



**OFFICE of the AUDITOR GENERAL**  
*Republic of Fiji*

# **REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI**

## **2019 Audit Report on Economic Services Sector**



**PARLIAMENT OF FIJI**  
**PARLIAMENTARY PAPER NO. 24 OF 2021**



OFFICE of the AUDITOR GENERAL  
Republic of Fiji

VISION

**Promoting public sector accountability  
and sustainability through our audits**

To provide independent value adding  
audit services

MISSION

To provide an environment where  
our people can excel

**RESPECT**

We uphold respect  
in our relationships.

**INTEGRITY**

We are ethical, fair and  
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We work independently  
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VALUES

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PROFESSIONAL FRAMEWORK

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International Standards on Auditing

LEGAL FRAMEWORK

2013 CONSTITUTION OF THE  
REPUBLIC OF FIJI

AUDIT  
ACT 1969

ENVIRONMENT  
MANAGEMENT ACT

NDP AND OTHER  
LEGISLATION

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# OFFICE OF THE AUDITOR GENERAL

Promoting Public Sector Accountability and Sustainability through our Audits



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File: 102

01 June 2021

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

Dear Sir

## **2019 AUDIT REPORT ON ECONOMIC SERVICES SECTOR**

In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the Economic Services Sector for 2019 excluding Head 36 – Ministry of Public Enterprises and Head 37 – Ministry of Local Government.

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

Yours sincerely

Ajay Nand  
**AUDITOR-GENERAL**



Encl.

## **The Office of the Auditor-General – Republic of Fiji**

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

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

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

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

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## AUDITOR-GENERAL'S FOREWORD



I am pleased to present the report on the Economic Services Sector. Permanent Secretaries and those charged with governance of the agencies under the Economic Services Sector are responsible for the preparation and fair presentation of the financial statements in accordance with International Public Sector Accounting Standards Cash Basis and requirements of *Finance Management Act 2004* and other applicable laws and regulations.

This responsibility includes designing, implementing and maintaining internal controls relevant to the preparation of financial statements that are free from material misstatement, whether due to fraud or error, selecting appropriate accounting policies, and making accounting estimates that are reasonable in the circumstances.

It is important to note that the deficiencies highlighted in this report were identified during our audit and may have been subsequently resolved. These have been included in this report as they impacted on the overall system of control of the ministries and departments as at 31 July 2019.

The vision of the Office of the Auditor-General of “*Promoting Public Sector Accountability and Sustainability through our audits*” will be achieved when audits are completed on time and reported to Parliament on a timely basis.

Majority of the agencies have been very cooperative throughout the audit process, however, some agencies have not given the work of my office sufficient priority. The completion of audits of 2018-2019 and prior year Agency Financial Statements and timely preparation of the respective years' Sector Audit Reports to parliament has been hampered due to the following:

- (i) Draft Agency Financial Statements submitted considerably late for audit or drafts submitted within the set timeline are found to be not acceptable hence need to be resubmitted.
- (ii) Considerable delay in providing comments to draft management letters.
- (iii) Cancellation of Exit Meetings or non-confirmation of date and time for Exit Meetings.
- (iv) Not providing supporting documents to support management comments for audit verification prior to finalization of management letters.
- (v) Delay in signing audited accounts and Management Representation Letters and returning them for issue of the Audit Report.

As a consequence of these delays, I modified my reporting approach to parliament in the past by issuing the Sector Audit Reports in volumes. However, the Chairperson of the Standing on Public Accounts (PAC) indicated to me in his letter dated 18 September 2020, that the modified reporting approach was causing difficulty to the Committee in its examination and scrutiny of the reports.



To effectively deal with the challenges I have described above, meet the expectations of the PAC and achieve the vision of OAG, I have approved the following key changes in processes of the OAG in preparing reports to parliament.

- In the event management comments are not received and/or exit meetings are not confirmed by the agency/entity audited, the Final Management Letter will be issued after 14 days from issue of Draft Management Letters (Audit Memorandum). It will be assumed that management has agreed to the audit findings reported in the Draft Management Letter. Significant matters will be included in the report to parliament.
- Where signed accounts with Management Representation Letter for issue of audit report are not returned within seven days from date of issue for signature, audited financial statements will be included in the report to parliament with relevant comments.
- In cases where management comments or information provided during the audit are found to be false, misleading or incorrect upon audit verification, the matter will be dealt in accordance with section 7(1)(d) of the Audit Act 1969. Section 7(1)(d) states that *“in the performance of his or her functions under section 152(2) of the Constitution of the Republic of Fiji and of his or her duties under this Act, the Auditor-General may examine upon oath, declaration or affirmation (which oath, declaration or affirmation the Auditor-General hereby empowered to administer) all persons whom he or she may think to examine respecting the receipt or expenditure of money or the receipt or issue of any stores affected by the provisions of this Act and respecting all other matters or things whatsoever necessary for the due performance and exercise of the duties and powers vested in him or her.”* Section 7 (3) of the Act further states that *“Any person examined pursuant to the provisions of section (1)(d) who gives a false answer to any questions put to him or her or makes a false statement on any matter knowing or believing it to be true shall be deemed to be guilty of perjury and shall be liable to be prosecuted and punished accordingly.”*

The relevant provisions of the Act will also be applied to cases where records and/or information required for audit purposes are not provided when requested during the audit and are produced after the issue has been reported in the Draft Management Letter or Draft Audit Report or not provided at all.

The changes in processes have been brought to the attention of Permanent Secretaries, Heads of Independent Bodies and Commissions and those charged with governance in agencies which are subject to my audit on 01 April 2021.

The audit for Head 36 - Ministry of Public Enterprises and Head 37 – Ministry of Local Government has been completed and issued for signing on 20/05/21 and 26/04/21 respectively. As at 27/05/21, the Ministries were yet to return the signed audited accounts to enable me to issue my audit opinion. The delay was largely due to the restrictions brought about by the containment zones and movement restrictions due to COVID-19 pandemic.

The results of the audit of the Heads 36 and 37 will be included in my subsequent reports to Parliament.

This report contains summaries and my analysis of the audit findings, the quality and timeliness of financial reporting by agencies under the Social Services Sector, the audit opinions issued on the financial statements and the key reasons for such opinions, internal control assessments, other significant issues identified from the audits and high level recommendations aimed to strengthen financial reporting, governance and internal controls.

The issues discussed in this report require the immediate attention and prompt actions by the Permanent Secretaries and those charged with governance of the agencies to improve financial accountability by the Ministries and Departments.



**Ajay Nand**  
**AUDITOR-GENERAL**

**Date: 01 June 2021**



## 1.0 SECTOR SUMMARY

This report includes the audit for agencies under the Economic Services sector, namely:

Head 30	Ministry of Agriculture
Head 31	Ministry of Fisheries
Head 32	Ministry of Forests
Head 33	Ministry of Lands and Mineral Resources
Head 34	Ministry of Industry, Trade and Tourism
Head 35	Ministry of Sugar Industry

### **Results of our Audits - Quality and Timeliness of Financial statements**

Of the six agencies reported in this report, the audit resulted in the Auditor-General issuing modified audit opinion on five agencies. The details are contained in [Section 2.0](#).

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

## 2.0 AUDIT OPINION RESULTS

The main outcome of the audits are independent auditors' reports on the agency financial statements that were produced and submitted to the Auditor-General.

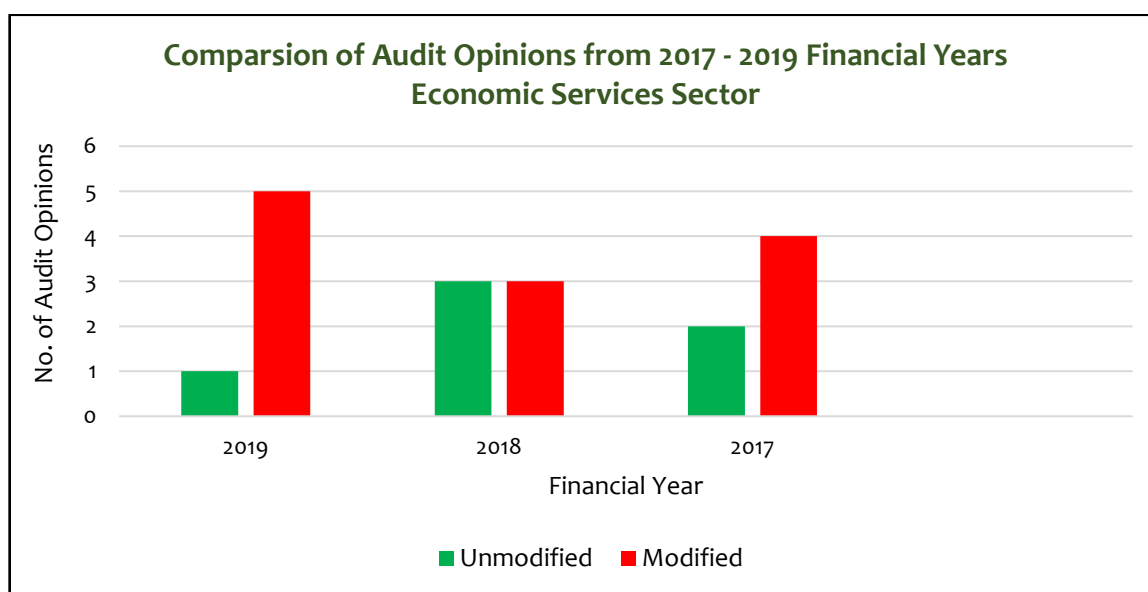
Comparatively, for the financial years 2017-2019, the quality of the agency financial statements for the agencies under the Economic Services Sector has not improved. This indicates that significant matters reported in the independent auditors' report are not given adequate attention as a result, these matters remain unresolved resulting in modified audit opinion.

For financial year 2019, five agencies were issued with modified audit opinion compared to three agencies for financial year 2018.

The following table presents comparison of the results of our audit for last three financial years for ministries and departments under the Economic Services Sector.

Ministry/Department	2018-2019 Financial Year		2017-2018 Financial Year	2016-2017 Financial Year
	Date Audit Report Signed	Audit Opinion Type	Audit Opinion Type	Audit Opinion Type
30. Ministry of Agriculture	19/03/20	Modified	Unmodified	Modified
31. Ministry of Fisheries	23/03/21	Modified	Modified	Modified
32. Ministry of Forests	12/02/21	Modified	Modified	Modified
33. Ministry of Lands and Mineral Resources	23/04/21	Modified	Modified	Modified
34. Ministry of Industry, Trade and Tourism	27/10/20	Unmodified	Unmodified	Unmodified
35. Ministry of Sugar Industry	13/10/20	Modified	Unmodified	Unmodified

The graphical presentation below provides a comparison of the results of our audit for last three financial years for ministries and departments under the Economic Services Sector.



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

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

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

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

Based on the above, we issued modified audit opinion for agencies on the following grounds:

### **Ministry of Agriculture**

1. Under the Livestock Rehabilitation Programme, the Ministry imported 300 embryos which were transferred into local recipients' cattle at a cost of \$1,194,629. The funds were sourced from the Ministry's capital budget allocation. Given that the financial activities for the Livestock Rehabilitation Programme are recorded under the Trading and Manufacturing Account, the Ministry did not account governments' contribution in the Trading and Manufacturing Account. As a result, the Trading and Manufacturing Account Equity balance is understated by \$1,194,629 while capital budget allocation has been overstated by the same amount.
2. The Ministry was unable to explain or provide relevant supporting documents to substantiate the basis on which the unit cost of livestock are calculated. As a result, the impact of the above limitations, if any, on the inventory balances amounting to \$687,997 recorded in the Trading and Manufacturing Account cannot be determined.
3. The loss of livestock amounting to \$9,427 reported in the Statement of Losses was not accounted for in the Trading and Manufacturing Profit and Loss Account. As a result, the Trading and Manufacturing Account net profit for the year ended 31 July 2019 is overstated by \$9,427.
4. Included in the miscellaneous revenue balance is \$106,213 worth of agency revenue generated directly from the normal course of Ministry's operations. Despite the existence of specific general ledger allocation to record agency revenue, the Ministry posted the receipts into the miscellaneous revenue allocation. As a result, the miscellaneous revenue balance is overstated by \$106,213.

5. Internal controls over procurement processes and revenue were generally found to be weak. This relates to anomalies in the procurement process and control weaknesses in the receipting process. These weak controls resulted in payments being made without receipt of goods and services, field officers signing off on delivery documents without receiving items and advance payments for goods and services.
6. Moreover, internal controls over payroll were generally found to be weak. This relates to delay in preparation of payroll reconciliations and improper maintenance of payroll records. Consequently, I was unable to determine the accuracy of the established staff and government wage earners expenditure recorded in the Statement of Receipts and Expenditure of \$13,275,080 and \$4,784,857 respectively.

### **Ministry of Fisheries**

1. The Ministry recorded total expenditure of \$16.4 million in the Statement of Receipts and Expenditure for the year ended 31 July 2019. The Ministry was unable to provide payment vouchers, journal vouchers and supporting documents to substantiate expenditures totalling \$1.2 million. As a result, the audit was unable to verify the completeness and occurrences of the balances and also unable to determine whether any adjustments might have been necessary at the end of the financial year.
2. There is an unreconciled variance of \$2.4 million between the FMIS general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, the audit was unable to establish the accuracy of the Established Staff Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019.
3. The Ministry did not maintain the detailed listing of beneficiaries of the Trust Fund Account. Consequently, the audit was unable to substantiate the completeness of the closing balance of \$261,684 reflected in the Statement of Receipts and Payments of the Trust Fund Account.

In addition to the above, emphasis was made on the following matters:

1. Note 5 of the Financial Statements which states that the general ledger for the Trust Fund Account is reflected under Head 32 - Ministry of Forests. The Ministry of Fisheries has recorded a Trust Fund Account closing balance of \$261,684 as at 31/07/2019.
2. Non-compliance with the requirements of the Finance Manual in relation to procurement of goods and services, expenditure charged to incorrect allocations, reconciliation of accounts and delayed banking of revenue have recurred despite the recommendations to improve compliance with the requirements of the Finance Manual. These internal control weaknesses, if not addressed promptly, may result in material misstatements and possible financial losses in the future.

### **Ministry of Forestry**

1. Expenditures totalling \$302,301 were not recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019. The amount relates to unrecorded expenditures for accountable advance which were not cleared from the Revolving Fund Account as at 31 July 2019. Consequently, total expenditure of \$14.9 million for the year ended 31 July 2019 is understated by the same amount.

2. There is an unreconciled variance of \$1.0 million between the FMIS general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, the audit was unable to establish the accuracy of the Established Staff Government and Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019.
3. There is an unreconciled variance of \$167,998 between the FMIS general ledger for revenue received from Native Timber Measurement and the report extracted from the Timber Revenue System. Consequently, the audit was unable to establish the accuracy of the revenue recorded under Native Timber Measurement of \$318,442 in the Statement of Receipts and Expenditure for the year ended 31 July 2019.
4. Included in the FMIS general ledger are accounts receivable of \$677,339, accrued expenses and deferred income of \$1,739 and accounts payable of \$5,767, carried forward from previous years. The Ministry was unable to provide appropriate documentations to support these balances. As a result, the completeness and accuracy of the balances could not be determined and whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the statement of income and expenditure.
5. There is an unreconciled variance of \$112,699 between the Trading and Manufacturing Activity (TMA) bank reconciliation and the general ledger balance for Cash at Bank. Consequently, the accuracy and completeness of the Cash at Bank balance of \$1.3 million recorded in the TMA Balance Sheet as at 31 July 2019 could not be established.
6. The Ministry, with the approval of the Ministry of Economy, transferred a sum of \$2.0 million in 2016 to the TMA account from its operating budget for the purpose of salvaging logs after Tropical Cyclone Winston. Although funds amounting to \$228,886 was utilised in 2019, deferred income was not adjusted and the balance remained unchanged since 2017.

The cash at bank balance of \$1.3 million recorded in the TMA Balance Sheet was not sufficient to support the remaining deferred income balance of \$2.2 million.

7. The Ministry recorded maintenance and operation expenses of \$285,071 in the TMA Profit and Loss Account, which included the cost of a logging truck of \$218,349. As a result, the maintenance and operations expenses was overstated by \$218,349 for the year ended 31 July 2019.
8. The Ministry recorded Accounts Receivable of \$73,857 in the TMA Balance Sheet as at 31 July 2019. The Ministry was unable to provide debtors' aging listing, subsidiary debtor's ledgers and account reconciliation statements to support the accounts receivable balance.

In addition to the above, emphasis was made on the following matters:

1. Trading and Manufacturing account continues to operate at loss since 2010 which has resulted in excess of liabilities over assets of \$662,879 in the TMA Balance Sheet as at 31 July 2019.
2. Non-compliance with the requirements of the Finance Manual in relation to procurement of goods and services, retirement of accountable advance, cash management, and

unsubstantiated carried forward balances have recurred despite the recommendations for improvement.

