC 1107/03/17 | Revenue clearance for RHU scheme 1 contribution as at 27/03/17 | 11,000 |
| No date | BLC 1110/03/17 | Revenue clearance for RHU scheme 1 contribution as at 31/03/17 | 45,454 |
| No date | BLC 1724/03/17 | Revenue clearance on liquor license and retail license | 34,026 |
| No date | BLC 2684/07/17 | Revenue clearance for reimbursement of wages from FRA for the month of Jan – Jul | 272,026 |
| No date | BLC 2688/07/17 | Revenue clearance for special trust account | 144,201 |
| 25/04/17 | JV01/04/17 | Adjustment of misposting | 6,861 |

The magnitude of the unapproved adjustments denotes weaknesses in controls over the posting of journals in the general ledger and raises serious concerns on the lack of oversight by the Manager Finance or Accounts Officer on the processing of journal vouchers.

There was a high risk of fraudulent or incorrect journal entries being posted into the general ledger therefore resulting in revenue balances being misstated.

Ministry's Comments

The Ministry had noted the audit comments and recommendations. The Ministry has put in place a paperless system to address this.

Recommendation

The Ministry should ensure that all journal vouchers were verified and approved by authorised officers before they were posted into the general ledger.

18.13 Anomalies in Provisional Tax

A resident person or a permanent establishment in Fiji of a non-resident person making a payment under a contract of services, including progress payments, must withhold tax from the gross amount of the payment as prescribed.

A person was required to deduct 5% Provisional Tax from the gross amount payable for service fees or commission. The sum deducted is remitted to FRCA by the collection agent or responsible person and the tax collected was given as credit to the recipient's or payee's tax liability at the end of the year when the tax return was lodged. Provisional Tax would only be applicable if the parties had a written agreement for the supply of services or for payment of commission; and the person hiring the service is a business; and the total to pay to a person in one year would be \$1,000 or more.

The OAG audit noted that the Ministry did not deduct provisional tax from all the contractual payments made during the financial year.

For those payments where provisional tax was deducted, instances were noted where incorrect percentage was used for calculating the provisional tax amount resulted in overpayment of the tax. It

was further noted that provisional tax deducted were incorrectly posted to the expenditure allocation and not the SLG 848 account. Refer to Appendix 18.1 for details.

The OAG findings indicated the lack of proper checks by supervising officers in ensuring that provisional tax payments are correctly processed and posted to the correct allocations. As a result, the Ministry did not comply with Section 114(2) of the Income Tax Act.

If the anomalies highlighted above are not promptly addressed, there is a high risk of incorrect tax payments being made, misallocations in the general ledger and penalties from Fiji Revenue and Customs Service (FRCS).

Ministry's Comments:

The Ministry had noted the audit comments and recommendations. The Ministry would be vigilant in checking payments in ensuring that the 5% Provisional Tax is deducted from the VEP amount and not the VIP amount and that the correct allocations are posted.

Recommendations

The Ministry should ensure that:

- supervising officers are vigilant in performing their supervisory check;
- provisional tax deductions are correctly made from payments made to contractors for providing services to the Ministry; and
- provisional tax is charged to the correct expenditure general ledger and remitted to FRCS on a timely basis.

18.14 Absence of Risk Management Framework

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

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

The OAG review of the Ministry's Corporate Governance revealed that a risk management framework was not in place. As a result, the Ministry does not have approved written policies, procedures or guidelines to manage risk associated with the following:

- occupational health and safety (still in draft);
- Ministry's operational and human resource planning;
- fraud control and anti-corruption;
- disaster recovery and business continuity, and
- assessment of potential conflicts of interest.

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

The OAG findings also indicate that currently the Ministry does not have an established governance and accountability function to drive the risk management framework.

Ministry's Comments

The audit's comments and recommendations are noted.

The Ministry admits that it does not have a specific Risk Management Framework in place; however there are provisions in the Ministry policies and procedure guidelines (Finance, HR and Admin Policies, Disaster Act and plan) that address risks that may arise in the delivery of services.

Currently, the Ministry's OHS policy has been approved. The Ministry is also in the process of formulating the Ministry's Strategic plan which will incorporate risks and mitigating factors.

Furthermore, the Ministry is also working towards formulating a Risk Management Policy and plan.

Recommendations

The Ministry should work towards preparing a risk management framework; and

Following preparation of the framework, a governance and accountability function that supports the operations of the Ministry by providing financial and operational risk management and management of external reporting obligations, should be established.

18.15 Presentation of Main Trust Account

Trust money is to be accounted for separately from public money and other money within the meaning of this Act. Trust money is to be kept in a separate bank account pending its withdrawal and accounted for separately from "public money" and "other money".

The Provincial Development Trust Fund Account includes Tender Deposits, Rural Housing Deposits Schemes, Unclaimed Wages, one-third Self Help Projects and the Vatukoula Special Purpose trust.

All funds related to the above trusts are deposited in one bank account and a consolidated statement of trust receipts and payments is prepared by the Ministry in its Agency Financial Statements. In addition the current presentation of the Statement of Trust receipts and payments classifies the trust receipts and payments by trust types as a one-line item in the statement even though the nature of the trust receipts and payments may vary.

With the various trust funds being deposited into one bank account, there is a high risk of funds for a particular trust being utilised for the other trust funds.

The current presentation and the trust fund accounts disclosures are deemed inadequate as it did not provide adequate information to the users of the Ministry's financial statements.

Ministry's Comments:

The Audit's comments and recommendations were noted.