### **Ministry of Lands and Mineral Resources**

1. An unreconciled variance of \$1.3 million existed between FMIS general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019 was not established.
2. Trust Fund Account balance for the Department of Lands amounting to \$6.6 million was not supported with detailed listing of claimants of the monies held in trust. As such, the completeness of the Trust Fund Account balance as at 31 July 2019 could not be established.
3. An unreconciled variance of \$1.02 million existed between the FMIS general ledger and the report extracted from the Ministry's Crown Land Lease System (CLLS) for land and property rent revenue. Consequently, the accuracy of the Land and Property Rent balance of \$16.5 million recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019 could not be established.
4. The Ministry recorded Capital Grants and Transfers expenditures of \$2.2 million in the Statement of Receipts and Expenditures for the year ended 31 July 2019. Capital Grants and Transfers expenditures totalling \$374,363 were incorrectly posted to other expenditure allocations in the FMIS general ledger. As a result, Capital Grants and Transfers was understated by \$374,363 with overstatements of expenditures in Travel & Communications by \$24,400, Maintenance and Operations by \$98,163, Purchase of Goods & Services by \$32,000 and Capital Construction by \$219,800.
5. The Ministry recorded Miscellaneous Revenue of \$1.6 million for the year ended 31 July 2019. Miscellaneous revenue totalling \$263,426 were incorrectly posted to other revenue allocations in the FMIS general ledger. As a result, miscellaneous revenue is understated by \$263,426 with overstatements in the revenues from Surveys & Sales of Navigation and Fees, Charges, Fines & Penalties for \$261,300 and \$2,126 respectively.

In addition to the above, emphasis was made on the following matters:

1. The Ministry was unable to provide me with payment and journal vouchers to support expenditures totalling \$201,387. The amount comprised of \$93,409 operating expenditures and \$107,978 for capital expenditures.
2. Implementation of internal controls over receipting, recording and checking of trust fund and operating fund revenues, reconciliation of accounts and records management were generally weak. If the issues are not addressed promptly, this will result in material misstatements and possible financial losses in future.

### **Ministry of Sugar**

1. There is an unreconciled variance of \$1,820,659 and \$3,838,071 between the cane access roads and cane planting grant acquittals, respectively and bank statement balance of the cane access roads and cane planting grant maintained by Fiji Sugar Corporation.

Consequently, the accuracy of the Capital grants and transfers amounts of \$57,750,367 reflected in the financial statements cannot be confirmed.

2. The Cane Top-up payments of \$3,134,295 and \$2,869,165 were incorrectly posted to Sugar Development and Farmers Assistance program allocation and Cane Access Road allocation respectively. Consequently, the general ledger account of the Cane Top-up payment is understated by \$6,003,460, and the general ledger of the Sugar Development and Farmers Assistance program allocation and Cane Access Road was overstated by \$3,134,295 and \$2,869,165, respectively.
3. Acquittals totalling \$5,659,906.72 submitted by the Fiji Sugar Corporation were not supported with proper records for all costs incurred and the utilisation of the cane cartage grant in accordance with the requirements of Section 6.1 of the Grant Agreement.



### 3.0 ASSESSMENT OF FINANCIAL GOVERNANCE

This section evaluates the effectiveness of the internal controls maintained by 6 Ministries and Departments.

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

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

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

Our overall assessment of the financial governance of the agencies reported under the Infrastructure indicate no improvement around internal control, the financial statement preparing processes and responses to the Office of the Auditor-General. Details of our assessment is provided under [section 4.0 – Results Summary Financial Governance](#).

#### 3.1 Internal control framework

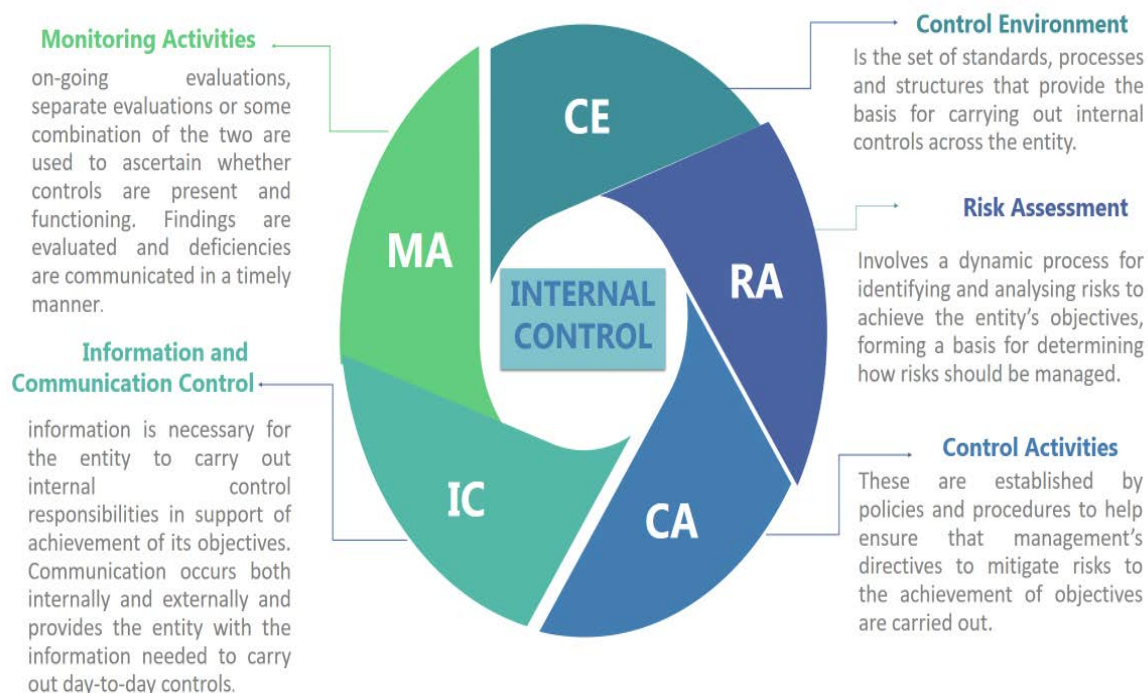
During our audits, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

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

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

### 3.2 Internal controls

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



### 3.3 Preparation of draft 2018-2019 agency financial statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✗	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✗
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	✓

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

Rating	Year-end close process assessment
Effective	All 10 key processes completed by due date
Generally effective	Five of 10 key processes completed within two weeks of due date
Ineffective	Less than five of 10 key processes completed within two weeks of due date

### 3.4 Quality of draft financial statements by entities

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

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

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

### 3.5 Timeliness of draft financial statements for entities

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

Rating	Timeliness of draft financial statements assessment
Effective	Acceptable draft financial statements received before or on 15 October 2019
Generally effective	Acceptable draft financial statements received on or before 31 October 2019
Ineffective	Acceptable draft financial statements received after 31 October 2019

### 3.6 Timeliness of Provision of Management Comments and Signing of Financial Statements

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

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

Rating	Timeliness of Management Comments Received
Effective	Within 21 days from issue of Draft Management Letter
Rating	Timeliness of Signed Financial Statements Received
Ineffective	After 15 days from issue of Financial Statements for signing

## 4.0 RESULT SUMMARY – FINANCIAL GOVERNANCE

The following table comparatively summarizes our assessment of controls, the financial statement preparing processes and responses to the Office of the Auditor-General across the ministries and departments in the Economic Services Sector for financial Years 2017-2019 which were subject to our audit.

Ministry or Department	Internal controls										Financial Statement Preparation					Responses to OAG			
	CE	RA	CA	IC	MA	T	YE	Q	MC	SFS									
Financial Year	'19 '18	'17 '18	'17 '18	'17 '18	'17 '18	'17 '18	'17 '18	'17 '18	'17 '18	'17 '18									
Economic Services Sector																			
30. Ministry of Agriculture	★	★	★	★	★	★	★	★	★	★									
31. Ministry of Fisheries	★	★	★	★	★	★	★	★	★	★									
32. Ministry of Forestry	★	★	★	★	★	★	★	★	★	★									
33. Ministry of Lands and Mineral Resources	★	★	★	★	★	★	★	★	★	★									
34. Ministry of Industry, Trade and Tourism	★	★	★	★	★	★	★	★	★	★									
35. Ministry of Sugar	★	★	★	★	★	★	★	★	★	★									

'17 = 2017      '18 = 2018      '19 = 2019

CE=Control Environment

IC=Information and Communication Control

T=Timeliness of draft financial statements

MC=Management Comments provided

RA=Risk Assessment

CA=Control Activities

MA=Monitoring Activities

SFS=Signed Audited financial statements returned

Q=Quality of draft financial statements

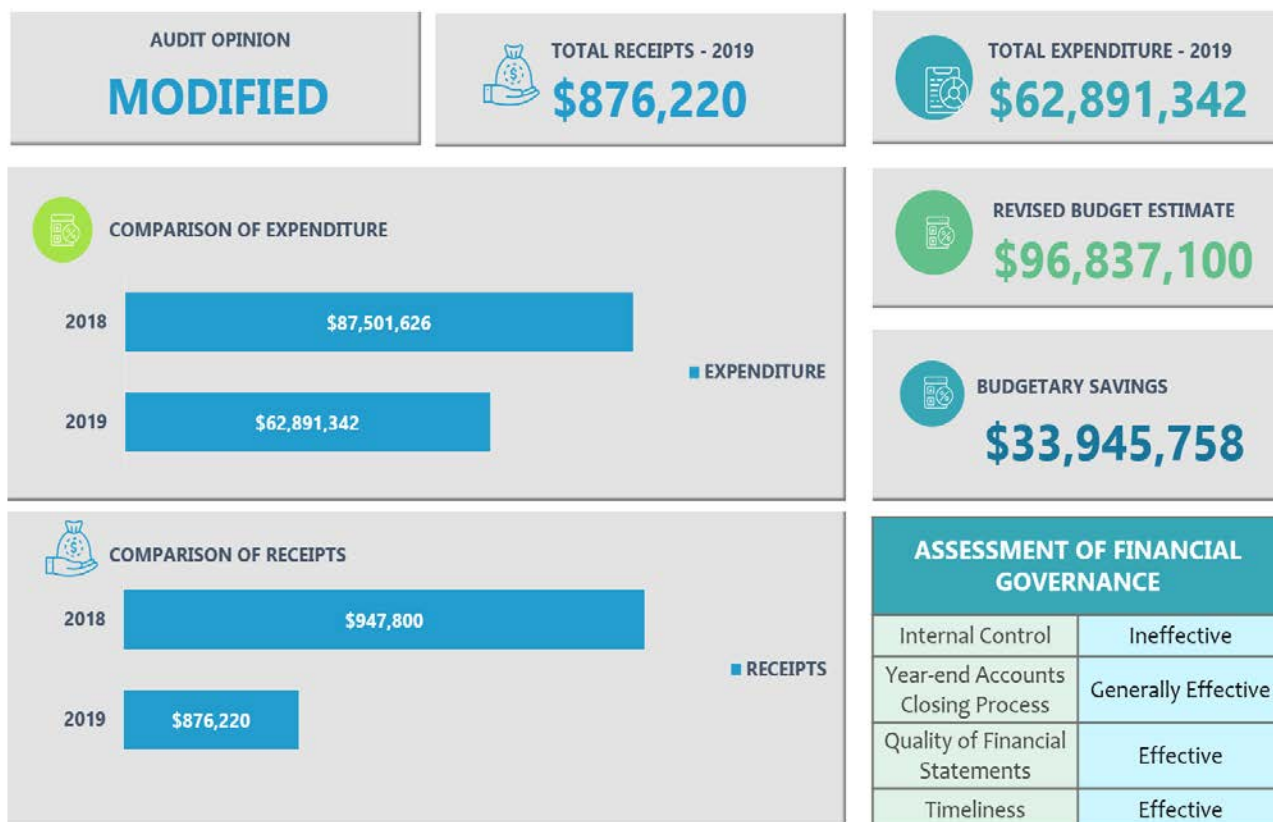
YE= Year-end close processes

**Section 30****Ministry of Agriculture****Roles and Responsibilities**

The Ministry of Agriculture is responsible for providing support to hard-working Fijian farmers (aside from sugarcane farmers, who are supported separately by Ministry of Sugar Industry), and for helping them adapt to changing markets and climate change. The Ministry's approach is wide-reaching, from administering technical crop and livestock extension services to conducting new research to develop innovative solutions to unique challenges faced by Fiji's agriculture sector.

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**PART A: FINANCIAL INFORMATION****30.1 Audit Opinion**

The audit of the 2019 accounts of the Ministry of Agriculture resulted in a modified audit opinion.

The qualifications were as follows:

- Under the Livestock Rehabilitation Programme, the Ministry imported 300 embryos which were transferred into local recipients' cattle at a cost of \$1,194,629. The funds were sourced from the Ministry's capital budget allocation. Given that the financial activities for the Livestock Rehabilitation Programme are recorded under the Trading and Manufacturing Account, the Ministry did not account governments' contribution in the Trading and Manufacturing Account. As a result, the Trading and Manufacturing Account Equity balance is understated by \$1,194,629 while capital budget allocation has been overstated by the same amount.
- The Ministry was unable to explain or provide relevant supporting documents to substantiate the basis on which the unit cost of livestock are calculated. As a result, the impact of the above limitations, if any, on the inventory balances amounting to \$687,997 recorded in the Trading and Manufacturing Account cannot be determined.
- The loss of livestock amounting to \$9,427 reported in the Statement of Losses was not accounted for in the Trading and Manufacturing Profit and Loss Account. As a result, the



Trading and Manufacturing Account net profit for the year ended 31 July 2019 is overstated by \$9,427.

- Included in the miscellaneous revenue balance is \$106,213 worth of agency revenue generated directly from the normal course of Ministry's operations. Despite the existence of specific general ledger allocation to record agency revenue, the Ministry posted the receipts into the miscellaneous revenue allocation. As a result, the miscellaneous revenue balance is overstated by \$106,213.
- Internal controls over procurement processes and revenue were generally found to be weak. This relates to anomalies in the procurement process and control weaknesses in the receipting process. These weak controls resulted in payments being made without receipt of goods and services, field officers signing off on delivery documents without receiving items and advance payments for goods and services.
- Moreover, internal controls over payroll were generally found to be weak. This relates to delay in preparation of payroll reconciliations and improper maintenance of payroll records. Consequently, I was unable to determine the accuracy of the established staff and government wage earners expenditure recorded in the Statement of Receipts and Expenditure of \$13,275,080 and \$4,784,857 respectively.

### 30.2 Appropriation Statement

The Ministry collected revenue totalling \$876,220 in 2019 and incurred expenditure totalling \$62.9 million against a revised budget of \$96.8 million resulting in savings of \$33.9 million or 35%.

Details of expenditure against the revised budget are provided in Table 30.1.

**Table 30.1: Appropriation Statement for 2019**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	14,091,239	---	14,091,239	13,275,080	816,159
2	Government Wage Earners	5,298,593	---	5,298,593	4,784,857	513,736
3	Travel & Communication	806,450	111,000	917,450	883,692	33,758
4	Maintenance & Operations	2,370,881	10,000	2,380,881	2,054,851	326,030
5	Purchase of Goods & Services	773,203	(121,000)	652,203	469,866	182,337
6	Operating Grants & Transfers	4,614,671	---	4,614,671	4,157,605	457,066
7	Special expenditure	9,838,352	---	9,838,352	2,706,518	7,131,834
	<b>Total Operating Costs</b>	<b>37,793,389</b>	<b>---</b>	<b>37,793,389</b>	<b>28,332,469</b>	<b>9,460,920</b>
8	Capital Construction	32,397,000	---	32,397,000	17,437,646	14,959,354
9	Capital Purchase	3,300,000	---	3,300,000	1,239,982	2,060,018
10	Capital Grants & Transfers	19,391,938	---	19,391,938	13,650,167	5,741,771
	<b>Total Capital Expenditure</b>	<b>55,088,938</b>	<b>---</b>	<b>55,088,938</b>	<b>32,327,795</b>	<b>22,761,143</b>
13	Value Added Tax	3,954,773	---	3,954,773	2,231,078	1,723,695



SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>TOTAL</b>	<b>96,837,100</b>	<b>---</b>	<b>96,837,100</b>	<b>62,891,342</b>	<b>33,945,758</b>

The budget savings were largely due to the following:

1. Savings in special expenditure is due to the delay in vetting/finalization of contract documents and RIE applications to Ministry of Economy by the Ministry resulting in the delay in the implementation of projects that were planned and budgeted to be carried out during the financial year. These include project funds allocated under the Sustainable Rural Livelihood and Restructure Program of \$5.5 million which were not implemented in the 2019 financial year.
2. Savings in capital construction is the result of delay in the tender process by the Ministry of Agriculture, vetting/finalization of contract documents and delayed submission of RIE applications to Ministry of Economy resulting in the delay in the implementation of capital projects that were planned to be carried out during the financial year. Significant savings were noted for projects allocated under the Farm Access Roads, Construction of Office & Staff Quarters, Agro Processor Infrastructure, and construction of Agronomy Building which were either not implemented or was implemented late.
3. Savings in capital purchase is attributed to the delay in the tender process by the Ministry of Agriculture in the finalization of contract documents and submission of RIE applications to Ministry of Economy resulting in delay in the implementation of capital projects that were planned carried out during the financial year. These include the late procurement of farm machinery under the farm mechanisation program and the non-purchase of the Equipment-Molecular Diagnostic Laboratory in 2019 as provided for under the budget.
4. Savings in capital grants and transfers was attributed to the delay in the tender process by the Ministry of Agriculture in the finalization of contract documents and submission of RIE applications to Ministry of Economy resulting in the delay in the implementation of capital projects that were planned to be carried out during the financial year. These include project funds allocated for under the land clearing program of \$1.5m which were not implemented and underutilisation of the Agro Processors Infrastructure Support and Agro Input Subsidy. Capital grants paid to the Agriculture Marketing Authority in 2019 was also reduced by \$1.5 million.

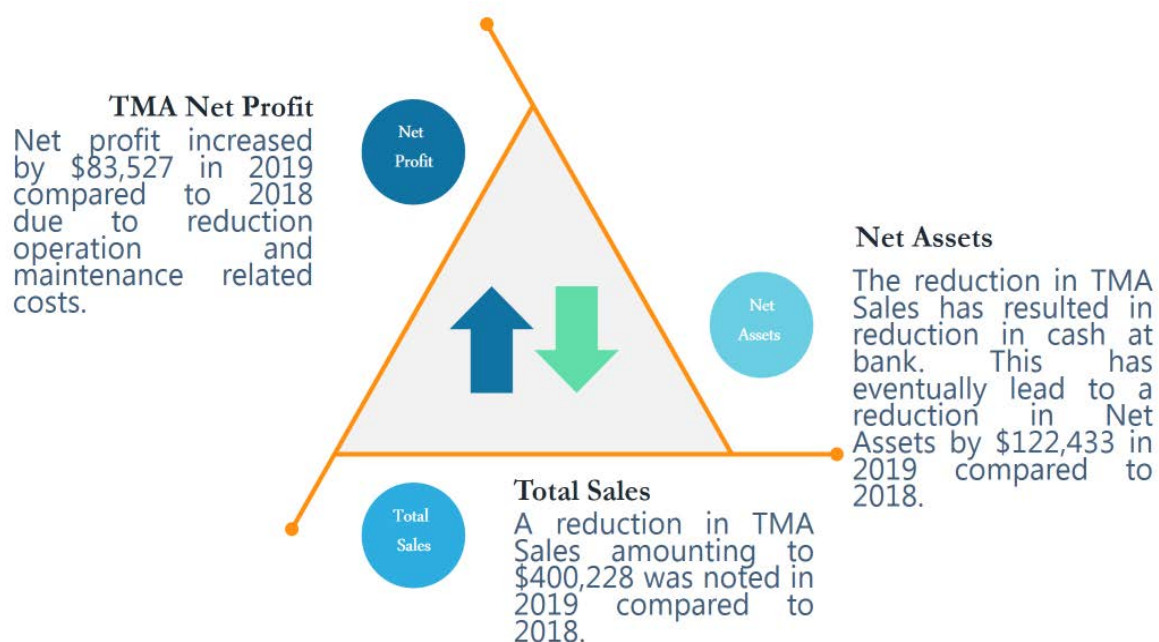
### 30.3 Trading and Manufacturing Account

The Trading and Manufacturing account (TMA) records livestock, fuel and oil. The services of the TMA is provided through livestock extension offices, veterinary clinics, research stations and fuel and oil is provided through the crop extension offices.

The services include provision of recommended livestock genetic material, fencing material, tools, provision of veterinary services and advices to livestock stakeholders. It has also been used in the case of emergencies whereby de-stocking and transferring of animals to address animal welfare issues during disasters. Machinery hire within the Crop Extension Division include hiring of government-owned machines such as tractors, diggers and rice harvesters for farmers at a rate of \$28/hour.

The Trading and Manufacturing Account operates as a revolving fund with a ceiling of \$200,000 yearly (\$120,000 for the livestock operation and \$80,000 for fuel and oil for crop extension).

The financial analysis of TMA for the year ended 31 July 2019 is provided below. Detailed Statements for the TMA are provided in Appendix 30.1.



## PART B: 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 2019.

### 30.4 Poor Implementation of Demand Driven Approach Projects

Demand Driven Approach is a programme that is focused on improving the livelihood of people in Fiji by assisting farmers mainly in the rural and outer islands. The programme empowers farmers regarding the sustainability of their farm or agribusiness enterprises. It is targeted at meeting the demand from production to market. A major component of the programme is to increase market opportunities and services that will enable beneficiaries to exploit opportunities.<sup>1</sup>

The National Steering Committee is chaired by the Permanent Secretary of the Ministry and one of its roles is to consider and approve Demand Driven Approach (DDA) projects. The Committee is responsible for project monitoring and oversight at the national level for the agriculture sector.

The Committee approved DDA projects totaling \$675,794 to be implemented during the 2019 financial year. However, it was noted that \$568,277 or 84% of the approved projects were not implemented and 16% of the projects which commenced during the financial year were in incomplete as at the date of audit<sup>2</sup>. Refer to Table 30.1 for details.

**Table 30.2: Value of DDA Projects not Implemented and Incomplete**

Programme	Total Project Value (\$)	Total Value of Project not Implemented (\$)	Total Value of Project Incomplete as at 19/11/19 (\$)
Food Security Programme	243,803	243,803	---
Export Promotion Programme	303,525	303,525	---
Rural Outer Island	20,949	20,949	---
Rural Outer Island	107,517	---	107,517
<b>Total</b>	<b>675,794</b>	<b>568,277</b>	<b>107,517</b>

<sup>1</sup> Fiji 2020 Agriculture Sector Policy Agenda Section 4.5

<sup>2</sup> 19/11/19

### **Root cause/Implication**

The delay in the implementation of the approved projects was primarily due the project not being resourced as there were 78 technical positions that were vacant as at the end of the financial year.

This finding clearly indicates that the Ministry did not factor the human resource requirements while approving the projects.

Consequently, funds approved are not utilised for the purpose it was intended and desired objectives of the various projects could not be achieved.

### **Recommendation**

**The Ministry should ensure that vacant positions are filled so that approved projects are completed on time and desired objectives are achieved. .**

### **Agreed Management Action**

*The Ministry has seriously considered the audit findings and have revised the existing processes.*

*EP&S Project & Budget Unit will be coordinating only one NSC meeting for each Financial Year instead of the current quarterly meetings. For the upcoming financial year 2020/2021, NSC will only convene in the second and the last week of August. Preparation and submission of RIE will occur in October of each financial year and this will allow for full implementation of each selected projects throughout the 3 quarters of the financial year.*

*PMM (Project Management Methodology) - HR has identified a project management training program for 20 officers across the Ministry to attend in the 1<sup>st</sup> QTR of the new financial year 2021.*

### **Officer Responsible**

Chief Economist, Head of Human Resource

## **30.5 Effectiveness of the Project Monitoring and Evaluation Function**

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 ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>3</sup>

The Ministry was allocated a budget of \$59,703,609 in 2019 to fund its operating grants, various capital projects and capital grants. It was noted that expenditure of \$36,485,399 was incurred to disburse and undertake these grants and projects. Majority of these programmes have been running for a number of years and directly relate to government initiatives towards national growth.

The Monitoring and Evaluation Unit is responsible for the monitoring and evaluation of operating, capital grants and capital projects of the Ministry. The Unit was allocated a budget of \$137,000 to

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<sup>3</sup> Ministry of Agriculture Finance Manual 2017 – Part 2 Expenditure: Introductory Statement

perform its function. As at 31 July 2019, a sum of \$136,038 was utilized by the Unit. However, no reports were available to support the monitoring done by the Unit during the 2019 financial year.

### **Root cause/Implication**

This is attributed to the lack of monitoring and oversight function by supervisors in ensuring that the Monitoring and Evaluation Unit carried out its required role. It also indicates the inability of the Ministry to ascertain the importance of monitoring and evaluation and the need to reinforce the responsible Unit given the magnitude of projects it manages.

Not carrying out proper assessment would deny the Ministry the opportunity to gauge the effectiveness of its grants and capital programmes and the prospect to replicate its successes and avoid the mistakes/failures.

### **Recommendations**

- **The Ministry should assess its various grants and capital programmes to gauge its effectiveness, suitability, impact and sustainability.**
- **Supervision of the monitoring and oversight function should be strengthened to ensure that the Monitoring and Evaluation Unit is able to carry out its work as required.**
- **The Ministry should relook at its Monitoring and Evaluation Unit and determine the need to strengthen it and place more emphasis on its critical role.**
- **The Ministry's Executive Management should introduce a culture of monitoring whereby the responsible officers are required to present monitoring and impact assessment reports on a quarterly basis.**

### **Agreed Management Action**

*The Ministry concur with the audit recommendation. The monitoring and evaluation unit will be strengthened. The Ministry has recruited its Principal Economic Planning Officer – Monitoring & Evaluation to manage and supervise the monitoring unit. Post Implementation Review (PIR).*

### **Officer Responsible**

Functional Heads

## **30.6 Delay in implementation of Rural and Outer Island (ROI) capital projects**

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 ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>4</sup>

Site visits carried out during audit<sup>5</sup> of various Rural and Outer Island (ROI) agricultural projects noted delay in implementation despite the delivery of materials and items to the farmers. Refer to Appendix 30.4 for details of pending activities.

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<sup>4</sup> Ministry of Agriculture Finance Manual 2017 – Part 2 Expenditure: Introductory Statement

<sup>5</sup> 20 & 26.11.19

The delay in the implementation of the projects were largely due to lack of urgency from the farmers to complete the projects and lack of monitoring by the Ministry to check on the status of the projects. Instances were also noted where farmers had land title, surveying and road upgrading issues which delayed project commencement.

#### **Root cause/Implication**

Incomplete projects are attributed to the absence of an undertaking between the farmers and the Ministry to address the time period in which a project is to be fully implemented by a farmer. The problem was aggravated due to lack of proper monitoring and manpower in the Ministry.

For projects delayed due to land issues such as lease title and land boundary this is the result of the lack of due diligence and proper assessments being done before projects are approved.

As a result, the impact of government assistance has not been fully realized.

#### **Recommendations**

**The Ministry should:**

- **prepare an undertaking with the farmer in the form of Memorandum of Understanding to specify the timelines for project implementation;**
- **carryout due diligence checks and proper assessments of the projects before they are approved; and**
- **strengthen capital projects monitoring and evaluation.**

#### **Agreed Management Action**

*The Ministry concurs with the audit recommendation. The monitoring and evaluation unit will be strengthened.*

*The tracking of activities will be done on a monthly basis. A project highlight report will be sent to PSA's office by which each projects will be monitored on a monthly basis.*

#### **Officer Responsible**

Functional Heads

### **30.7 Short delivery of materials - Livestock Development project**

The authorised officers must not certify a payment as correct unless they are satisfied that there is documentation that the goods, services or works have been received (Delivery docket). If the quantity of the goods received is less than the quantity shown in the supplier's invoice or delivery note, the receiving officer shall furnish a report to the immediate supervising officers who shall arrange a claim against the supplier or carrier.<sup>6</sup>

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<sup>6</sup> Ministry of Agriculture Finance Manual 2017 – Section 2.5.11 & 2.8.4

The physical verification carried out during audit on 18 – 22 November, 2019 in the Northern Division of materials and items procured by the Ministry for Livestock Development Project noted the following:

- (i) farmers' records and distribution list showed that there was short delivery of 45 goat fence and 14 rolls of barbed wire amounting to \$38,530.06;
- (ii) delivery dockets used to facilitate the payment to the supplier indicated that all the items had been delivered; and
- (iii) delivery dockets which were given to farmers for the goat fence was different from the ones used to facilitate payment. The delivery dockets used to facilitate payments were the official delivery dockets from the Suppliers while the delivery dockets issued to the farmers were the standard delivery dockets that can be readily purchased from stationery shops.

Refer to the table below for detail of the procurement including the detail of officers who signed the delivery dockets.

**Table 30.3: Detail of the procurement and officers signing the delivery dockets**

Date	Payment ID	Particulars	Amount (\$)	Delivery (DD)Detail	Docket	Remarks
01/07/19	68676	Payment for the purchase of 263 roll - 4ft Goat fence.	27,646.56	DD maintained for payment - dated 17/06/19 <b>Signed by: Agricultural Assistant - Sheep Batiri</b>	808700	As per farmers' records and distribution list, only 218 roll (4ft) goat fences have been received by the farmers. Therefore short delivery of 45 roll 4ft goat fences.
				DD 846860 maintained by the farmer – dated 05/06/19 – 110 roll 4ft goat fence, 846202 of 05/06/19 – 110 roll 4 ft goat fence Signed by: Farmer		
01/07/19	68664	Payment for the purchase of 134 - 18KG Barbed wire and 113 fencing staples.	10,883.50	DD maintained for payment - dated 14/06/19 <b>Signed by: Agricultural Assistant - Sheep Batiri</b>	060395	Only 120 – 18KG barbed wire rolls were delivered to the farmers. As per the farmers' records and distribution list, one farmer received 18 rolls, the other 6 farmers each got 17 rolls. (Shortage of 14 rolls).

#### **Root cause/Implication**

This is the result of lack of project monitoring and proper supervisory checks.



As payments have been made on the strength of delivery dockets which may have been fraudulent, this shows the serious failure of internal controls.

### **Recommendations**

#### **The Ministry should:**

- fully investigate the discrepancies highlighted in deliveries and take necessary action against the responsible officers;
- strengthen capital projects monitoring and supervisory checks; and
- conduct procurement fraud awareness and refresher trainings on the government procurement process to all technical staff.

### **Agreed Management Action**

*The Ministry concurs with the audit recommendations. The monitoring and internal control mechanism will be strengthened.*

*The Ministry will conduct an internal investigation into the process and the findings will be dealt with for the five officers that have been identified.*

### **Officer Responsible**

Head of Finance, Chief Economist, Head of Human Resource

## **30.8 Advance payment approval not obtained**

Section 14 (8) of the Finance Instructions gives the authority to the Chief Accountant (Treasury) to approve advance payment in circumstances where it is necessary for goods received through shipment from overseas, and for contractual agreements if stated as such. The above clause effectively covers all advance payment in respect of goods, services or works regardless of amounts and location of suppliers.<sup>7</sup>

We noted that the Ministry had made advance payments to various vendors without obtaining the requisite approval from the Ministry of Economy.

It was further noted that in some instances, items were delivered months after the payments were made and in other instances the items were yet to be delivered as at the date<sup>8</sup> of site visit. Refer to Table 30.4 for details.

**Table 30.4: Detail of Advance Payment**

Payment Date	Amount (\$)	Particulars	Remarks
11/04/19	17,500	Payment for the purchase of Egg grading Machine	Item yet to be delivered as at 20/11/19

<sup>7</sup> Advance Payment Policy 2013 – Section 5.1 & 5.2

<sup>8</sup> 20/11/19

Payment Date	Amount (\$)	Particulars	Remarks
11/07/19	160.43	50ft Chicken Mesh wire	Item yet to be delivered as at 20/11/19
01/07/19	7,883.60	Payment for the purchase of 99 – 18KG Barbed wire and 41 fencing staples U nails 2"	Actual delivery of the barbed wires to the farmer was done in September 2019
09/04/19	2,000	Payment for purchase of breeder bull	Invoice no. 0014 and Ministry's delivery docket # 846548 both dated 01/04/19 was used to process the payment.  Audit noted that this delivery docket was signed by the locality officer and not the farmer.  As per the farmer, the actual delivery was done in August and not April 2019.
04/07/19		Exterior ply*40sheets)	Materials were supplied on 19/10/19 by the supplier.

**Root cause/Implication**

This is due to the absence of proper supervisory checks and inability of responsible officers to ensure necessary approval is obtained prior to making advance payments and following up supply of goods after payments have been effected following approval.

As a result, advance payments made are deemed to be unauthorized as they were made without following proper procurement procedures.

The Ministry was not able to realize value from funds expended on a timely basis due to delay in supply of goods to farmers.

**Recommendations**

**The Ministry should:**

- ensure that the necessary approval is obtained from the Ministry of Economy before any advance payment is made; and
- conduct refresher training or awareness for its officers to ensure they comply with the established policies and procedures pertaining to procurements.

**Agreed Management Action**

*The audit recommendation is acknowledged. The ministry will ensure that future Advance payments are only done in exceptional circumstances and have proper approval from MOE.*

### **Officer Responsible**

Head of Finance

## **30.9 Delivery dockets anomalies**

The authorised officers must not certify a payment as correct unless they are satisfied that there is documentation that the goods, services or works have been received (Delivery docket). If the quantity of the goods received is less than the quantity shown in the supplier's invoice or delivery note, the receiving officer shall furnish a report to the immediate supervising officers who shall arrange a claim against the supplier or carrier.<sup>9</sup>

We noted several anomalies over the delivery dockets used by the Ministry to deliver the materials to the farmers. The following anomalies were noted:

- (i) The original copies (white copy) of the delivery dockets were not given to farmers upon the delivery of the materials;
- (ii) Several instances were noted where the delivery dockets used to process the payments were different from the delivery dockets that were actually used to deliver the items to the farmers;
- (iii) In some instances, delivery dockets were signed by the officers themselves and not the farmers who received the items;
- (iv) Both the staff and farmers had signed the delivery dockets even though the items have not been delivered by the supplier.
- (v) Proper delivery dockets were not used and in some cases no delivery dockets were provided for audit verification.

Refer to Appendix 30.5 for details.

### **Root cause/Implication**

This is attributed to the lack of project monitoring and absence of proper oversight function by the supervisors.

As payments have been made on the strength of fraudulent delivery dockets, this indicates the serious failure of internal controls and high risk of fraud.

### **Recommendations**

#### **The Ministry should:**

- **investigate the discrepancies in deliveries and take necessary action against the responsible officers;**
- **strengthen capital projects monitoring and supervisory checks; and**

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<sup>9</sup> Ministry of Agriculture Finance Manual 2017 – Section 2.5.11 & 2.8.4

- **should conduct procurement fraud awareness, ethics and refresher trainings on the government procurement process to all its technical staff.**

#### **Agreed Management Action**

*The audit recommendation is acknowledged. All the cases mentioned in Appendix 30.4 will be investigated by our Ethics team. Moving Forward Post Implementation review for all projects will be performed.*

#### **Officer Responsible**

Functional Heads, Ethics team

### **30.10 Absence of standard design for sheds, stock yards and farmhouse**

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 ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>10</sup>

We noted that the Ministry has not used standard design and material listing for those projects which involve general construction work including the construction of sheds, stock yards and farmhouses.