The Ministry was liaised with the Ministry of Economy for the opening of separate accounts for the various trust fund accounts maintained in the Ministry.

Recommendation

- The Ministry should work towards opening separate bank accounts for various trust funds currently recorded under the Provincial Development Trust Fund Account and prepare separate statements of receipts and payments.

Section 19 Republic of Fiji Military Forces

PART A: FINANCIAL STATEMENTS

19.1 Audit Opinion

The audit of the 2017 accounts of the Republic of Fiji Military Forces resulted in the issuance of a qualified audit report. The qualification was as follows:

The Engineers Trust Fund Account Statement of Receipts and Payments does not provide receipts and payments for each project undertaken by the Force. The statement only includes closing cash balance for each project. As a result, I was unable to determine whether any adjustment might have been necessary in respect of the Engineers Trust Fund Account cash at bank balance at year end and any corresponding adjustments to the elements making up the statement of income and expenditure.

19.2 Statement of Receipts and Expenditure

The Republic of Fiji Military Forces collected revenue totalling \$476,480 and incurred a total expenditure of \$91,058,298 for the year ended 31 July 2017. Details were provided in Table 19.1.

Table 19.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|----------------------|-------------------|
| State Revenue | 335,115 | 158,215 |
| Agency Revenue | 141,365 | 81,630 |
| Total Revenue | 476,480 | 239,845 |
| Established Staff | 69,829,823 | 40,997,731 |
| Government Wage Earners | 333,974 | 198,841 |
| Travel and Communications | 2,799,216 | 1,228,969 |
| Maintenance and Operations | 3,795,084 | 2,521,670 |
| Purchase of Goods and Services | 6,982,964 | 3,990,946 |
| Operating Grants and Transfers | 42,375 | --- |
| Special Expenditures | 1,771,837 | 1,594,725 |
| Total Operating Expenditure | 85,555,273 | 50,532,882 |
| Capital Construction | 1,210,317 | 1,228,066 |
| Capital Purchase | 2,584,580 | 1,508,146 |
| Total Capital Expenditure | 3,794,897 | 2,736,212 |
| Value Added Tax | 1,708,128 | 1,002,847 |
| Total Expenditure | 91,058,298 | 54,271,941 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for

a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

19.3 Appropriation Statement

The Republic of Fiji Military Forces incurred expenditure totalling \$91.1 million in 2017 against a revised budget of \$96.4 million in accordance with section 19 of the Financial Management Act 2004, resulted in savings of \$5.3 million or 6%.

The savings was mainly due to the Life Extension Programme on patrol boat being taken through aid to Australia to complete works. Other projects were not completed due to delay in approval from agencies such as the Construction Implementation Unit, lengthy time taken by Government Tender Board in the awarding of contract, call for re-tender due to lack of bids and deployment of RFMF Engineers Personnel for Tropical Cyclone Winston rehabilitation work.

Details of expenditure against the revised budget are provided in Table 19.2.

Table 19.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|------------------------------|----------------------------|-----------------|-----------------------------|-------------------------------|---------------------------------|
| 1 | Established Staff | 74,550,392 | (4,053,170) | 70,497,222 | 69,829,823 | 667,399 |
| 2 | Government Wage Earners | 256,531 | 96,000 | 352,531 | 333,974 | 18,557 |
| 3 | Travel & Communication | 1,246,890 | 1,639,510 | 2,886,400 | 2,799,216 | 87,184 |
| 4 | Maintenance & Operations | 4,153,710 | (246,555) | 3,907,155 | 3,795,084 | 112,071 |
| 5 | Purchase of Goods & Services | 5,420,511 | 1,626,173 | 7,046,684 | 6,982,964 | 63,720 |
| 6 | Operating Grants & Transfers | 50,000 | (7,625) | 42,375 | 42,375 | --- |
| 7 | Special expenditure | 1,433,000 | 354,667 | 1,787,667 | 1,771,837 | 15,830 |
| | Total Operating Expenditure | 87,111,034 | (591,000) | 86,520,034 | 85,555,273 | 964,761 |
| 8 | Capital Construction | 6,864,500 | (3,275,000) | 3,589,500 | 1,210,317 | 2,379,183 |
| 9 | Capital Purchase | 650,000 | 3,866,000 | 4,516,000 | 2,584,580 | 1,931,420 |
| | Total Capital Expenditure | 7,514,500 | 591,000 | 8,105,500 | 3,794,897 | 4,310,603 |
| 13 | Value Added Tax | 1,779,300 | --- | 1,779,300 | 1,708,128 | 71,172 |
| | TOTAL | 96,404,834 | --- | 96,404,834 | 91,058,298 | 5,346,536 |

The Force collected revenue totalling \$476,480 in 2017, an increase of 99% from the previous year.

19.4 Main Trust Fund Account

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

19.4.1 Engineer Project Trust Fund Account

In July 2017, the Force obtained approval from Ministry of Economy to open the Engineer Project Trust Fund Account. The Statement of Receipts and Payments for this Trust Fund Account only reported the balances of the individual projects and did not include the receipts and payments incurred during the year.