Site visits carried out during audit at the Central Division on 26/11/19 noted numerous instances where the farmers did not have a standard design for the construction of sheds rendering the basis upon which the materials listing are drawn up in the project papers by the respective locality officers' questionable.

For those sheds completed or nearing completion, we noted inconsistencies in the design and quality of the sheds constructed by the farmers.

Refer to Appendix 30.4 and 30.6 for examples of cases of excess buildings materials with farmers.

#### **Root cause/Implication**

The audit finding is due to the Ministry not implementing standard design and material listing to be used in projects requiring general construction work. This has resulted in either excessive materials being left over after the construction has been completed or substandard construction work being done.

Eventually funds used in the purchase of excess materials and sub-standard sheds have not been economically utilised.

#### **Recommendation**

**The Ministry should prepare and implement standard plan and material listing to be used for general construction works such as construction of sheds, stock yards and farmhouses.**

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<sup>10</sup> Ministry of Agriculture Finance Manual 2017 – Part 2 Expenditure: Introductory Statement

### **Agreed Management Action**

*The audit recommendation is acknowledged. The Ministry in consultation with MoIT and CIU will prepare standard design and material listings.*

### **Officer Responsible**

Functional Heads

## **30.11 Excessive Materials Supplied for Piggery Shed construction projects**

### **Infrastructure Improvement for ML Small Holder Piggery Farm (2017/18 project)**

An effective and cost effective system of internal control will ensure that wastage of funds, over expenditure and abuse of system, processes and resources do not occur.<sup>11</sup>

We noted that a total of \$31,334.93 was approved by the Ministry for the construction of a piggery shed for ML Small Holder Piggery farm at Wailoku and all materials were procured in the 2017/18 financial year and delivered to the farmer.

We visited the piggery farm on 26/11/19 and noted that the piggery shed construction was nearing completion. However, a significant amount of materials procured for the farm were still unused. Moreover, the land on which the current shed is being constructed sits beside a swamps which is surrounded by other piggeries. Refer to Appendix 30.6 for details.

### **Developing a Semi Commercial Pig Farm through Improvement of Infrastructure – SN (2017/18 project)**

We also noted that a total of \$11,981.24 was approved by the Ministry for the construction of a piggery shed for SN Semi Commercial Pig farm and all materials were procured in the 2017/18 financial year and delivered to the farmer.

We visited piggery farm on 26/11/19 and noted that the piggery shed construction was still nearing completion. However, a huge amount of materials procured were still unused and were being used by the farmer for other purposes.

Refer to Appendix 30.6 for details.

### **Root cause/Implication**

The audit finding is attributed to the lack of project monitoring by the Ministry to drive the implementation of projects. It is also contributed by the absence of proper planning and due diligence checks.

Another contributing factor is the absence of standard design together with the material listing for such projects. This has resulted in either excessive material being left over after the construction

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<sup>11</sup> Ministry of Agriculture Finance Manual 2017 – Part 17 Internal Controls: Introductory Statement

has been completed or incomplete project works. Consequently, public funds used in procuring the materials are wasted.

### **Recommendations**

#### **The Ministry should:**

- carryout due diligence checks and proper assessments of the projects before they are approved;
- strengthen capital projects monitoring and evaluation; and
- prepare and implement standard plan and material listing to be used for such project.

### **Agreed Management Action**

*The audit recommendation is acknowledged. The Ministry in consultation with MoIT and CIU will prepare standard design and material listings.*

*The Ministry will strengthen the monitoring unit and ensure that all the incomplete projects are completed going forward. Also a dedicated officer is assigned to each project who is fully accountable for implementation of the projects.*

### **Officer Responsible**

Functional Heads, Compliance team

## **30.12 Delay in implementation of Agro Input Subsidy Programme**

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 ensuring that waste of funds, over-expenditures and corruption do not occur.<sup>12</sup>

The agro input subsidy programme is the purchase of agro inputs such as fertilizers, feeds and chemicals from tendered companies. This is sold to the farmers at subsidized cost where the farmers pay for only 1/3 of the cost. This is done to raise farm productivity, provide better yields and financial returns to farmers.

A considerable delay was noted in the implementation of the Agro-input subsidy programme as procurement of the various agro inputs were done towards the end of the financial year, July 2019. Refer to Table 30.5 for details.

**Table 30.5: Details of payments made**

Date	EFT NUmbe r	Particulars	Amount (\$)
26/07/19	69678	Payment of agro-inputs under agro input subsidy program	205,675.97

<sup>12</sup> Ministry of Agriculture Finance Manual 2017 – Part 2 Expenditure: Introductory Statement

Date	EFT NUmbe r	Particulars	Amount (\$)
26/07/19	69649	Payment of agro-inputs under agro input subsidy program	124,753.80
26/07/19	69680	Payment of agro-inputs under agro input subsidy program	26,096.00
<b>Total</b>			<b>356,525.77</b>

**Root cause/Implication**

The delay is attributed to substantial time taken to vet and finalize contracts for signing by both parties. This has affected the availability of the agro-inputs to the farmers and has impacted the 1/3 contribution that the Ministry records as its revenue for the year.

Also, the Ministry spent only 44% of the amount approved by the Government Tender Board for the purchase of agro inputs for the year.

**Recommendation**

**The Ministry should properly plan the implementation of the agro input subsidy programme to ensure that the objective of the programme is fully materialized during the financial year in which funds are allocated.**

**Agreed Management Action**

*The Ministry notes the audit recommendation. Monthly review of activities (Project Highlight Report) will be submitted to PSA office.*

**Officer Responsible**

Functional Heads

**30.13 Anomalies in Procurement of Ginger Seeds**

The authorised officers must not certify a payment as correct unless they are satisfied that:

- i. it is in accordance with an LPO, indent, contract, invoice, statement or other authorisation;
- ii. there is documentation that the goods, services or works have been received(Delivery docket);
- 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.<sup>13</sup>

Our review of the procurement process for ginger seeds under the capital programs noted that proper procurement processes were not followed. The seeds were procured without obtaining quotations, without procurement requests, and without raising purchase orders. On few instances,

<sup>13</sup> Ministry of Agriculture Finance Manual 2017 – Section 2.8.4

the LPOs raised were cancelled and direct payments were made for the procurement of ginger seeds. Refer to Table 30.6 for details of payments reviewed.

**Table 30.6: Procurement of ginger seeds**

Date	Cheque/EFT Number	Particulars	Invoice No./Date	Amount (\$)
18/09/2018	54800	Being payment made for the supply of ginger seeds - Rewa Station	1145 of 14/09/18	15,000
23/10/2018	55444	Being payment made for the supply of ginger seeds for Naitasiri	16855 of 19/10/18	9,000
24/10/2018	55616	Being payments made for the supply of ginger seeds for upper Naitasiri	1104 of 04/09/18	15,000
21/09/2018	54957	Being payment made for the supply of ginger seedlings for Serua/Namosi Province	48045 of 21/09/18	4,950
21/09/2018	54962	Being payment made for the supply of ginger seedlings for Serua/Namosi province	48048 of 21/09/18	15,000
21/09/2018	54965	Being payment made for the supply of ginger seedlings for Serua/Namosi province	48049 of 21/09/18	5,550
24/10/2018	55685	Being payment made for the supply of ginger seedlings for Naitasiri and Lakena Station	19524 of 27/09/18	29,569

#### **Root cause/Implication**

This above finding is clear indication of poor planning as the procurements of seeds were made very close to the ginger planting season. As result, the procurements officers did not adhere to the provisions of procurement regulations.

Non-compliance with procurement regulations can result in wastage of public funds through fraud and corruption.

#### **Recommendations**

**The Ministry should:**

- strengthen the internal controls around procurement of seedlings; and
- take heed of the agriculture crop seasons and accordingly plan the procurements so that adherence to the procurement regulations and processes are not compromised.

#### **Agreed Management Action**

*Ministry's staff have been informed and advised on the need to adhere to strict procurement guidelines in order to mitigate this type of issues.*



### **Officer Responsible**

Head of Finance, Chief Economist

### **30.14 Livestock Rehabilitation Programme (Embryo Transfer Services)**

The authorised officers must not certify a payment as correct unless they are satisfied that the expenditure account it is charged to is correct.<sup>14</sup>

Under the Livestock Rehabilitation Programme, the Ministry imported 300 embryos which were transferred into local recipients' cattle at a cost of \$1,194,629. The funds were sourced from the Ministry's capital budget allocation (Operating Fund Account – Fund 1).

Given that the financial activities for the Livestock Rehabilitation Programme are recorded under the Trading and Manufacturing Account, the Ministry did not account governments' contribution in the Trading and Manufacturing Account.

The embryo transfers were done on those cattle at the Nacocolevu and Koronivia Research Stations which are recorded as inventory of the Trading and Manufacturing Account (Fund 4).

As a result, the Trading and Manufacturing Account Equity balance is understated by \$1,194,629 while capital budget allocation has been overstated by the same amount.

### **Root cause/Implication**

This is due to the absence of policy to guide the Finance team on the accounting treatment of such funding. As a result, the Trading and Manufacturing Account Equity balance is not fairly stated.

### **Recommendations**

**The Ministry should:**

- **develop a policy to guide government funding into the TMA either through cash or in kind to ensure it is properly accounted for in the Trading and Manufacturing account; and**
- **provide refresher training and create a working environment that encourages continuous self-learning to ensure the Ministry's officers possess the right financial knowledge.**

### **Agreed Management Action**

*A policy to guide government funding into the TMA either through cash or in kind to ensure it is accounted for in its Trading and Manufacturing account is currently under review by a consultant. TMA stock to be separated from Embryo transfer Research stock. Two separate stocktakes to be done on a monthly basis starting 15 July 2020.*

### **Officer Responsible**

Head of Finance

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<sup>14</sup> Ministry of Agriculture Finance Manual 2017 – Section 2.8.4

### **30.15 Measurement of TMA Biological Assets**

As a best practice, biological assets must be measured at fair value less estimated costs to sell. Fair value is when assets are measured at their current market price and price at which the asset could be sold by a willing seller to a willing buyer.

The ending inventory balance for the TMA as at 31 July 2019 was \$687,997.17 and included in this balance is the value of biological assets (pigs and cattle) of \$337,151.

It was noted that currently the Ministry does not have any policy on the measurement of its biological assets and therefore it has been classified as inventory over the years.

It was noted that the Ministry has used the unit cost of \$1.30 per kg to measure cattle and \$3.50/kg and \$6.48/kg for pigs. The basis for determining the unit cost could not be substantiated.

Also, no fair value measurement is done at the end of the year.

#### **Root cause/Implication**

This audit finding is due to the absence of policy for the measurement of biological assets for the Ministry. As a result, the Trading and Manufacturing Account inventory balance is not fairly stated.

#### **Recommendation**

**The Ministry should develop a policy to standardize the measurement of its inventory of cattle and pigs in line with the accounting of biological assets using the fair value less cost to sell.**

#### **Agreed Management Action**

*The Ministry will develop a policy to standardize the measurement of its inventory of Cattles and Pigs in line with the accounting of biological assets using the fair value less cost to sell. The Ministry has also engaged a consultant, to review all fees and charges.*

#### **Officer Responsible**

Director Animal Health and Production and Head of Finance

### **30.16 Inappropriate use of miscellaneous revenue allocation**

Each journal voucher or input form shall be checked by the Assistant Accounts Officer (Ledgers) who must ensure that:

- i. vouchers are adequately supported;
- ii. dollar values are accurately computed; and
- iii. the correct account codes have been debited or credited.<sup>15</sup>

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<sup>15</sup> Ministry of Agriculture Finance Manual 2017 – Section 5.5.6

As at the date of audit (06/11/19), the Ministry recorded \$563,765 as miscellaneous revenue (1-30101-30999-279999) during the year which comprises 64% of the total revenue of the Ministry.

Included in the miscellaneous revenue balance is \$106,213 worth of agency revenue generated directly from the normal course of Ministry's operations such as farmers' cash contributions for the various capital programmes, sale from auction of animals, veterinary case and poundage fee.

Despite the existence of specific general ledger allocation to record agency revenue, the Ministry posted the receipts into the miscellaneous revenue allocation. As a result, the miscellaneous revenue balance is overstated by \$106,213.

#### **Root cause/Implication**

The issue is due to the laxity of the cashiers and revenue collectors in not recording the correct general ledger allocations in the receipts when receiving the revenue. It further indicates the lack of proper oversight by supervisors in checking and ensuring that the correct general ledger allocations are recorded when receipting.

This is also attributed to the non-compliance to the Ministry of Economy Circular 09/2019 for 2018 – 2019 closing of accounts processes and procedures for journal processing.

As a result, the Ministry has incorrectly recorded the revenue in its financial statements.

#### **Recommendations**

**The Ministry should:**

- **cease the inappropriate use of the miscellaneous revenue allocations to post all different type of revenues.**
- **caution the cashiers and revenue collectors to be more vigilant with their work and any non-compliance should warrant disciplinary action.**
- **Strengthen supervisory checks.**
- **Strictly comply with the timelines given by the Ministry of Economy for closing of accounts processes and procedures.**

#### **Agreed Management Action**

*The audit recommendation is noted. The Ministry is closely monitoring all revenue collectors & supervisors who incorrectly uses miscellaneous allocation and they will be disciplined before the close of this financial year.*

#### **Officer Responsible**

Head of Finance

### **30.17 Control weaknesses over the receipting process**

The lodgement forms shall be checked and signed by the accounts supervisor or officer in charge (who must **not** also be responsible for collecting revenue) before and after lodgement. Cash to be deposited shall be counted before the accounts supervisor signs the lodgement forms. The AAO

Revenue shall maintain a revenue collectors' chart to monitor the regularity of revenue lodged by the revenue collectors. Under no circumstance should receipt books be transferred to another agency unless the Chief Accountant has approved such a transfer. Relevant details of receipt books to be transferred must be provided to the Chief Accountant. The authorised revenue collector shall bank money received on a daily basis at least.<sup>16</sup>

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

- (i) The bank lodgement form was not properly checked and signed by the accounts supervisors/officer in charge before/after the lodgement;
- (ii) The revenue collectors' chart for both operating and TMA for most of the Stations was not being updated and therefore the completeness of the revenue collected cannot be confirmed;
- (iii) No separate receipt book for TMA and Consolidated Fund Account (CFA) revenue is maintained as any particular sequence of dispatched receipt books could be used for recording either of the receipts; and
- (iv) Delay in banking of the receipted money was also noted.

#### **Root cause/Implication**

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

Despite the issue raised in previous years, no action has been taken to address the issue.

#### **Recommendations**

**The Ministry should ensure that:**

- the supervisory checks are strengthened to ensure that all the bank lodgment forms are checked and signed by the accounts supervisors both before and after the lodgment.
- appropriate action is instigated against the A/ AAO Revenue for failing to update the revenue collectors' chart.
- separate receipt books shall be used for receipting CFA and TMA revenues.
- banking of money should be done on a daily basis.

#### **Agreed Management Action**

*Responsible officers have been cautioned via internal circular, whilst some who were found to be non-compliant have been dealt with accordingly. MoA has zero tolerance with Revenue discrepancies, suspension letters already issued to officers who have breached.*

#### **Officer Responsible**

Head of Finance

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<sup>16</sup> Ministry of Agriculture Finance Manual 2017 – Section 5.4.3, 5.6.1, 5.2.19, 5.4.2

**30.18 Loss of TMA Livestock**

An annual losses statement shall be prepared by the losses officer for inclusion in the agency's annual financial statements as and when required.<sup>17</sup>

The Ministry did not account for the loss of TMA livestock amounting to \$9,427 in the Consolidated Profit and Loss Account and Balance Sheet. The loss was only shown in the Statement of Losses.

The loss was the result of death of livestock. Refer to Table 30.7 for details.

**Table 30.7: Details of loss of TMA Livestock**

Description	Cost (\$)
Pigs	4,931
Cattles	4,496
<b>Total</b>	<b>9,427</b>

**Root cause/Implication**

This is due to the absence of proper and timely inventory reconciliation and supervisory checks.

As a result, the Consolidated Profit and Loss Account is overstated and the corresponding Equity Account in the Consolidated Balance Sheet is understated.

**Recommendation**

**The Ministry should strengthen supervisory checks to ensure that proper accounting of all accounts is carried out at the end of the reporting period.**

**Agreed Management Action**

*The Ministry agrees with the audit recommendation. Moving forward, the Ministry will ensure the adjustments are processed on a timely manner and have a proactive approach towards preparation of our financial statements.*

**Officer Responsible**

Head of Finance

<sup>17</sup> Ministry of Agriculture Finance Manual 2017 – Section 14.1.8

## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

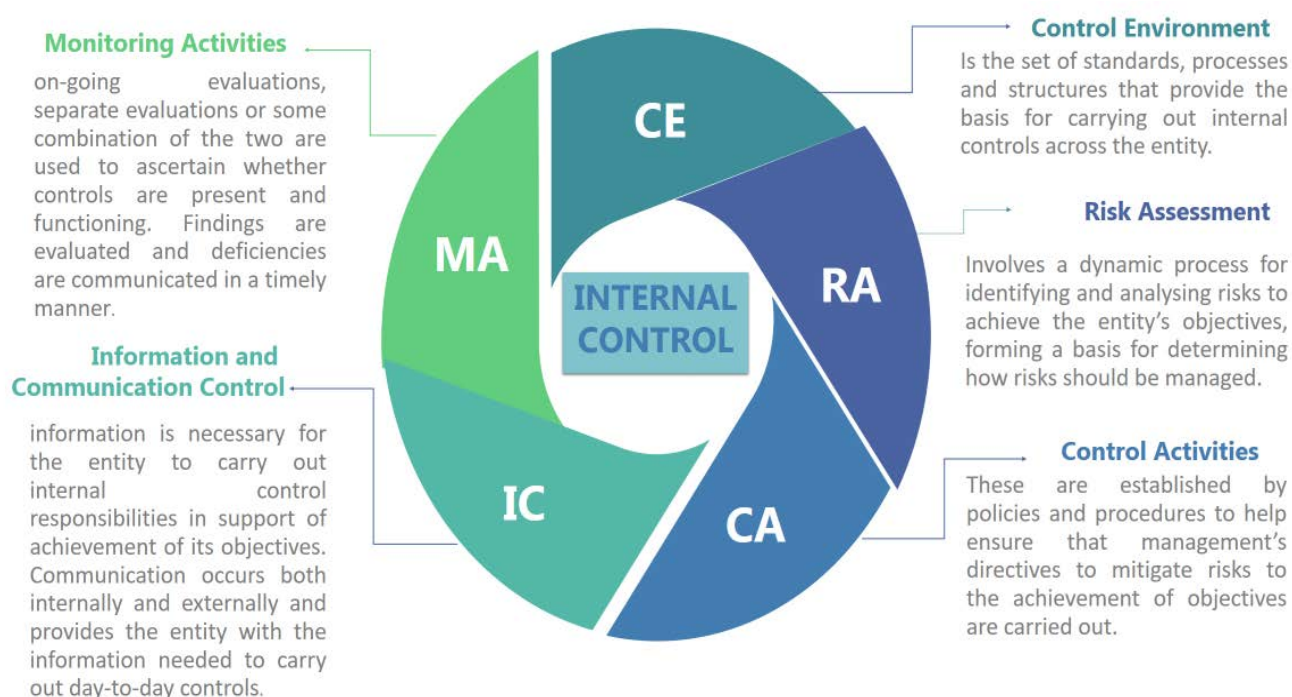
### 30.19 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
✖ Ineffective	Significant deficiencies identified in internal controls


### 30.20 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019		Cancellation of unprocessed purchase orders by 12 July 2019	
Clearance of Inter-departmental clearance accounts by 30 August 2019		Processing of payments by 29 July 2019	
Clearance of stale cheques by 05 August 2019		Processing of virement by 23 August 2019	
Annual Board of Survey on Drawings Account cheques by 30 August 2019		Completion of reconciliations by 29 August 2019	
Retirement of imprests by 19 July 2019		Submission of arrears of revenue returns by 30 August 2019	

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


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

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

### 30.21 Quality of Draft Financial Statements by entities


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

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

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

**30.22 Timeliness of draft financial statements**


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


Rating	Timeliness of draft financial statements assessment
 Ineffective	Acceptable draft financial statements received after 31 October 2019

**30.23 Timeliness of Provision of Management Comments and Signing of Financial Statements**

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

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
 Generally effective	Within 21 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 5 days from issue of Financial Statements for signing



## APPENDIX 30.1: DETAILED STATEMENT OF TRADING AND MANUFACTURING ACCOUNT

### Consolidated Trading Account – Commercial Undertaking

Description	31 July 2019 (\$)	31 July 2018 (\$)
Sales	969,020	1,369,248
	<b>969,020</b>	<b>1,369,248</b>
Opening Stock	592,672	775,608
Add: Purchases	546,456	697,287
Add: Direct Labor	2,445	5,507
<b>Goods Available for Sale</b>	<b>1,141,573</b>	<b>1,478,402</b>
Less: Closing Stock	687,997	592,672
<b>Cost of Goods Sold</b>	<b>453,576</b>	<b>885,730</b>
<b>Gross Profit</b>	<b>515,444</b>	<b>483,518</b>

### Consolidated Profit and Loss Account – Commercial Undertaking

Description	31 July 2019 (\$)	31 July 2018 (\$)
<b>Income</b>		
Gross Profit Transferred from Trading Account	515,444	483,518
<b>Total Income</b>	<b>515,444</b>	<b>483,518</b>
<b>Expenses</b>		
Travelling & Communication Expenses	11,066	3,147
Maintenance and Operation	289,316	345,470
Other Expenses	25,352	27,571
Loss of Inventory	---	1,147
<b>Total Expenses</b>	<b>325,734</b>	<b>377,335</b>
<b>Net Profit</b>	<b>189,710</b>	<b>106,183</b>

### Consolidated Balance Sheet – Commercial Undertaking

Description	31 July 2019 (\$)	31 July 2018 (\$)
<b>Equity</b>		
<b>TMA Surplus</b>		
Opening balance	(506,438)	(349,644)
Remittance	(290,030)	(156,794)
<b>Closing Balance</b>	<b>(796,468)</b>	<b>(506,438)</b>
<b>TMA Accumulated Surplus</b>		
Opening balance	1,612,227	1,504,897
Net Profit	189,710	106,183
Write off loss of inventory	---	1,147
Write off deposits and retention	(22,113)	---
<b>Closing Balance</b>	<b>1,779,824</b>	<b>1,612,227</b>
<b>Total Equity</b>	<b>983,356</b>	<b>1,105,789</b>
<b>Assets</b>		
Cash at Bank	294,620	490,265
Accounts Receivable	739	739

Description	31 July 2019 (\$)	31 July 2018 (\$)
Inventory	687,997	592,672
<b>Total Assets</b>	<b>983,356</b>	<b>1,083,676</b>
<b>Liabilities</b>		
Deposits & Retention	---	(22,113)
<b>Total Liabilities</b>	<b>---</b>	<b>(22,113)</b>
<b>Net Assets</b>	<b>983,356</b>	<b>1,105,789</b>





**APPENDIX 30.2: DETAILED STATEMENT OF TRUST FUND ACCOUNT****Trust Account Statement of Receipts and Payments - Land Water Resource Management and Land Resettlement Planning and Development**

Description	31 July 2019 (\$)	31 July 2018 (\$)
<b>Receipts</b>		
Retention Money	---	1,326
<b>Total Receipts</b>	---	<b>1,326</b>
<b>Payments</b>		
Retention Money	---	818,684
<b>Total Payments</b>	---	<b>818,684</b>
<b>Net (Deficit)/ Surplus</b>	---	<b>(817,358)</b>
Opening Balance as at 1 August	---	817,358
<b>Closing Balance as at 31 July</b>	---	---

**APPENDIX 30.3: TOTAL VALUE OF DEMAND DRIVEN APPROACH PROJECTS NOT IMPLEMENTED**

Programme	Total Project Value	Comments
Food Security Programme	243,803	Not implemented
Export Promotion Programme	303,525	Not implemented
Rural Outer Island	20,949	Not implemented
Rural Outer Island	107,517	Not complete
<b>Approved</b>	<b>675,793.65</b>	
<b>Not implemented</b>	<b>568,277.09</b>	
<b>Not completed</b>	<b>107,516.56</b>	


**APPENDIX 30.4: DETAILS OF DELAYED ROI PROJECTS**

Project	Amount (\$)	Pending activities as at site visit date <sup>18</sup>
<b>Animal Health &amp; Production Division Projects</b>		
'SD' Livestock Development Project,	47,202.01	<p>Group consists of seven farmers. We visited four of the seven farmers and noted that fencing work was still in progress for most of the farmers despite the materials being delivered in June 2019. In addition, excess fencing materials were received by the farmers which were not utilized as at the date (20/11/19) of site visit. Refer to the pictures below for details.</p>    

<sup>18</sup> 20/11/19



Project	Amount (\$)	Pending activities as at site visit date <sup>18</sup>
<b>Animal Health &amp; Production Division Projects</b>		
Infrastructure Development for Poultry farm	38,598.77	<p>As at the date of site visit (20/11/19) the farmer was yet to commence with the construction of the shed (40*28) despite items been delivered in June 2019. Refer to the pictures below for the materials stored at the farmer's residence.</p>     
Village Beef Development Project	24,603.64	<p>Villagers had completed the fencing works and had used only 12 coils to construct the fence. The balance of the materials remains unutilized as at 20/11/19.</p>  



Project	Amount (\$)	Pending activities as at site visit date <sup>18</sup>
<b>Animal Health &amp; Production Division Projects</b>		
Small holder Sheep Development for 'SC' farm	21,794.54	<p>Farmer has just started the construction of shed by putting up the pine posts and transfer of materials to the other side of the river. Water pump and tank is yet to be installed despite all materials being fully delivered in June. After five months, the farmer had just started construction.</p> 
Infrastructure Development for 'D' Beef Project	24,531.17	<p>Fencing project is yet to be completed with majority of the materials still in the village and have not been used. These include 62 coils of barbed wire, bags of cement, timber, piping and pine posts. The fence is yet to be erected.</p>

Project	Amount (\$)	Pending activities as at site visit date <sup>18</sup>
<b>Animal Health &amp; Production Division Projects</b>		
		   <p>Delay is due to a land lease issue and road access to the farm which requires upgrading.</p>
'SH' Sheep Improvement Project	14,636.42	<p>The materials to construct the sheep shed was delivered in April 2019. As at the date of the site visit 20/11/19, the shed was not constructed as the farmer was not sure of his land boundary.</p>   



Project	Amount (\$)	Pending activities as at site visit date <sup>18</sup>
<b>Animal Health &amp; Production Division Projects</b>		
Developing a Semi Commercial Pig Farm through Improvement of Infrastructure – 'SN' (2017/18 project)	11,981.24	<p>Assistance given to the farmer is the supply of building materials for the construction of a piggery shed and all materials were delivered to the farmer by October 2018.</p> <p>Audit site visit on 26/11/19 noted that the construction was incomplete and the farmer had utilized the building materials for other purposes such as the construction of a room for storing of his household items. Refer to pictures below.</p> 
Developing a Semi Commercial Pig Farm through Improvement of Infrastructure – 'VF'	11,634.39	<p>Assistance given to the farmer is the supply of building materials for the construction of a piggery shed and all materials below were delivered to the farmer in June 2018. Sight visit noted that the piggery shed was still incomplete after a lapse of a year.</p> 
<b>Extension Division Projects</b>		
'S' Dalo ni Tana, Lagi, Dogotuki, Macuata	25,412.06	<p>Majority of the materials delivered on 14/01/19, roofing iron was delivered on 11/06/19. The construction of the farm house is still pending as roofing iron and building materials still not used and were noted to be still lying at the farm land.</p>





Project	Amount (\$)	Pending activities as at site visit date <sup>18</sup>
<b>Animal Health &amp; Production Division Projects</b>		
		 <p>Current farm sits on mataqali land and the farmer still awaiting lease title.</p>




**APPENDIX 30.5: DETAILS OF DELIVERY DOCKETS ANOMALIES**

Project	Chq/ EFT Number	Description	Amount (\$)	Audit Observation
Livestock Development Project	68676 01/07/09	of Payment for the purchase of 263 - 4ft Goat fence.	27,646.56	D/docket 808700 attached with the Payment Voucher and other source documents are not the same d/docket kept by the farmer. Noted that farmer had two other d/dockets of the same materials supplied:  846460 of 05/06/19 - 110 4ft goat fence 846202 of 05/06/19 - 110 4 ft goat fence  The two delivery dockets above were actually used for delivery and not the ones attached to the payment voucher.
Livestock Development Project	68664 01/07/09	of Payment for the purchase of 134 - 18KG Barbed wire and 113 fencing staples.	10,883.50	Delivery docket no. 060395 dated 14.06.19 attached with the Payment Voucher with other source documents. The farmer or the officer responsible did not have a copy of the delivery docket.
Village Beef Development Project	68664 1/07/09	of Payment for the purchase of 99 - 18KG Barbed wire and 41 fencing staples U nails 2".	7,883.60	Delivery #60960 dated 14.06.19 from the company attached with the Payment Voucher and other source documents for payment purposes.  However the actual delivery of the barbed wire to the farmer was done in September, 2019 and the delivery docket used by the staff to deliver the materials to the farmers was not a formal d/document.
Village Beef Development Project	66005 9/04/2019	of Payment for purchase of breeder bull.	2,000.00	Delivery # 846548 dated 01.04.19 attached with the Payment Voucher and other source documents for payment purposes.  Noted that this delivery docket was signed by the locality officer and not the farmer. The farmer mentioned that he had also signed a d/docket which was taken by the officer.  As per the farmer, the actual delivery was done in August 2019 and not April 2019.
Small holder Sheep Development Project	67134 21/05/2019	of Payment for the purchase of 18- 4.0*150MM Pine posts.	2,025.00	Delivery docket no. 808679 dated 20.03.19 attached with the Payment Voucher and other source documents for payment purposes.  However, the delivery docket no. 808674 of 08/04/19 signed off by farmer which is different from the one above used for payment purposes.

Project	Chq/ EFT Number	Description	Amount (\$)	Audit Observation
Infrastructure Development for Drano Beef Project		Barbed Wire/Staples	5,964.40	Delivery docket not dated but was delivered around September, 2019. Payment was done but delivery was done in September, 2019 as confirmed by the farmer.
Infrastructure Development for Drano Beef Project		Pine Post 274 * (2.4*100mm) 45 * (3.0*200mm)	13,563.00	Noted that two different delivery dockets were used to deliver the same item i.e. 45* (3.0*200mm pine posts) on different dates as below  D/docket no. 881353 of 04/04/19 274 * (2.4*100mm) 45 * (3.0*200mm) D/docket no. 834055 of 10/04/19 45 * (3.0*200mm)
Infrastructure Development for Drano Beef Project		Breeder Bull	3,000.00	D/docket no. 834058 of 23/08/19. Payment was done but actual delivery to the farmer was done in November, 2019.
Sheep Improvement Project		24* 12ft roofing iron ordered. Amount - \$804	804.00	Delivery docket not sighted as copy not with farmer
Sheep Improvement Project		190 pine post (1.8mtr*100mm)	3,705.00	Delivery docket not sighted as copy not with farmer
Sheep Improvement Project		66 rolls of 4ft goat fence *50m roll	6937.92	Delivery docket not sighted as copy not with farmer
Sheep Improvement Project		1 * 5200 ltrs water tank	810.00	Delivery docket not sighted as copy not with farmer

**APPENDIX 30.6: DETAILS OF EXCESSIVE MATERIALS AFTER CONSTRUCTION OF SHEDS**

Project	Amount (\$)	Remarks
Infrastructure Improvement for 'ML' Small Holder Piggery Farm (2017/18 project)	31,334.93	<p>Piggery shed is almost complete however but there is an excessive quantity of materials left with the farmer. Refer pictures below of leftover materials:</p> <p>Shed partially completed after lapse of more than a year .</p>   <p>Excess materials (timber, concrete, roofing iron) still stored at the farmers house after completion of the shed</p>   <p>The farmer does not have enough land area to extend the piggery shed again with the leftover materials as the current shed sits beside a swamp and is also surrounded by other piggery farmers.</p>

Project	Amount (\$)	Remarks
Developing a Semi Commercial Pig Farm through Improvement of Infrastructure – 'SN' (2017/18 project)	11,981.24	<p>Piggery shed is nearing completion after a lapse of more than a year. Noted that excess materials have been used for other purposes such as the construction of a room for storing of household items by the farmer. Refer pictures below:</p>   <p>Concrete blocks and corrugated irons used to construct another shed beside his home.</p> <p>Leftover timber at the farmers home</p> 

**Head 31****Ministry of Fisheries****Roles and Responsibilities**

The Ministry of Fisheries ('Ministry') is the regulatory and service organization responsible for national fisheries management through the administration and enforcement of national fisheries policies, programmes and projects. In this regard, the Ministry ensures that Fiji is able to meet its international obligations relating to marine resources. The Ministry provides efficient and effective fisheries extension services delivery to fishing communities and other stakeholders. This includes applied marine resource research to foster and promote marine resource commodity development for income generation, food security and sustainable management practices.







The Ministry navigates Fiji's blue economy by supporting existing and emerging fisheries while helping the sector adapt to changes in the climate, economy, and international law. These include combatting illegal, unreported and unregulated fishing; fisheries sector trade subsidies; maximizing resource rent; building Fiji's food security; harnessing the full potential of Fiji's aquaculture and inshore industries through import substitution and diversification; climate change adaptation and mitigation; blue carbon trading; marine biodiversity conservation; and disaster management. The Ministry continues to work in close collaboration with all fisheries stakeholders to sustainably grow the sector through regional and international best practices.