Table 19.3: Engineer Project Trust Fund Account – Statement of Receipts and Payments

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|--------------------------------|-------------------------|-------------------------|
| Receipts | | |
| Rural Development | 34,095 | --- |
| PM's Office | 24,868 | --- |
| Miscellaneous Project | 17,661 | --- |
| Rotuma Hospital | 3,815,000 | --- |
| Total Receipts | 3,891,624 | --- |
| Payments | | |
| Rural Development | --- | --- |
| PM's Office | --- | --- |
| Miscellaneous Project | --- | --- |
| Rotuma Hospital | --- | --- |
| Total Payments | --- | --- |
| Opening balance as at 1 August | --- | --- |
| Closing Balance | | |
| Rural Development | 34,095 | --- |
| PM's Office | 24,868 | --- |
| Miscellaneous Project | 17,661 | --- |
| Rotuma Hospital | 3,815,000 | --- |
| Closing Balance as at 31 July | 3,891,624 | --- |

19.5 Consolidated Trading and Manufacturing Account

The Force has two trading activity accounts under its Consolidated Trading and Manufacturing Account. These are the Engineers Plant Troop and the Nautical Chart.

The Engineers Plant Troop trading account was formed in 1978 to construct and develop roads to the inaccessible parts of rural areas in Fiji.

The Nautical Chart trading account was transferred to the RFMF's naval division in 2010 to provide accurate oceanographic and hydrographic information and services.

Table 19.4: Trading Account – Consolidated Trading Activity

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|---|-------------------------|-------------------------|
| Sales | | |
| Plant Hire | 824,489 | 51,461 |
| Sale - Charts | 32,787 | 17,017 |
| | 857,276 | 68,478 |
| Opening Finished Goods | 25,362 | 23,342 |
| Add: Cost of Manufactured Goods | --- | --- |
| Goods Available for Sale | 25,362 | 23,342 |
| Less: Closing Finished Goods | 22,524 | 25,362 |
| Cost of Goods Sold | 2,838 | (2,020) |
| Gross Profit Transferred to Profit and Loss | 854,438 | 70,498 |
| Statement | | |

Table 19.5: Profit and Loss Account – Consolidated Trading Activity

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|---|-------------------------|-------------------------|
| Income | | |
| Gross Profit Transferred from Trading Account | 854,438 | 70,498 |
| Total Income | 854,438 | 70,498 |
| Expenses | | |
| Fuel and Oil | 85,625 | 48,905 |
| Repairs and Maintenance | 265,401 | 92,816 |
| Freight | 45,675 | 26,519 |
| Office Upkeep and Supplies | 454 | --- |
| Fixed Asset Replacement and Improvement | 81,947 | 69,917 |
| Minor Improvement | 46,287 | --- |
| Consultant and Expert Fees | 75,320 | 30,660 |

| | | |
|----------------|---------|-----------|
| Total Expenses | 600,709 | 268,817 |
| Net Profit | 253,729 | (198,319) |

Table 19.6: Balance Sheet – Consolidated Trading Activity

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|---|-------------------------|-------------------------|
| Assets | | |
| Cash at Bank | 956,418 | 669,224 |
| Accounts Receivable | 289 | 290 |
| Inventory | 22,524 | 25,362 |
| VAT Receivable | 138,163 | 143,250 |
| Total Assets | 1,117,394 | 838,126 |
| Liabilities | | |
| Accrued Expenses | 25,539 | --- |
| Total Liabilities | 25,539 | --- |
| Net Assets | 1,091,855 | 838,126 |
| Equity | | |
| TMA Accumulated Surplus | 838,126 | 1,077,195 |
| Transfers to Consolidated Fund | --- | (40,750) |
| Net Profit/(Loss) for the Period | 253,729 | (198,319) |
| Total Equity | 1,091,855 | 838,126 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, quality of draft financial statements being effective whilst the provision of management comments and signing of financial statements and the timeliness of submission of draft financial statements being ineffective.

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

It was important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Force. These have been included in this report as they impacted on the overall system of control of the Force as at 31 July 2017.

19.11 Anomalies in the Main Trust Fund – Engineers Project Fund Account

The receipt and payment of trust money must be recorded in a separate cashbook or set of ledger accounts. Each month, the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.

The Chief Staff Officer Finance was responsible for the effective design and operation of internal control of the agency.

When cash or bank cheques were received, the revenue collector shall immediately issue an 'official receipt'.

The OAG audit noted the following anomalies while reviewing the Main Trust Fund Account records:

- The Engineers Trust Fund Account Statement of Receipts and Payments does not provide details of funds received and expended for each project undertaken by the Force. The statement only includes the closing cash at bank balance for each project;
- The cash book balance should be reconciled on a monthly basis with the bank statement balance. However, our audit noted that monthly bank reconciliations are only prepared from details appearing in the bank statement. There is no reconciliation of the details appearing in the bank statement against details in the Engineers Project Trust Fund Account cashbook; and
- The Engineers Project Trust Fund Account cashbook was not properly maintained and updated whereby monthly opening cash book balance, monthly totals of receipts and payments were not included in the cashbook.

The OAG noted further noted the following weaknesses in the review of internal controls of the Main Trust Fund Account:

- direct deposits of \$6,300.00 dated 14 September, 2016 and \$169.25 dated 24 July, 2017 appearing in the bank statement were not receipted;
- as of July 2017, although revenue receipting was transferred to Headquarters, unused receipts remained at the Engineering Unit; and
- fourteen blank cheques were pre-signed by a cheque signatory increasing the risk of misuse of funds and fraud.

The above findings indicated that the management of the Force did not properly review, identify and address the weak internal controls on a timely basis.

As a result of the above findings, the accuracy and completeness of the Engineers Project Fund Account cash at bank balance of \$3,891,624 could not be ascertained. In addition, the Ministry audit was also unable to determine whether any adjustment might have been necessary in respect of the Engineers Trust Fund Account cash at bank balance at year-end and any corresponding adjustments to the elements making up the statement of income and expenditure.