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**PART A: FINANCIAL INFORMATION**

<div>AUDIT OPINION</div> <div>QUALIFIED</div>	<div></div> <div>TOTAL RECEIPTS - 2019</div> <div>\$2,216,230</div>	<div></div> <div>TOTAL EXPENDITURE – 2019</div> <div>\$16,474,370</div>								
<div></div> <div>COMPARISON OF EXPENDITURE</div> <div><div><div>2018</div><div>\$15,134,297</div></div><div>2019</div><div>\$16,474,370</div><div>■ EXPENDITURE</div></div>		<div><div></div><div>REVISED BUDGET ESTIMATE</div><div>\$20,533,822</div></div> <div><div></div><div>BUDGETARY SAVINGS</div><div>\$4,059,452</div></div>								
<div></div> <div>COMPARISON OF RECEIPTS</div> <div><div><div>2018</div><div>\$2,197,079</div></div><div>2019</div><div>\$2,216,230</div><div>■ RECEIPTS</div></div>		<div>ASSESSMENT OF FINANCIAL GOVERNANCE</div> <table><tr><td>Internal Control</td><td>Generally Effective</td></tr><tr><td>Year-end Accounts Closing Process</td><td>Ineffective</td></tr><tr><td>Quality of Draft Financial Statements</td><td>Ineffective</td></tr><tr><td>Timeliness</td><td>Effective</td></tr></table>	Internal Control	Generally Effective	Year-end Accounts Closing Process	Ineffective	Quality of Draft Financial Statements	Ineffective	Timeliness	Effective
Internal Control	Generally Effective									
Year-end Accounts Closing Process	Ineffective									
Quality of Draft Financial Statements	Ineffective									
Timeliness	Effective									

**31.1 Audit Opinion**

The audit of the 2019 accounts of the Ministry of Fisheries resulted in the issue of a modified audit opinion. The audit report was qualified on the following basis:

1. The Ministry recorded total expenditure of \$16.4 million in the Statement of Receipts and Expenditure for the year ended 31 July 2019. The Ministry was unable to provide payment vouchers, journal vouchers and supporting documents to substantiate expenditures totalling \$1.2 million. As a result, the audit was unable to verify the completeness and occurrences of the balances and also unable to determine whether any adjustments might have been necessary at the end of the financial year.
2. There is an unreconciled variance of \$2.4 million between the FMIS general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, the audit was unable to establish the accuracy of the Established Staff Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019.
3. The Ministry did not maintain a detailed listing of beneficiaries of the Trust Fund Account. Consequently, the audit was unable to substantiate the completeness of the closing balance of \$261,684 reflected in the Statement of Receipts and Payments of the Trust Fund Account.

Without further qualifying the opinion expressed, attention was also drawn to the following matters:



- Note 5 of the Financial Statements which states that the general ledger for the Trust Fund Account is reflected under Head 32 - Ministry of Forests. The Ministry of Fisheries has recorded a Trust Fund Account closing balance of \$261,684 as at 31/07/2019.
- Non-compliance with the requirements of the Finance Manual in relation to procurement of goods and services, expenditure charged to incorrect allocations, reconciliation of accounts and delayed banking of revenue have recurred despite the recommendations to improve compliance with the requirements of the Finance Manual. These internal control weaknesses, if not addressed promptly, may result in material misstatements and possible financial losses in the future.

### 31.2 Appropriation Statement

The Ministry collected revenue totalling \$2.2 million and incurred a total expenditure of \$16.5 million against a revised budget of \$20.5 million resulting in savings of \$4 million or 20%.

Details of expenditure against the revised budget are provided in Table 31.1.

**Table 31.1: Appropriation Statement for 2019**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	6,036,126	(127,430)	5,908,696	5,827,601	81,095
2	Government wage earners	1,587,618	127,430	1,715,048	1,631,279	83,769
3	Travel & communication	638,600	-	638,600	611,443	27,157
4	Maintenance & operations	2,372,040	-	2,372,040	2,305,951	66,089
5	Purchase of goods & services	313,114	-	313,114	281,537	31,577
6	Operating grants & transfers	10,000	-	10,000	9,749	251
7	Special expenditure	359,773	-	359,773	344,569	15,204
	<b>Total Operating Expenditure</b>	<b>11,317,271</b>	<b>-</b>	<b>11,317,271</b>	<b>11,012,129</b>	<b>305,142</b>
8	Capital Construction	7,476,451	-	7,476,451	4,529,622	2,946,829
9	Capital Purchases	675,000	-	675,000	410,077	264,923
	<b>Total Capital Expenditure</b>	<b>8,151,451</b>	<b>-</b>	<b>8,151,451</b>	<b>4,939,699</b>	<b>3,211,752</b>
13	Value added tax	1,065,100	-	1,065,100	522,542	542,558
	<b>TOTAL</b>	<b>20,533,822</b>	<b>-</b>	<b>20,533,822</b>	<b>16,474,370</b>	<b>4,059,452</b>

The budget savings of \$4 million resulted mainly from savings in capital expenditure allocations. This was mainly due to the slow progress of the construction projects for Moala & Cicia in Lau, Wainibokasi Staff Quarters and for the Caboni Multi-hatchery Species project. The slow progress was due to inconsistent boat schedules to maritime islands. The Wainibokasi staff quarters project did not eventuate due to issues with meeting the tender process requirements.

### 31.3 Trust Fund Account

The Trust Fund Account was initially set-up to facilitate the fisheries one-third and two-thirds subsidy scheme and was shared under the then Head 32 – Ministry of Fisheries & Forests prior to 01 August 2017. Even though the scheme has lapsed, the previous Ministry of Fisheries & Forests continued to operate the bank account to maintain performance bonds and retention monies for construction projects.

The FMIS general ledger for the Trust Fund Account continued to be reflected under Head 32 – Ministry of Forests. The Ministry is liaising with Ministry of Economy to have the FMIS general ledger balances transferred to the Ministry's Appropriation Head.

There were no transactions recorded during the financial year 2018/2019.

Details of the statement of trust receipts and payments are provided in Table 31.2.

**Table 31.2: Statement of Receipts and Payments**

Description	2019 (\$)	2018 (\$)
<b>Opening balance</b>	261,684	190,095
One-third subsidy contribution	-	72,439
<b>Total Receipts</b>	-	<b>72,439</b>
Retention money	-	850
Bank fee charges	-	-
<b>Total Payments</b>	-	<b>850</b>
<b>Closing balance as at 31/07/19</b>	<b>261,684</b>	<b>261,684</b>

## PART B: 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 2019.

### 31.4 SEGs 1 & 2 - Variance between FMIS GL and Payroll Report (Recurring Issue)

Payroll summary reports are provided fortnightly and contain salary details of employees including the annual and fortnightly salary, deductions and allowances. The reports are used for preparing salary reconciliations.

We noted unreconciled variances between the FMIS general ledger and the Ministry's payroll report balances for SEG 1 – Established Staff and SEG 2 – Government Wage Earners for \$1.46 million and \$895,901 respectively. Refer to Tables 31.3 and 31.4 below for details.

**Table 31.3: Variance between FMIS and Payroll Report for SEG 1**

SEG 1	2019 (\$)	2018 (\$)
FMIS general ledger	5,827,601	4,608,907
Less Payroll Summary Report	4,363,813	3,256,859
<b>Variance</b>	<b>1,463,788</b>	<b>1,352,048</b>

**Table 31.4: Variance between FMIS and Payroll Report for SEG 2**

SEG 2	2019 (\$)	2018 (\$)
FMIS general ledger	1,631,279	1,495,363
Less Payroll Summary Report	2,527,180	1,119,790
<b>Variance</b>	<b>(895,901)</b>	<b>375,573</b>

#### Root cause and/or Implication

The Ministry's Finance Manual does not require that reconciliations should be performed between the FMIS general ledger and the Payroll Summary Report. As a result, the officer responsible for preparing payroll reconciliation statements was unaware that the two records should be reconciled and variances (if any) should be properly documented and rectified.

### **Recommendation**

**The Ministry's Finance Manual should be reviewed to include the requirement and the process of reconciling the FMIS GL and Payroll Reports and that any variances noted are investigated and rectified.**

### **Agreed Management Action**

*The Ministry has now strengthened the reconciliation of monthly accounts as well as the salaries and wages weekly and fortnightly reconciliations. The staff handling the reconciliations have been trained on the correct methods as per the Finance Manual and also implementation of controls through staff rotation. This has been monitored on a weekly and fortnightly basis.*

### **Officer Responsible**

Principal Accounts Officer

## **31.5 Records not provided (Recurring Issue)**

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

The Ministry was unable to provide payment vouchers, journal vouchers and supporting documents to substantiate expenditures totalling \$1.2 million for the year ended 31 July 2019.

In addition, the reconciliation statements for the following underline accounts were not provided:

- Imprest Account for the month of July 2019;
- SGL84 Account for the months of August to October 2018; and
- Inter-Departmental Clearance (IDC) Account for the months of February to July 2019.

Refer to *Appendix 31.1* for details.

### **Root- Cause and/or Implication**

Accounting records were not properly maintained. In addition, the lack of supervisory checks within the Accounting Section to ensure that records are properly maintained and stored. In the absence of accounting records and supporting documents, the accuracy and completeness of the expenditure balances recorded in the financial statements could not be substantiated.

### **Recommendation**

**The Ministry should strengthen records management to ensure that all accounting records are properly maintained to substantiate expenditures incurred.**

### **Agreed Management Action**

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<sup>1</sup> Department of Fisheries Finance Manual 2013 – Section 16.13

The Ministry notes the issue of concern and are taking remedial measures to address this. We have counselled staffs and implemented rotation of staffs to improve this aspect and have conducted follow ups and monitoring on filings of financial records.

### **Officer Responsible**

Principal Accounts Officer

## **31.6 Non-compliance with the procurement and payment process (Recurring Issue)**

A local purchase order shall be issued when procuring any goods, services or works from a business within Fiji, unless a contract or agreement has been entered into.<sup>2</sup> Competitive quotes, instead of public tenders, must be obtained for procurements below \$50,000 unless the Permanent Secretary for Fisheries has approved an exemption.<sup>3</sup> Upon receipt of the goods, services or works, the Fisheries storeman shall verify that receipt is in good order and that the invoice is in accordance with the LPO.<sup>4</sup>

During the audit for financial year 2018, we noted the non-compliance with the procurement and payment processes by the Ministry. The following anomalies were recurring issues and noted which continued in financial year 2019:

- Local Purchase Orders were not issued when procuring goods, services or works from local businesses. Refer to Table 31.5 below for examples.

**Table 31.5: No evidences that Local Purchase Orders were issued**

Payment ID	Payment Date	Payment Description	Amount (\$)
13	31/08/18	Payment for rations	1,321.10
15	31/08/18	Payment for grog	1,449.54
53	08/08/18	Payment of account relating to purchasing of parts	14,949.73
54	31/08/18	Payment for ration for officers	1,040.37
164	30/09/18	Payment for dredging works	17,431.19
370	31/08/18	Payment for colored printer toners	1,830.27
479	28/02/19	Payment for the facilitation of training for	1,412.84
669	24/07/19	Payment of catering services	348.62
1695	30/11/18	Payment for the publishing costs	3,669.73
1922	05/12/18	Payment for the supply of gas for the repair of 8 ice plants	4,403.67
2048	31/12/18	Payment for the repair of ice plant	10,440.37
2355	31/01/19	Payment for the supply of water (refill)	1,197.25
2473	31/01/19	Payment for the framing of fisheries commodity posters	1,049.45
2992	28/02/19	Payment for the repairing of generator for ice plant	10,956.01
4551	21/05/19	Payment for the re-issue of flight ticket	5,160.55
5195	30/06/19	Payment for the repairs and servicing of ice plants	21,860.00

- No evidences to confirm that competitive quotes were obtained for purchases of goods and service. Refer to Table 31.6 below for examples.

<sup>2</sup> Department of Fisheries Finance Manual 2013, Section 2.6.1

<sup>3</sup> Department of Fisheries Finance Manual 2013, Section 2.4.2

<sup>4</sup> Department of Fisheries Finance Manual 2013, Section 2.6.9

**Table 31.6: Competitive quotes were not obtained**

Payment ID	Date	Details	Amount (\$)
317	19/11/18	Payment made for the World Fisheries Day 2018	2,477.06
320	19/11/18	Payment for the World Fisheries Day 2018	6,762.80
370	31/08/18	Payment for Colored Printer Toners	1,830.27
803	30/09/18	Payment for the supply of HP PC Pro 400, Adaptor HDMI Splitter, HDMI cable	4,951.38
1074	31/10/18	Purchase of hanging scale	1,018.35
1211	31/10/18	Being for payment for office materials	1,820.92
1284	30/11/18	Payment hire of room	2,252.29
1532	30/11/18	Payment for catering for the World Fisheries Day Function	3,669.72
1800	30/11/18	Payment for supply of air conditioning unit	4,155.96
4053	30/04/19	Purchase of a new air conditioning unit	2,388.07
4711	31/05/19	Payment for the supply of coolers	1,200.00
5405	31/07/19	Payment for pull up banners	4,954.14
5476	31/07/19	Payment for the purchase of 20 feet second hand container to store feeds for freshwater species.	4,587.16

- No evidence to confirm that invoices were received prior to making payments. Refer to Table 31.7 below for examples.

**Table 31.7: No evidences that invoices were received prior to making payments**

Payment ID	Date	Payment Details	Amount (\$)
15	31/08/18	Payment for grog	1,449.54
54	31/08/18	Payment of ration	1,040.37
316	19/11/18	Payment made for tee-shirts for world fisheries day	3,669.73
479	28/02/19	Facilitation of training for employment relations from 12-13/02/19	1,412.84
669	24/07/19	Payment of catering services	348.62
1922	5/12/2018	Payment for the supply of gas for the repair of ice plants	4,403.67
2675	25/01/19	Payment of 5% retention for Moala Fisheries Office upon completion	22,617.28
4391	10/5/2019	Payment for the complete 50% deposit of workshop facility and trainer for FSP participants	6,199.54

**Root cause and/or Implication**

Lack of supervisory checks within the Accounting Section to ensure that the requirements of the Finance Manual are complied with.

Inconsistent application of internal controls increases the risk of unauthorized and uneconomical purchases and double payments.

**Recommendations**

**The Ministry should:**

- improve supervisory checks in the Accounting function to ensure that internal controls as required by the Finance Manual are implemented; and

- **consider instigating disciplinary actions against officers circumventing processes and procedures laid out in the Finance Manual.**

#### **Agreed Management Action**

*The issues raised are noted with appreciation. The Ministry has now improved in the approach to acquiring services from the providers. In most instances, the commitment had already been made by the Technical Divisions and the Executive Office to the suppliers thus the Accounts have to honor those commitments and process the payments. We have now created awareness with the respective Divisions to appreciate the Finance Manual standards and comply accordingly.*

#### **Officer Responsible**

Principal Accounts Officer, Senior Accounts Officer and Accounts Officer

### **31.7 Misallocation of expenditure in the FMIS GL (Recurring Issue)**

The Assistant Accounts Officer must not certify a payment as correct unless they are satisfied that sufficient uncommitted funds are available for payment of the amount and the expenditure account it is charged to is correct.<sup>5</sup>

We noted numerous instances of misposting of expenditures in various Standard Expenditure Group (SEG). Refer to Appendix 31.2 for details.

#### **Root- Cause and/or Implication**

Lack of supervisory checks within the Accounting Section to ensure that expenditures are charged to the correct allocation in the FMIS general ledger.

#### **Recommendation**

**The Ministry should ensure that supervisory checks are improved in the Accounting function and internal controls are implemented as required by the Finance Manual.**

#### **Agreed Management Action**

*The Ministry notes the issues raised and majority of these instances were due to the unbudgeted activities based on the Ministerial commitments to the fishery communities.*

#### **Officer Responsible**

Principal Accounts Officer, Senior Accounts Officer and Accounts Officer

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<sup>5</sup> Department of Fisheries Finance Manual 2013 – Section 2.9.4

### **31.8 Stale cheques not cleared**

The Principal Accounts Officer shall review the un-presented cheque list and determine whether a replacement cheque should be issued for cheques that are stale.<sup>6</sup>

As at 31 July 2019, un-presented cheques totalled \$189,026. Of the total, 50% or \$94,373 were stale cheques which were more than 6 months from the dates the cheques were issued.

Refer to Appendix 31.3 for details.

#### **Root cause and/or Implication**

Proper reconciliation of accounts was not carried out on time and necessary adjustment made before the closure of accounts, in accordance with the Ministry's Finance Manual.

#### **Recommendation**

**The Ministry should ensure that adjustments are made for stale cheques, in a timely manner and before the closure of accounts, in accordance with the procedures in the Finance Manual.**

#### **Agreed Management Action**

*The Ministry has taken remedial steps in clearing this aspects, as per itemized activities below:*

- *Currently the \$94,372.50 cheque have correctly matched against vendors on mismatched vendors upon released of cheques.*
- *The Ministry had rectified this issue through the submission to the Officer of the Auditor General for clearance as per Memorandum dated 21/10/20.*

#### **Further OAG Comments**

*The issue has not been rectified as stale cheques have not been cleared. In addition, it is not the responsibility of the Auditor-General to provide approval for processing of accounting adjustments. This responsibility rests with the Ministry in consultation with the Ministry of Economy.*

#### **Officer Responsible**

Principal Accounts Officer & Accounts Officer

### **31.9 Unbudgeted Payments**

Each year, the Appropriation Act and Budget Estimates set out details of the appropriations that Parliament 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 Parliament.<sup>7</sup>

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<sup>6</sup> Department of Fisheries Finance Manual 2013 – Section 5.5.2

<sup>7</sup> Department of Fisheries Finance Manual 2013, Section 2.1.2



The Ministry utilised a total of \$85,612 from SEG 8 – *Capital Construction* for the purchase of a fibreglass boat and outboard engine for the Fishing Associations. It was noted that the purchase was not budgeted with payments made from budgetary allocations for programs for brackish water development commercial aquaculture farmers, coastal fisheries development and construction of ice plants.

**Root cause and/or Implication**

Not having adequate funds in SLG 84 account has resulted in the Ministry making payments from SEG 8, which led to the Ministry incurring expenses other than the purpose funds were appropriated for.