Management Comments:

OAG findings and recommendations were noted. Previously the Engineer's Project Fund account was operating as a private fund. This was an audit issue for the past 3 years. RFMF regularized this in July of the 2016/2017 financial year. With the approval of the Ministry of Economy the account is operating

under FMIS as a True Trust. Final balances of each project were reconciled and recorded into FMIS. As this was an on-going exercise no monies for new projects was received in the 2016/2017 financial year.

All funds donated from agencies for projects are deposited into one bank account but when preparing monthly reconciliation, individual project reconciliation is prepared in order to identify each financial balance. The monthly bank reconciliation prepared was for the management's information however the Force will review its monthly bank reconciliation for the Engineers Project Fund Account. Reconciliation of the cash book was done against the bank statements.

The funds were for the Nasova project which was directly deposited to the Private Account by the donor which was the Police Department.

The change over process is still on-going and RFMF will ensure that all unused accounting books will be returned to Accounts Section for safekeeping.

This was done to ensure that payments continued as 3 of the four signatories were suddenly deployed overseas on training and Middle East appointment.

Recommendations:

The Force must ensure that:

- monthly bank reconciliations for the Engineers Project Fund Account is correctly carried out;
- cash book or the Engineers Project Fund Account is properly maintained and updated;
- instructions and requirements stipulated in the Finance Instructions and Finance Manual are complied with;
- immediate action was taken to address the control weaknesses highlighted; and
- there was regular evaluation of internal controls to determine their effectiveness, identify weaknesses and implement measures to address them.

19.12 Absence of Risk Management Framework

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

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

The OAG noted in the review of the Force's Corporate Governance that there was no risk management framework in place. As a result, the Force does not have written policies, procedures or guidelines to manage risk associated with the following:

- occupational health and safety;
- Force operational and human resource planning;
- fraud control and anti-corruption;
- disaster recovery and business continuity; and
- assessment of potential conflicts of interest.

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

Management Comments

The RFMF operations was administered by various documents such as the Commander RFMF Intent; the Standing Orders Vol. I – Admin Matters and Standing Orders Vol. II – Support Matters, Camp Standing Orders, and various SOPs for various specialized groups and tasking's. Most of these SOPs cover risks managements for those particular tasks.

As a way forward RFMF acknowledges that a review and documented of an overall Risk Management Framework should be put in place for the Force.

Recommendation

The Force should work towards establishing a risk management framework that would support the operations by providing financial and operational risk management and management of external reporting obligations.

19.13 Effectiveness of the Internal Audit Function

Internal audit is a key pillar of good governance. It inspects an organisation's systems and processes and provides the board of directors, the audit committee, senior management, with objective, independent assurance on how well they are working, and aim to add value and improve the organisation's operations. Internal audit also provides a view on whether an entity has appropriate controls, practices and procedures both to minimise the risk that an adverse event will occur and to reduce the potential consequences if it does.

The Force had an Internal Audit Unit that was handled by three civilian staff who report directly to the Director Finance, Logistic and Acquisition.

OAG review of the work of the Force internal audit function noted that audits were not carried out to review the effectiveness of the internal controls, systems and process of the Force in 2017.

In addition, the Force did not have an internal audit charter defining the internal audit's purpose, authority, responsibility and position within the Force.

In the absence of assurance on the effectiveness of Force's internal controls and processes by internal audit, the management would not be in a position to act promptly to rectify any deficiency existing in the Force's internal control and processes.

Management Comments

The Internal Audit Unit of RFMF was established in 2010 comprising of one civilian staff and three military staff. Due to issues with high staff turnover of military staffs, because of Peacekeeping duties abroad, the recruitment of two civilian staffs was completed in August 2017. Though the internal audit team reports directly to Commander RFMF, the team is administered under the Director Finance Logistic and Acquisition. Due to the lack of staff in 2016 the Audit team conducted only two routine audits for the RFMF – LSU and Engineers. Apart from that, the Audit team conducted special investigations as instructed by HQ RFMF.

With the recruitment of 2 civilian auditors' routine checks and reviews on internal controls in RFMF units is now being carried out in accordance with the audit plans. In addition RFMF is developing an audit charter for endorsement by the Commander by December 2018.

Recommendations

- i. The Force should develop an internal audit charter outlining the internal audit functions purpose, authority, responsibility and position within the Force;***

- ii. Following the establishment of the internal audit charter, an annual audit program should be developed based on risk assessment of key functional units within the Force;*
- iii. Internal Audit team should carry out reviews on the effectiveness of its internal controls, systems and processes particularly in the areas of risk and provide recommendation where deficiencies exist; and*
- iv. For the purpose of effectiveness and accountability, the Internal Audit function should directly report to the Force Commander.*

Section 20 Fiji Police Force

PART A: FINANCIAL STATEMENTS

20.1 Audit Opinion

The audit of the 2017 accounts for the Fiji Police Force resulted in the issuance of an unqualified audit opinion.

20.2 Statement of Receipts and Expenditure

The Fiji Police Force recorded revenue totalling \$2,547,774 and incurred a total expenditure of \$120,451,024 for the year ended 31 July 2017. Details were provided in Table 20.1.

Table 20.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | 31 July 2016 (\$) |
|------------------------------------|----------------------|----------------------|
| State revenue | 2,299,786 | 1,276,233 |
| Agency Revenue | 247,988 | 20,590 |
| Total Revenue | 2,547,774 | 1,296,823 |
| Established staff | 95,077,397 | 55,524,329 |
| Government wage earners | 627,403 | 389,751 |
| Travel and communications | 4,187,359 | 2,286,845 |
| Maintenance and operations | 6,684,422 | 3,464,932 |
| Purchase of goods and services | 5,184,797 | 1,380,823 |
| Operating grants and transfers | 61,945 | 3,023 |
| Special expenditure | 1,399,253 | 495,221 |
| Total Operating Expenditure | 113,222,576 | 63,544,924 |
| Capital construction | 877,374 | 200,000 |
| Capital purchase | 4,416,095 | 1,605,941 |
| Total Capital Expenditure | 5,293,469 | 1,805,941 |
| Value Added Tax | 1,934,979 | 704,644 |
| Total Expenditure | 120,451,024 | 66,055,509 |

The financial year -end for Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

Revenue mainly comprised of police clearance fees, license fees and overpayment recoveries. Purchase of goods and services increased by \$3,803,974 in 2017 compared to 2016 due to procurement of items required for special operations, increase in court witness fee and purchase of uniforms.

20.3 Appropriation Statement

The Force incurred expenditure totalling \$120.4 million in 2017 against a revised budget of \$131.7 million, resulting in a saving of \$11.3 million or 9%. The large savings was due to a number of projects earmarked for the Force were not undertaken due to Tropical Cyclone Winston Rehabilitation process where priorities were given to Education and Health sector by the Construction Implementation Unit under the Ministry of Economy. In addition, a number of vacant positions were not filled during the year.

Details of expenditure against the revised budget are provided in Table 20.2.

Table 20.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$ (a)) | Actual Expenditure (\$ (b)) | Lapsed Appropriation (\$ (a-b)) |
|-----|--|----------------------------|------------------|---------------------------------|-----------------------------------|---------------------------------------|
| 1 | Established Staff | 102,526,427 | (3,337,590) | 99,188,837 | 95,077,397 | 4,111,440 |
| 2 | Government Wage Earners | 637,576 | --- | 637,576 | 627,403 | 10,173 |
| 3 | Travel & Communication | 3,684,000 | 588,810 | 4,272,810 | 4,187,359 | 85,451 |
| 4 | Maintenance & Operations | 6,179,000 | 1,476,000 | 7,655,000 | 6,684,422 | 970,578 |
| 5 | Purchase of Goods & Services | 4,730,241 | 733,000 | 5,463,241 | 5,184,797 | 278,444 |
| 6 | Operating grants & transfers | 90,000 | (27,500) | 62,500 | 61,945 | 555 |
| 7 | Special expenditure | 1,216,650 | 327,500 | 1,544,150 | 1,399,253 | 144,897 |
| | Total Operating Expenditure | 119,063,894 | (239,780) | 118,824,114 | 113,222,576 | 5,601,538 |
| 8 | Capital Construction | 6,750,000 | (1,240,000) | 5,510,000 | 877,374 | 4,632,626 |
| 9 | Capital Purchase | 3,581,500 | 1,350,000 | 4,931,500 | 4,416,095 | 515,405 |
| | Total Capital Expenditure | 10,331,500 | 110,000 | 10,441,500 | 5,293,469 | 5,148,031 |
| 13 | Value Added Tax | 2,350,400 | 129,780 | 2,480,180 | 1,934,979 | 545,201 |
| | TOTAL | 131,745,794 | --- | 131,745,794 | 120,451,024 | 11,294,770 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, quality of draft financial statements, and signing of financial statements being effective whilst the ratings on timeliness of submission of draft financial statements and provisions of management comments being ineffective.

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

It was important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Force. These have been included in this report as they impacted on the overall system of control of the Force as at 31 July 2017.

20.9 Anomalies noted in the Revolving Fund Account

The travel advance shall be charged to the advances account until cleared through submission of the acquittals.

The Force Accountant must ensure that:

- All balances were accurate and adequately supported;
- Any misallocation or outstanding balances from the previous month had been dealt with.

The OAG highlighted that the Revolving Fund Account allocation (1-20101-20101-570301 - Advances) for the Force had a debit balance of \$30,405.30 as at 31 July 2017 of which \$17,595.88 or 58% has been carried forward from previous years.

The Force did not maintain the detailed breakdown of the carried forward balances, hence the correctness of the balances could not be substantiated. Despite the issue being raised in previous years audit reports, necessary action had not been taken to address the issue.

The above findings show that the administration of accountable advances by the Force needs to be strengthened.

As a result of the above finding, public funds are held up as outstanding accountable advance and total expenditure was understated. There was also a high risk of non-recovery of outstanding accountable advances due to unavailability of records to substantiate the monies paid.

Management Comments

A task force team had been formed to verify the long outstanding anomalies from previous years (2006-2013) which were in the Revolving Fund Account. Appropriate adjustment will be made after consultation with Ministry of Economy since these are long outstanding debts. The responsible officers were informed that details of relevant supporting documents, etc. were to be maintained in the reconciliation files.

Recommendations

The Force should:

- i. review and rectify the long outstanding balances in the Revolving Fund Account; and
- ii. properly maintain all relevant supporting documents for the Revolving Fund Account.

20.10 Irregularities in the Operating Trust Fund Accounts

The Force Accountant was responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.

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

The OAG review of the Operating Trust Fund Account noted that the account had a credit balance of \$2,203,982.99 as at 31 July 2017 which included significant outstanding balances from prior years which had not been cleared. Refer to Table 20.3 for details.