**Recommendation**

**The Ministry should ensure that budgeted funds are utilised only for the purpose appropriated for.**

**Agreed Management Action**

*The payment made from other SEGs was due to the urgency of the Hon Ministers commitments to the Coastal Community visitations and handling over of the boats and engines, whilst the funds have not been released from the Ministry of Economy through SLG84, hence the commitments.*

**Officer Responsible**

Principal Accounts Officer

**31.10 Non-compliance to internal controls for revenue (Recurring Issue)**

The lodgement forms shall be checked and signed by the Accountant/Station Head. Cash to be deposited shall be counted before the Accountant/Station Head signs the lodgement forms.<sup>8</sup>

The authorised revenue collector must total the cashbook at the end of the day and give it to the Accountant/Station Head for checking. The Accountant/Station Head must sign the cashbook after checking the details in the cashbook against the issued receipts, money on hand and bank lodgement forms.<sup>9</sup>

Contrary to the requirements of the Finance Manual on the internal controls on revenue, the following non-compliances were noted:

- Cash analysis sheets and bank lodgement forms were not endorsed by Station Heads. Refer to *Appendix 31.4* and *Appendix 31.5* for details.
- The entries made by the revenue collector in the Cashbook was not checked by the Station Heads. Refer to *Appendix 31.6* for details.

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<sup>8</sup> Department of Fisheries Finance Manual 2013, Section 4.4.3

<sup>9</sup> Department of Fisheries Finance Manual 2013, Section 4.5.2

We further noted that the officers-in-charge of the stations are also the revenue collectors, therefore segregation of duties for revenue/cash management could not be achieved.

### **Root cause and/or Implication**

The Ministry's Finance Manual does not specify the internal controls for Stations where it is not practicable to practice segregation of duties.

Lack of supervisory checks in the Accounting Section to ensure that the requirements of the Finance Manual are complied with.

### **Recommendations**

- **The Ministry's Finance Manual should be reviewed to include alternative processes of internal controls for Stations where segregation of duties is not practicable.**
- **The Ministry should ensure that supervisory checks are improved in the Accounting function and that internal controls as required by the Finance Manual are complied with.**

### **Agreed Management Action**

*The Ministry notes the concerns raised and are taking remedial steps to rectify the issues. The Accounts HQ are now verifying all lodgments from the Maritime/Remote Stations and are monitoring this aspects to strengthen accountability on the revenue activities.*

### **Officer Responsible**

Principal Accounts Officer & Senior Accounts Officer

## **31.11 Delays in banking (Recurring Issue)**

If it is not practical to bank money daily, that is, if banking facilities are not accessible or money received is less than \$50, money may be kept overnight, but it must be kept under lock and key in a safe or strong box.<sup>10</sup>

We noted that money receipted were not always deposited to the bank on time. Refer to Table 31.8 below for examples.

**Table 31.8 Examples of Delays in Banking**

Stations	Receipt No.	Amount (\$)	Date	Date Lodged	Delays in banking
Taveuni	182302	20.00	10/01/19	18/01/19	5 days
Taveuni	182410	18.20	29/03/19	10/04/19	8 days
Namarai, Ra	184606	15.60	14/08/18	09/10/18	39 days
Namarai, Ra	184607	13.00	14/08/18	09/10/18	39 days
Namarai, Ra	184608	26.00	20/08/18	09/10/18	35 days
Namarai, Ra	184609	15.60	21/08/18	09/10/18	34 days
Namarai, Ra	184610	16.10	21/08/18	09/10/18	34 days

<sup>10</sup> Department of Fisheries Finance Manual 2013, Section 4.4.6

Stations	Receipt No.	Amount (\$)	Date	Date Lodged	Delays in banking
Namarai, Ra	184637	15.60	19/03/19	26/03/19	5 days
Namarai, Ra	184638	20.80	20/03/19	26/03/19	4 days
Nadi	250112	13.20	10/09/18	18/09/18	5 days
Levuka	564614	2,257.80	30/12/18	22/01/19	15 days
Labasa	708251	6.10	25/09/18	08/10/18	8 days
Labasa	708252 - 708262	83.80	26/09/18	08/10/18	7 days
Headquarters, Toorak	710817	80.00	08/10/18	22/10/18	9 days

### **Root cause and/or Implication**

The Ministry's Finance Manual does not specify the internal controls for stations in remote areas where banking facilities are not easily accessible and/or daily banking is too costly for the Ministry.

Delays in banking of cash increases the risk of misappropriation of funds and theft.

### **Recommendations**

**The Ministry should:**

- ensure that cash is banked on daily basis and where the banking facilities are not accessible, banking should be done on the next day.
- review the Finance Manual to specify the alternative internal controls processes for Stations in remote areas where banking facilities are not easily accessible.

### **Agreed Management Action**

*The Maritime/Remote Stations are now sending in their Revenue Analysis summary with the Post Fiji lodgment slips via social media platform through viber groups and this is downloaded and verified from our end, on a daily basis. Our Revenue Team are also updating the Cash Collectors Chart on a daily basis and are monitoring the revenue activities to detect any delays and conduct follow ups swiftly.*

### **Officer Responsible**

Principal Accounts Officer

## **31.12 Anomalies on Revenue**

Fees and charges for agency revenue must recover at least the full cost of providing the goods, services or works unless legislation or government policy provides otherwise.<sup>11</sup>

Our review of revenue and related records revealed the following anomalies:

- Variances were noted when comparing the approved fees as per the Offshore Fisheries Management Regulations 2014 against the actual amount receipted. Refer to Appendix 31.7 for examples.

<sup>11</sup> Finance Instructions 2010 – Section 23(5)

- There were no documentations available to confirm how the fees charged for sale of ice, slipway and mooring were determined and whether the fees were reviewed, approved by management and gazetted.

#### **Root cause and/or Implication**

Lack of oversight on the fees charged for revenue collection and segregation of duties can result in mismanagement of revenue.

#### **Recommendation**

**The Ministry should ensure that fees charged for revenue collection are approved and gazetted.**

#### **Agreed Management Action**

*The revenue queries are noted and we are awaiting the detailed feedbacks from the respective Divisions on the explanations of the variances as per issues raised. The revenue/ fees charged came about as a result from the changes in the applicable VAT from 9% to 12.5% and again drooped to 9%. This resulted in the differing application of the fees charged, we will therefore liaise with Treasury Division, Economy to rectify the issue.*

*The fees and charges for the Ice Sales and the Slip Way and Mooring fall under the Ministry of Economy schedule of fees.*

*The Ministry has completed the Review of Fees and Charges and is with the Executive Office for review and a decision.*

#### **Further OAG Comments**

*The feedback from the respective Divisions to clarify and explain the variances, schedule of fees for ice sales, slipway and mooring were not provided for audit verification.*

#### **Officer Responsible**

Regional Managers & Principal Accounts Officer

### **31.13 Anomalies in the Fisheries Main Trust Account (Recurring Issue)**

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

- Trust Fund Account is being used to record retention money, which was not for the purpose it was approved.
- The detailed listing for the closing balance of \$261,684 as at 31 July 2019 was not maintained by the Ministry. Although reconciliation statements have been prepared and submitted to the Ministry of Economy, detailed listing to substantiate the trust fund balance were not prepared.
- Prior to 01/08/17, the Fisheries Trust Fund Account was consolidated with the Ministry of Forests under Head 32. In 2017-2018 financial year, the Ministry of Fisheries was separated from Ministry

of Forests. However, the Fisheries Trust Account – General Ledger was still recorded under Head 32 (Ministry of Forests).

**Root- Cause and/or Implication**

Failure to maintain appropriate records including the detailed listings for the Trust closing balance and the delay in transferring to the Ministry’s budgetary allocations during the transition period.

In the absence of detailed listing, it was not possible to ascertain the completeness of the balance reflected in the Trust Fund account.

**Recommendations**

**The Ministry should improve the reconciliation process to include detailed listing of closing balances on monthly basis and coordinate with the Ministry of Forestry and Ministry of Economy to transfer the general ledger for the Trust Fund account to Appropriation Head 31.**

**Agreed Management Action**

*All reconciliations from 2018-2020 appended to the Ministry of Economy and OAG.*

**Officer Responsible**

Principal Accounts Officer

## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

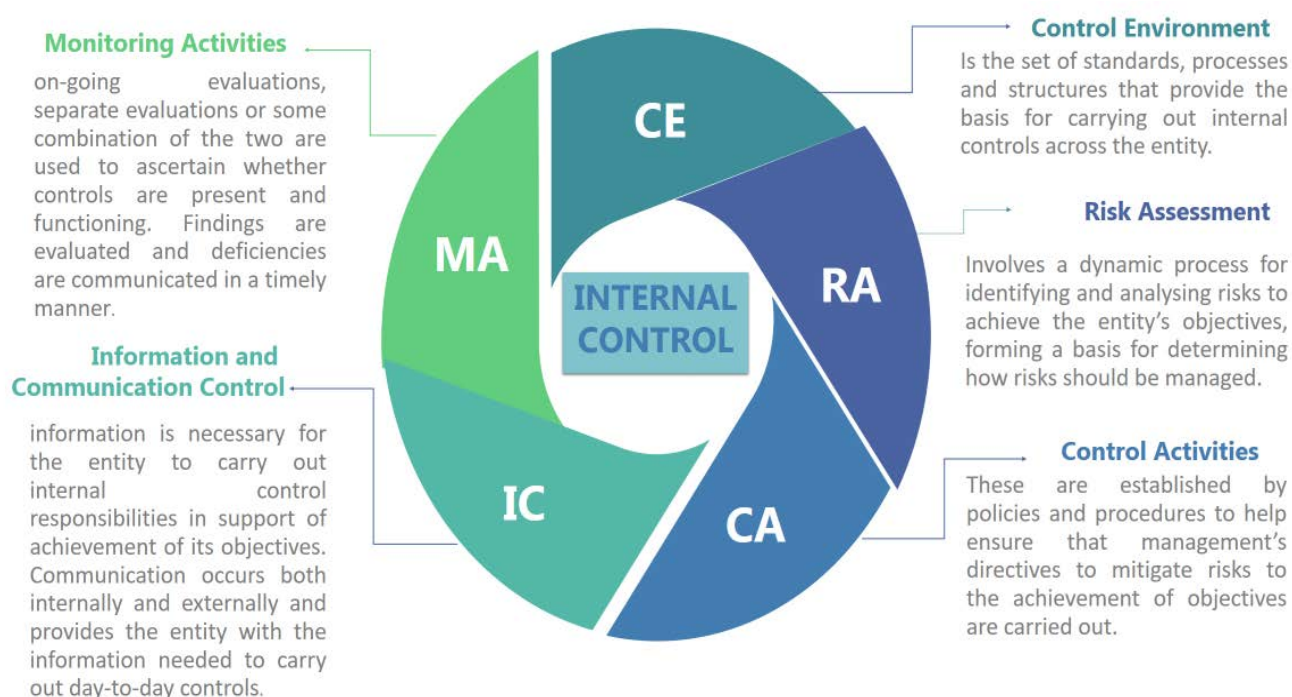
### 31.14 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
☀ Generally Effective	Deficiencies were identified in internal controls

### 31.15 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Cancellation of unprocessed purchase orders by 12 July 2019	✗	Processing of virement by 23 August 2019	✗
Retirement of imprests by 19 July 2019	✗	Completion of reconciliations by 29 August 2019	✓
Processing of payments by 29 July 2019	✗	Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓
Clearance of stale cheques by 05 August 2019	✗	Clearance of Inter-departmental clearance accounts by 30 August 2019	✗
Closing date for journal adjustments by 07 August 2019	✗	Submission of arrears of revenue returns by 30 August 2019	✓

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

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

Rating	Year-end close process assessment
✗ Ineffective	Only 3 of the 10 key processes completed within two weeks of the due dates

### 31.16 Quality of Draft Financial Statements by entities


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

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

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

**31.17 Timeliness of draft financial statements**


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


Rating	Timeliness of draft financial statements assessment
 Ineffective	Acceptable draft financial statements received after 31 October 2019

**31.18 Timeliness of Provision of Management Comments and Signing of Financial Statements**

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

Accordingly, we have assessed timeliness as:

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

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



**APPENDIX 31.1: DETAILS OF RECORDS NOT PROVIDED**

<b>Payment ID</b>	<b>Amount (\$)</b>
4462	8,583.75
4726	24,040.00
3019	98,002.88
53	1,530.00
80	1,797.00
5161	1,831.74
5753	5,550.46
4459	150,275.23
5750	240.00
5751	2,394.49
5752	1,969.73
5753	5,550.46
5754	3,083.49
5755	500.00
5756	100.00
5757	80.00
5764	159.40
5765	59.63
5766	73.39
5767	5,252.61
5768	4,134.17
5769	1,857.80
5770	715.60
5771	30.00
5772	100.00
5773	18.00
5774	49.64
5775	140.00
5776	93.09
5777	50.00
5778	95.09
5779	160.00
5780	160.00
5781	400.00
5782	900.00
5783	23,704.66
5784	3,347.28
5785	89,556.84
<b>Journal ID</b>	
JV 31231	(3,500.00)
JV 31182	16,115.00
JV 31194	208,738.85
JV 31240	10,000.00
JV 31225	20,224.78
JV 31226	30,806.81
JV 31226	53,221.85
JV 31224	389,270.00
JV 31223	37,390.00
<b>Total</b>	<b>\$1,198,853.72</b>

**APPENDIX 31.2: MISALLOCATION IN THE EXPENDITURE**

Payment ID	Date	Amount (\$)	Payment Description	Posted To GL Allocations	Correct Allocation	GL
316	19/11/18	3,669.73	Payment for round neck tee-shirts for world fisheries day 2018 from 20 - 21/11/18.	SEG 3 Fuel & Oil Vehicle	SEG Maintenance & Operations	4
13	31/08/18	1,321.10	Payment for rations for officers accompanying Minister for Vanua Levu visit	SEG 3 Travel	SEG 5 Purchase of Goods & Services	
54	31/08/18	1,040.37	Payment for ration for officers accompanying Minister during his southern Lau Trip	SEG 3 Travel	SEG 5 Purchase of Goods & Services	
317	19/11/18	2,477.06	Payment for caps to be used during the World Fisheries day 2018 from 20-21/11/2018	SEG 3 Fuel & Oil Vehicle	SEG Maintenance & Operations	4
1729	30/11/18	1,098.54	Payment for Premix for Namarai Extention	SEG 4 Fuel & Oil Vessel	SEG 8 Capital Construction	
2198	31/12/18	10,076.15	Payment for the booking of air flight charges.	SEG 4 - Data Link	SEG 3 Travel & Subsistence	
2168	31/12/18	7,701.83	Payment for the installaion of Fire Extinguisher, hose reels, emergency lights, exit signs, motor siren, dry powders for Eastern Division	SEG 4 Fuel & Oil Vessel	SEG 5 Purchase of Goods & Services	
2157	31/12/18	5,411.00	Airfare to attend meeting in Honolulu Hawaii from 9 - 14 Dec, 2018.	SEG 4 Galoa	SEG 3 Travel & Subsistence	
2157	31/12/18	4,218.34	Payment for Jad International for booking flight for 2 Staffs from Suva to Honolulu & return to represent Fiji in the 15th Annual Regular Session of the Commission	SEG 5 Training Expenses	SEG 3 Travel & Subsistence	
2525	31/01/19	1,100.88	Purchase of kava for sevusevu for the Ministers visit to outer islands	SEG 5 OHS Expense	SEG 3 Travel & Subsistence	
2446	31/01/19	5,436.93	Payment for Mobile & Internet usage from Vodafone for December 2018.	SEG 5 Training Expenses	SEG Maintenance & Operations	4
3741	31/03/19	2,018.35	Payment for the use of qoliqoli waters for Makogai Reserch station	SEG 3 Naduruloulou	SEG Maintenance & Operations	4
3427	31/03/19	4,496.01	Supply & Installation of Canopy for Vehicle	SEG 5 Product Development	SEG Maintenance & Operations	4
519	31/03/19	3,384.04	Per Diem allowance to attend SPC HOD Meeting at Noumea New Caledonia from 10th to 14th March 2019.	SEG 5 Training Expenses	SEG 3 Travel & Subsistence	
4040	30/04/19	1,100.92	Payment for the supply of 2 x Coolers for Eastern Office training	SEG 4 Fuel & Oil Vessel	SEG 5 Purchase of Goods & Services	
3892	30/04/19	4,234.50	Payment of mobile and internet usage from Vodafone for February 2019	SEG 5 Information Technology	SEG Maintenance & Operations	4

Payment ID	Date	Amount (\$)	Payment Description	Posted To GL Allocations	Correct Allocation GL
577	30/04/19	1,134.00	Payment for ration for the officers travelling to Vanua Levu accompanying Minister to his Kioa/ Cikobia solar powered freezer hand over from 15/04/19 - 19/04/19.	SEG 5 Product Development	SEG 3 Travel & Subsistence
4053	30/04/19	2,388.07	Purchase of a new Air Condition Unit for Permanent Secretary Office	SEG 7 Feasibility Study	SEG 5 Purchase of Goods & Services
4711	31/05/19	1,200.00	Payment for Hire of Hoab Truck for transporting of Navocake Boat & Engine Navoci	SEG 4 Fuel & Oil Vessel	SEG 5 Purchase of Goods & Services
4548	31/05/19	25,365.17	Payment for the April Electricity Bill for various Fisheries Division	SEG 5 Information Technology	SEG 4 Maintenance & Operations
619	31/05/19	4,842.62	Payment for Per Diem allowance to the Minister on his official trip to attend the second meeting of parties to 2009 (Food & Agriculture Organisation) FAO Agreement on Port state measures	SEG 7 Industry Consultation	SEG 3 Travel & Subsistence
5030	30/06/19	1,853.21	Supply of tables for eastern officers	SEG 4 Fuel & Oil Vessel	SEG 5 Purchase of Goods & Services
5400	03/07/19	52,610.55	Payment of electricity bills	SEG 8 Construction	SEG 4 Maintenance & Operations
5600	31/07/19	2,000.00	Payment for the purchase of tonners for Level G Accounts Office.	SEG 3 Naduruloulou	SEG 4 Maintenance & Operations
650	31/07/19	706.90	Payment for the replishment of Head Quarters imprest	SEG 3 Travel	SEG 4 Maintenance & Operations
5458	31/07/19	2,503.06	Purchase of Fuel for Ministers tour to Taveuni & Rabi	SEG 3 Travel	SEG 4 Maintenance & Operations
5405	31/07/19	4,954.14	Payment for pull up banners for Nausori, Wainibokasi and Navua	SEG 4 Fuel & Oil Vessel	SEG 5 Purchase of Goods & Services
31194	11/01/19	208,738.85	Clearance of Inter-Departmental chargers by Ministry of Economy relating to the purchase of ice machines	SEG 8 Capital Construction	SEG 9 Capital Purchase