Table 20.3: Details of Accounts with Significant Balances carried forward to 2017

| Account Number | Description | Amount (\$) |
|----------------------|--|--------------|
| 1-20101-20101-863201 | VAT from Provision of Goods & Services | 1,000,753.80 |
| 1-20101-20101-861517 | 307 PD Police Service Credit Union | 799,034.76 |
| 1-20101-20101-861902 | 204 PD Deposit A/C Recoverable | 86,941.35 |
| 1-20101-20101-861917 | 437 PD Improved Forestry | 97,755.08 |

The above findings indicated that controls and supervisory checks in the administration of the operating trust fund account need to be improved.

Management Comments

A task force team has been formed to verify the long outstanding anomalies from previous years (2006-2013) which are in the Operating Fund Account. Appropriate adjustment will be made after consultation with Ministry of Economy since these were long outstanding credits. The responsible officers were informed that details of relevant supporting documents, etc. were to be maintained in the reconciliation files.

Recommendation

- The Force should review and rectify the carry forward balances from prior years.

20.11 Non-Clearance of Withholding Payable Account

At the end of each project, agencies were required to ensure proper clearing of the SLG84 account; and any outstanding balance in the SLG84 account are to be accounted for.

Audit noted the following anomalies in the Withholding Payable Account (1-20101-20999-840602)

for the Force:

- 1) contrary to the liability nature of the account, a debit balance of \$16,106.07 was recorded as at 31 July 2017.

- 2) the account was not cleared to zero as required by the SLG84 policy.
- 3) the account had an opening balance of \$17,997.42 and closing balance of \$16,106.07 indicated that only \$1,891.35 was cleared during the year.
- 4) detailed breakdown of the carried forward balances was not maintained to substantiate the balances.
- 5) The above findings indicated that controls and supervisory checks in the administration of the Withholding Payable Account need to be improved.

Management Comments

A task force team had been formed to verify the long outstanding anomalies from previous years (2006-2013) which were in the Withholding Payable Account. Given that partial works had been completed, payments of only \$680,232.48 was released as we were not in a position to action on full payment as works had not been completed and no completion certificate had been provided. Given availability of funding this Financial Year, pending payments had been facilitated.

Recommendations

The Force should:

- i. review and rectify the anomalies noted in the Withholding Payable Account; and
- ii. properly maintain all relevant supporting documents to substantiate the balances reflected in the reconciliations.

Section 49 Peacekeeping Missions

PART A: FINANCIAL STATEMENT

49.1 Audit Opinion

Audit of the 2017 accounts of the Peacekeeping Mission resulted in the issuance of an unqualified audit opinion.

However, attention was drawn to the following matter:

The Peacekeeping Missions 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 Instructions 2010.

49.2 Statement of Receipts and Expenditure

The Peacekeeping Missions incurred expenditure totalling \$75,266,026 for the year ended 31 July 2017. Refer to Table 49.1 for details.

Table 49.1: Statement of Receipts and Expenditure for 2017

| Description | 31 July 2017 (\$) | July 2016 (\$) |
|------------------------------------|-------------------|-------------------|
| RECEIPTS | | |
| State Revenue | --- | --- |
| Total Revenue | --- | --- |
| EXPENDITURE | | |
| Operating Expenditure | | |
| Established Staff | 61,854,644 | 39,524,162 |
| Travel & Communications | 301,772 | 119,031 |
| Maintenance & Operations | 47,856 | 27,354 |
| Purchase of Goods & Services | 3,993,097 | 1,674,140 |
| Special Expenditures | 966,946 | 247,280 |
| Total Operating Expenditure | 67,164,315 | 41,591,967 |
| Capital Expenditure | | |
| Capital Purchase | 6,878,905 | --- |
| Total Capital Expenditure | 6,878,905 | --- |
| Value Added Tax | 1,222,806 | 168,398 |
| TOTAL EXPENDITURE | 75,266,026 | 41,760,365 |

The financial year-end of Government was changed from 31 December to 31 July in accordance with the Financial Management Act. The financial statements for the period ended 2016 reflected transactions for a seven-month period whereas the financial statements for the year ended 2017 was for a 12-month period. This contributed to the significant variances with the comparative balances for some account areas.

49.3 Appropriation Statement

The Mission incurred expenditure totalling \$75,266,026 in 2017 against a revised budget of \$78,972,375 resulting in a savings of \$3,706,349 or 5%.

Review of the FMIS General Ledger revealed that significant savings were in the following areas: Personal Emoluments (SEG 1) by \$1,569,630, Allowance (SEG 1) by \$608,355, Standby for Rapid Deployment (SEG 7) by \$202,000 and Standby Arrangement RDPM (SEG 7) by \$250,000.

Officers serving in Peacekeeping Missions overseas were from the Republic of Fiji Military Forces and Fiji Police Force and expenditures incurred were charged to Head 49, Programme 1 and Programme 2, respectively.

Republic of Fiji Military Forces

Savings were due to the following reasons:

Savings of \$1,052,458 in Personal Emoluments and \$436,704 in various allowances was due to decrease in the number of officers serving in Middle East from 338 to 170.

SEG 7 allocation namely Standby Arrangement Rapid Deployment to Peacekeeping Missions (RDPM) budgeted funds of \$250,000 was not utilized since there was no rapid deployment to Peacekeeping Missions.

Fiji Police Force

Savings were due to the following reasons:

Savings of \$517,172 in Personal Emoluments was a result of some officers being paid from Appropriation Head 20 (Fiji Police Force) in the 2016/2017 financial year.

Lodging Allowance allocation had savings of \$143,387 since some officers serving in overseas missions were not eligible to lodging allowance because they were staying in quarters.

SEG 7 allocation namely Standby for Rapid Deployment budgeted funds of \$202,000 was not utilized since there was no rapid deployment of officers to the UN mission.

Details of expenditures against the budget estimates are provided in Table 49.2.

Table 49.2: Appropriation Statement for 2017

| SEG | Item | Budget Estimate (\$) | Changes (\$) | Revised Estimate (\$) | Actual Expenditure (\$) | Lapsed Appropriation (\$) |
|-----|---------------------------------|-------------------------|--------------------|--------------------------|----------------------------|------------------------------|
| 1 | Established Staff | 72,574,879 | (8,165,000) | 64,409,879 | 61,854,644 | 2,555,235 |
| 3 | Travel & Communications | 122,758 | 184,284 | 307,042 | 301,772 | 5,270 |
| 4 | Maintenance & Operations | 180,146 | (73,000) | 107,146 | 47,856 | 59,290 |
| 5 | Purchase of Goods & Services | 3,264,192 | 808,325 | 4,072,517 | 3,993,097 | 79,420 |
| 7 | Special Expenditures | 2,302,200 | (845,150) | 1,457,050 | 966,946 | 490,104 |
| | Total Operating Costs | 78,444,175 | (8,090,541) | 70,353,634 | 67,164,315 | 3,189,319 |
| | Capital Expenditure | | | | | |

| | | | | | | |
|----|--------------------------|-------------------|------------------|-------------------|-------------------|------------------|
| 9 | Capital Purchases | --- | 6,955,000 | 6,955,000 | 6,878,905 | 76,095 |
| | Capital | --- | 6,955,000 | 6,955,000 | 6,878,905 | 76,095 |
| | Expenditure | | | | | |
| 13 | Value Added Tax | 528,200 | 1,135,541 | 1,663,741 | 1,222,806 | 440,935 |
| | TOTAL EXPENDITURE | 78,972,375 | --- | 78,972,375 | 75,266,026 | 3,706,349 |

PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

The Committee noted the OAG assessment on internal controls, submission of draft financial statements, quality of draft financial statements, provision of management comments and signing of financial statements, timeliness of submission of draft financial statements being generally effective.

PART C: OTHER SIGNIFICANT MATTERS

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

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

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

It is important to note that the deficiencies detailed in this report were identified during our audit and may have been subsequently resolved by the Mission. These have been included in this report as they impacted on the overall system of control of the Mission as at 31 July 2017.

49.10 Anomalies in Procurement of Winter Clothing

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

The inventory bookkeeper should maintain the inventory register to record incoming and outgoing inventories. The inventory register shall provide the following information:

- Date of acquisition and order number reference;
- Number of items received and cost price;
- Supplier details;
- Date of issue of inventory and nature of issue;
- Issue reference; and
- Quantity issued.

The Minister for Economy through a letter dated 4 February 2016 approved for the waiver of tender process for the purchase of winter clothing by Peacekeeping Missions from Vendor A based in Israel at a total cost of USD 231,282.50 or FJD 494,510.37.

Contrary to the Minister of Economy's approval, the Mission paid a sum of USD 253,796.02 for the purchase resulting in an additional payment of USD \$22,513.52 or 10% of the approved amount to the supplier. Refer to Table 49.3 for details.

Table 49.3: Payments to Vendor A

| Date | Cheque No. | Payee | Particulars | Amount (USD) | Amount (FJD) |
|----------|------------|----------|---|--------------|--------------|
| 15/03/16 | 73980 | Vendor A | 50% advance payment for winter clothing | 115,641.25 | 247,280.18 |
| 18/10/16 | 75191 | Vendor A | Final payment for purchase of winter clothing | 115,641.25 | 243,480.26 |
| 15/09/17 | 19602 | Vendor A | Payment of VAT charges | 22,513.52 | 46,544.39 |
| Total | | | | 253,796.02 | 537,304.83 |

The Mission confirmed that approval for variation to the initial approved purchase amount was not obtained from the Minister.

Moreover, the stock cards maintained at RFMF Headquarter Nabua, for winter clothing were not updated.

In the absence of an updated stock card, we could not verify the quantities of winter uniform received by the Mission.

Mission's Comments

OAG findings and recommendations were noted.

It is to be noted that the first and second payment to Vendor A totalling FJD 490,760.44 which were paid vide Cheque Nos. 73980 and 75191 dated 15 Mar 16 and 18 Oct 16 respectively were for payments on the initial quotation supplied by the company thus the approval of waiver of tender was obtained from the Minister of Economy.

The total cost was computed on the initial agreement that the winter clothing will be delivered directly from the supplier to the respective missions i.e. UNDOF, MFO, UNIFIL and UNAMI through Jordan. When payments of the items were received by the company and for security reasons, the Customs of Jordan prohibited the supply of the items to the UNIFIL and UNAMI missions and only allowed the items for UNDOF and MFO missions.

Because the items had been fully paid and were really needed by the missions, arrangements were being made to sea freight items for UNIFIL and UNAMI from Israel to Fiji in time for the two missions' rotation. This was not part of the initial arrangements made.

However this did incur VAT cost by the Israel Customs to the company with total cost of FJD 46,544.39.

The Force on the understanding that this extra expenditure was below FJD 50,000 and was not part of the initial agreement made to the company, this extra cost of FJD 46,544.39 was paid vide Cheque No. 19602 dated 15 Mar 2017 on the approval of the Commander RFMF.

The staffs concerned had been advised to regularly update tally cards and maintain proper documentations for items purchased from overseas as recommended.

The unit's QM and staffs were updated clothing cards where all incoming stores were recorded, obsolete stores were boarded prior to disposal before the replacements were being ordered.

Recommendations

The Mission should:

- i. Ensure that purchase of goods and services are made within the approved limits;*
- ii. Obtain retrospective approval from the Minister for variation to the initial approved purchase amount for winter clothing; and*
- iii. Update the inventory cards and maintain proper documents for items purchased from overseas.*

49.11 Prior Year Payments & Misallocation of Expenditure

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Cabinet approves for spending by each agency. No officer may incur expenditure which results in the agency's appropriation being exceeded without the authorisation of the Ministry of Economy, pending approval by Cabinet.³

The OAG audit highlighted that the Mission paid a sum of \$242,789 Value Added Tax (VAT) arrears on Fringe Benefit Tax for the years 2012 to 2016 to Fiji Revenue & Customs Service. The VAT on fringe benefit tax was related to Appropriation Head 19 (RFMF). Discussion with the officer-in-charge revealed that due to unavailability of funds in the RFMF budget, the payment was sourced from the Peacekeeping Missions budget allocation. Refer to Table 49.4 for details.

Table 49.4: Details of VAT Payment on Fringe Benefit Tax

| Date | Cheque No. | Particulars | Amount (\$) |
|------------|------------|----------------------------------|-------------|
| 20/07/2017 | 76467 | Payment of VAT on Fringe Benefit | 242,789.43 |

The above expenditure had resulted in the overstatement of the Peacekeeping Missions expenditure for the year ended 31 July 2017.

Recommendation

The Mission should ensure that expenditures are charged to the correct Appropriation Head.

Mission's Comments

OAG findings and recommendations were acknowledged.

Arrears of FBT were paid from Head 49 due to the unavailability of funds in Head 19.

49.12 Board of Survey not conducted

The Accounting Head shall nominate two board of survey officers to undertake an annual board of survey of fixed assets and expendable items at a specified date as required by Procurement Regulations 24-(1)-(4).⁴

The board of survey officers shall physically identify each item, note its working condition and verify its existence to the fixed assets register and expendable items register. Details of the board of survey must be entered on the appropriate board of survey sheets and signed by the board of survey officers.

The OAG noted that the last Board of Survey for the Mission was carried for the financial year ended 31 December 2015.

Without a Board of Survey report for the year, the existence and condition of assets of the Mission could not be substantiated.

Mission's Comments

OAG findings and recommendations were noted.

It was to be noted that the Force's fixed asset register was maintained, monitored and updated by the Force Inventory Management Cell (IMC) at the Strategic Headquarter.

It also to be noted that the Unit did not have proper storeroom for storage of stores. The stores were ordered as and when a rotation was due and all items received were issued accordingly.

Recommendations

The Mission should ensure that:

- **Board of Survey is carried out in accordance with its Finance Manual Policies Section 11.4 and Finance Instruction Section 49; and**
- **a copy is made available for audit verification.**

49.13 Variance between Payroll Report and FMIS

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

Our audit noted variances totalling \$117,756 between Mission's payroll report balance and FMIS general ledger. Refer to the Table 49.5 below for details.

Table 49.5: Revised Variance in Payroll Report and FMIS after Reconciliation

| SEG 1 Breakdown | Payroll Report (\$) | FMIS General Ledger Balance (\$) | Variance (\$) |
|---------------------|---------------------------|---|------------------|
| Personal Emoluments | 17,238,475 | 17,286,403 | (47,928) |
| Location Allowance | 38,500,320 | 38,554,390 | (54,070) |
| Lodging Allowance | 2,138,991 | 2,145,127 | (6,136) |
| Service Allowance | 1,218,009 | 1,227,631 | (9,622) |
| Total | 59,095,795 | 59,213,551 | (117,756) |

Variances in the above records indicated non-reconciliation and inadequate supervisory checks which increases the risk of errors and omissions in the accounting of payroll for Peacekeeping Missions.

Mission's Comments: *After reconciliation of SEG 1 the variance amount reported of \$919,484 was reduced to \$117,755.91. RFMF will endeavour to attain zero variance in the next financial year.*

Recommendation

The Mission should ensure that regular reconciliation is carried out between the payroll report and the FMIS general ledger and the variances noted are investigated and rectified by supervising officers on a timely basis.

Conclusion

As an observation, PAC notes the limited resources within the Office of the Auditor-General and the Ministry of Economy's Internal Audit Division.

On a positive note, PAC also notes a general trend of improvement across most, if not all entities. However, there are few recommendations that most entities need to be aware of, and where necessary, address as a matter of priority.

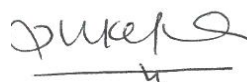
We, the undersigned Members of the Standing Committee on Public Accounts agree with the contents of this report:



.....
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 23 Ministries and Departments 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 the General Administration Sector (Parliamentary Paper No. 7 of 2019) can be retrieved from the Fiji Parliament website: <http://www.parliament.gov.fj/wp-content/uploads/2019/02/9-Report-of-the-Auditor-General-of-the-Republic-of-Fiji-2017-Audit-Report-on-General-Administration-Sector.pdf>