**APPENDIX 31.3: LISTING OF STALE CHEQUES**

Date Issued	Payment ID	Amount (\$)	Date Issued	Payment ID	Amount (\$)	Date Issued	Payment ID	Amount (\$)
15/08/17	78435	250.00	26/04/18	82527	373.40	19/07/18	84222	321.00
15/08/17	78423	326.70	26/04/18	82564	794.84	19/07/18	84231	720.00
15/08/17	78433	513.00	15/05/18	82801	1,070.90	19/07/18	84217	1,739.58
21/08/17	78458	560.00	15/05/18	82534	5,937.18	24/07/18	84296	40.00
21/08/17	78457	816.00	22/05/18	82901	129.00	24/07/18	84306	100.00
28/08/17	78503	328.57	28/05/18	83039	53.86	24/07/18	84297	200.00
28/08/17	78524	750.00	28/05/18	82510	9,009.02	25/07/18	84329	40.00
21/11/17	79676	1,992.00	29/05/18	83062	1,000.00	25/07/18	84320	90.00
29/11/17	80006	1,986.26	31/05/18	83230	240.33	25/07/18	84340	830.00
30/11/17	80095	1,386.95	02/06/18	790960	80.00	27/07/18	84431	80.00
30/11/17	80063	2,192.00	14/06/18	83435	300.00	27/07/18	84455	120.00
21/02/18	81149	139.90	14/06/18	82533	7,183.48	27/07/18	84430	150.00
21/02/18	81503	2,108.14	19/06/18	83491	1,575.61	27/07/18	84432	360.00
23/02/18	81299	417.66	26/06/18	83590	894.40	27/07/18	84436	660.00
28/02/18	81490	149.95	27/06/18	83330	247.75	30/07/18	84515	120.00
19/03/18	81502	10,355.57	28/06/18	83274	115.00	30/07/18	84521	120.00
26/03/18	81562	1,918.40	04/07/18	83560	104.20	30/07/18	84513	180.00
26/03/18	81644	3,793.20	04/07/18	83558	236.30	30/07/18	84525	200.00
04/04/18	81926	95.00	05/07/18	83924	1,181.40	30/07/18	84519	600.00
05/04/18	82631	236.72	05/07/18	83928	1,600.00	2/8/2018	81084	340.00
05/04/18	82632	667.00	05/07/18	83558	1,776.00	06/08/18	83286	1,520.00
12/04/18	82216	280.01	05/07/18	83559	1,776.00	19/08/18	83374	120.00
16/04/18	82374	208.83	05/07/18	83557	1,776.00	04/11/18	82054	1,764.60
16/04/18	82331	1,756.35	05/07/18	83958	2,118.45	05/11/18	82760	199.20
19/04/18	82380	163.50	05/07/18	83557	3,569.00	06/11/18	83372	567.65
19/04/18	82536	177.65	11/07/18	84044	560.00	04/12/18	82074	4,161.01
26/04/18	82504	85.00	16/07/18	84174	1,673.00		<b>Total</b>	<b>94,372.52</b>

**APPENDIX 31.4: BANK LODGEMENT FORMS NOT REVIEWED**

Receipt No.	Date	Amount Lodged (\$)
184614	14/11/18	140.45
564614	30/12/18	2,257.80
710846	21/01/19	220.00
803203	17/01/19	116.00
242507 - 242515	16/01/19	140.90
242518 - 242525	21/01/19	108.25
565848 - 565852	22/11/18	181.05
565853 - 565860	22/11/18	174.70
565861 - 565872	24/11/18 - 25/11/18	360.60
565873 - 565881	26/11/18	329.75
565878 - 565895	27/11/18 - 28/11/18	173.05
565882 - 565886	27/11/18	172.00
565896 - 565902	29/11/18	245.50
565903 - 565919	30/11/18	399.90
565920 - 565931	01/12/18 - 02/12/18	444.60
565932 - 565939	03/12/18	283.75
565940 - 565950	04/12/18 - 05/12/18	231.00
565951 - 565959	06/12/18	215.00
565960 - 565968	07/12/18	180.00
565969 - 565977	08/12/18 - 09/12/18	472.50
565978 - 565985	10/12/18	212.90
565986 - 565996	11/12/18	252.00
565997 - 566004	12/12/18	149.00
566005 - 566012	13/12/18	168.60
566013 - 566031	14/12/18	276.00
566013 - 566031	15/12/18 - 16/12/18	449.00
566040 - 566049	17/12/18	282.30
566050, 802501 - 802510	18/12/18	303.50
710847 - 710850	22/01/19 - 24/01/19	789.05
714109 - 714114	24/12/18 - 27/12/18	303.10
714115 - 714117	28/12/18	150.00
714118 - 714125	28/12/19	338.85
714126 - 714131	31/12/18- 02/01/19	145.10
714132 - 714137	04/01/19 - 07/01/19	398.60
714138 - 714144	08/01/19	306.00
714145 - 714151	09/01/19	115.20
714152 - 714186	10/01/19	247.50
714157 - 714171	11/01/19 - 14/01/19	599.35
714172 - 714179	15/01/19	185.00
716782 - 716793	02/01/19 - 03/01/19	553.65
716794 - 716850	03/01/19 - 04/01/19	569.75
717875 - 717925	26/11/18 - 27/11/18	613.45
717926 - 717999	27/11/18 - 28/11/18	1,037.50
718000, 801001 - 801062	29/11/18	660.65
801063 - 801127	30/11/18	643.15
801128 - 801242	30/11/18 - 03/12/18	1,763.50
801243 - 801305	03/12/18 - 04/12/18	645.80
801306 - 801364	04/12/18 - 05/12/18	539.10
801365 - 801417	06/12/18	304.90
801418 - 801459	06/12/18 - 07/12/18	432.15
801460 - 801546	07/12/18 - 10/12/18	884.60
801547 - 801607	10/12/18 - 11/12/18	992.30
802511 - 802516	19/12/18	216.25

Receipt No.	Date	Amount Lodged (\$)
802519 - 802532	21/12/18	367.00
802533 - 802546	22/12/18 - 23/12/18	349.25
802547 - 802550	24/12/18	130.00
802551 - 802560	27/12/18	147.20
802576 - 802582	11/01/19	225.00
802598 - 802603	16/01/19	162.50
802604 - 802610	17/01/19	130.00
802615 - 802627	19/01/19 - 21/01/19	317.30
802630 - 802636	23/01/19	225.20
803153 - 803161	8/1/2019	146.40
803166 - 803180	10/01/19 - 11/01/19	161.50
805352 - 805408	08/01/19 - 09/01/19	816.10
805409 - 805462	09/01/19 - 10/01/19	553.30
805463 - 805510	10/01/19 - 11/01/19	437.95
805507 - 805581	28/12/18 - 02/01/19	1,862.55
805534 - 805538	7/1/2019	237.40
805539 - 805563	07/01/19 - 08/01/19	3,447.05
805564 - 805577	8/1/2019	2,062.20
805578 - 805601	10/1/2019	1,138.85
805602 - 805624	11/1/2019	3,997.80
805625 - 805673	15/01/19	62,088.90
805674 - 805714	17/01/19	25,047.45
805715 - 805739	18/01/19	4,556.45
805740 - 805760	21/01/19	51,686.30
805761 - 805774	22/01/19	448.45
805777 - 805796	23/01/19	12,666.00
805797 - 805839	28/01/19	2,052.15
805801 - 805824	23/01/19 - 25/01/19	1,002.40
805840 - 805857	29/01/19	6,518.85
806511 - 806570	11/01/19 - 15/01/19	602.25
806571 - 806641	14/01/19 - 15/01/19	925.15
806642 - 806696	15/01/19 - 16/01/19	472.25
806697 - 806749	16/01/19 - 17/01/19	698.55
806750 - 806808	17/01/19 - 18/01/19	479.70
806809 - 806892	18/01/19 - 21/01/19	796.45
806893 - 806936	21/01/19 - 22/01/19	391.70
806937 - 806995	22/01/19 - 23/01/19	744.15

**APPENDIX 31.5: CASH ANALYSIS SHEET NOT REVIEWED**

Receipt No.	Date	Amount Lodged (\$)
564614	30/12/18	2,257.80
710825	26/10/18	10.00
711252 - 263	23/11/18	125.05
803225 - 230	22/01/19	65.00
530113 - 118	15/01/19	231.00
530119 - 128	17/01/19	118.02
530170 - 173	31/01/19	32.00
530171-178	01/02/19	19.50
530179 -183	06/02/19	64.00
872860 - 861	13/02/19	4,457.00
530219 - 220	23/02/19 - 25/02/19	82.00
184601 - 605	24/09/18	90.00
713751 - 776	17/10/18 - 18/10/18	181.70
565095 - 112	02/08/18 - 03/08/18	627.90
565454 - 472	02/08/18 - 03/08/18	311.70
565446 - 453	01/08/18 - 02/08/18	90.10
565113 - 137	03/08/18 - 06/08/18	1,355.40
565501 - 509	08/08/18	57.80

**APPENDIX 31.6: LACK OF REVIEW ON THE RECEIPTS/CASHBOOK**

Receipt No.	Date	Amount (\$)
176049 - 176050, 562751 - 562761	5/11/2018	79.30
562762	30/11/18	21.20
803143 - 803147	4/1/2019	70.90
803148 - 803150	7/1/2019	33.30
803151 - 803152	8/1/2019	21.90
803153 - 803161	8/1/2019	146.40
803162 - 803165	10/1/2019	79.80
181916 - 181917	30/10/18	26.41
1821156 - 1821159	27/10/18 - 30/10/18	86.15
711184 - 711187	02/11/18 - 05/11/18	33.45
711174 - 711183	01/11/18 - 02/11/18	134.75
711166 - 711173	31/10/18 - 01/11/18	96.10
711155 - 711165	31/10/18	71.50
708643 - 647	2/11/2018	177.85
708393 - 708400	25/10/18 - 26/10/18	317.95
708372 - 708392	24/10/10 - 25/10/18	561.55
250115	11/1/2019	14.50
250116	28/01/19	18.50
530137 - 530150	19/01/19	250.60
242566 - 242567	21/02/19 - 22/02/19	22.40
242568 - 242570	25/02/19	50.20
242552	14/02/19	6.60
242553 - 242554	15/02/19	15.80
181927	6/3/2019	14.50
803449 - 803457	13/03/19	127.10
561660 - 561662	02/08/18 - 03/08/18	18.30
560184 - 560193	15/08/18 - 16/08/18	241.50



**APPENDIX 31.7: VARIANCE IN RECEIPTED AMOUNTS AND APPROVED FEES**

Station	Receipt No.	Date	Description of Fees Charged	Amount Received (\$)	Approved Fees (\$)	Variance (\$)
Kubulau	176049	05/11/18	New Fishing License	6.10	4.00	2.10
Levuka	564614	30/12/18	Application Fees for Fish Processing	2257.80	23.00	(203.20)
			Record Fees for Fish Processing		2300.00	
			Application fees record of Exporters & Importers		23.00	
			Record fees for Exporters & Importers		115.00	
Nausori	242500	17/12/18	License	5.28	4.00	1.28
Nausori	242502	11/01/19	Renewal of Fishing License	13.20	4.00	9.20
Nausori	242503	14/01/19	Issuance of Fishing License	17.16	4.00	13.16
Nausori	242505	14/01/19	New application of Fish License	15.84	115.00	(99.16)
Nausori	242508	16/01/19	Renewal of Fishing License	18.48	4.00	14.48
Nausori	242511	16/01/19	Renewal of Fishing License	16.86	4.00	12.86
Off Shore	805841	28/01/19	Landing Fees x 2	42.20	46.00	(3.80)
Off Shore	805842	28/01/19	Import Consignment Fees	26.40	28.75	(2.35)
Off Shore	805843	28/01/19	Application Fees for Entry of Port	1571.55	23.00	433.55
Off Shore	805843	28/01/19	Fees for Use of Port		1115.00	
Off Shore	805846	28/01/19	Application fees for vessel using Fiji Ports	1128.90	23.00	(9.10)
Off Shore	805846	28/01/19	record fees for vessel using Fiji Ports		1115.00	
Off Shore	805847	28/01/19	Export Application Fees	5.30	5.75	(0.45)
Off Shore	805848	29/01/19	Export Consignment Fees	10.55	11.50	(0.95)
Off Shore	805849	29/01/19	Import Application Fees	21.10	23.00	(1.90)
Off Shore	805850	29/01/19	Bunkering / Provisioning x 5	211.00	230.00	(19.00)
Off Shore	805851	29/01/19	Export Application	63.30	5.75	57.55
Lautoka	806814	18/01/19	Record Application	21.10	23.00	(1.90)
Lautoka	806893	21/01/19	Export Application x 2	10.60	11.50	(0.90)
Lautoka	806894	21/01/19	Export Permit	10.55	22.50	(11.95)
Lautoka	806900	21/01/19	Re Issuance of Permit	52.75	57.50	(4.75)
Off Shore	870992	21/02/19	Landing, Bunkering & Provision	63.30	69.00	(5.70)
Off Shore	870993	21/02/19	Consignment Fees Import	21.10	28.75	(7.65)
Off Shore	870994	21/02/19	Instant Export Application	63.30	69.00	(5.70)
Off Shore	870995	21/02/19	Application for Landing x 2	42.20	46.00	(3.80)
Off Shore	870996	21/02/19	Export Consignment Fees	10.55	11.50	(0.95)

**Head 32****Ministry of Forests****Roles and Responsibilities**

By working with industry partners, landowners and the general public to effectively manage Fiji's forests, the Ministry of Forests ('Ministry') is responsible for promoting the sustainable use of Fiji's forestry resources. The Ministry is dedicated to ensuring that the timber industry operates in a way that is guided by the fundamental awareness that its very existence is dependent on the fruits of a healthy environment.

The Ministry's Forest Management Strategy promotes forest ecosystem management by better integrating the use of forestry resources and boosting ecosystem capacity. In addition, this Strategy highlights the role that forests play in both curbing climate change and improving the health and livelihoods of ordinary Fijians.







Overall, the Ministry aims to realign the forestry sector to adopt a more modern and holistic approach, which facilitates the provision of timber resources, bioenergy production, habitat preservation, clean water production, biodiversity conservation, employment and carbon sinks.

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## PART A: FINANCIAL INFORMATION

<div>AUDIT OPINION</div> <div>QUALIFIED</div>		<div></div> <div>TOTAL RECEIPTS - 2019</div> <div>\$553,774</div>	<div></div> <div>TOTAL EXPENDITURE – 2019</div> <div>\$14,873,741</div>								
<div></div> <div>COMPARISON OF EXPENDITURE</div> <div><div>2018</div><div>\$13,300,906</div><div>■ EXPENDITURE</div></div> <div><div>2019</div><div>\$14,873,741</div><div></div></div>			<div></div> <div>REVISED BUDGET ESTIMATE</div> <div>\$17,065,594</div>								
<div></div> <div>BUDGETARY SAVINGS</div> <div>\$2,191,853</div>											
<div></div> <div>COMPARISON OF RECEIPTS</div> <div><div>2018</div><div>\$506,735</div><div>■ RECEIPTS</div></div> <div><div>2019</div><div>\$553,774</div><div></div></div>			<div>ASSESSMENT OF FINANCIAL GOVERNANCE</div> <table><tr><td>Internal Control</td><td>Ineffective</td></tr><tr><td>Year-end Accounts Closing Process</td><td>Ineffective</td></tr><tr><td>Quality of Draft Financial Statements</td><td>Ineffective</td></tr><tr><td>Timeliness</td><td>Effective</td></tr></table>	Internal Control	Ineffective	Year-end Accounts Closing Process	Ineffective	Quality of Draft Financial Statements	Ineffective	Timeliness	Effective
Internal Control	Ineffective										
Year-end Accounts Closing Process	Ineffective										
Quality of Draft Financial Statements	Ineffective										
Timeliness	Effective										

### 32.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Forestry resulted in the issue of a modified audit opinion. The audit report was qualified on the following basis:

- Expenditures totalling \$302,301 were not recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019. The amount relates to unrecorded expenditures for accountable advance which were not cleared from the Revolving Fund Account as at 31 July 2019. Consequently, total expenditure of \$14.9 million for the year ended 31 July 2019 is understated by the same amount.
- There is an unreconciled variance of \$1.0 million between the FMIS general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, the audit was unable to establish the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019.
- There is an unreconciled variance of \$167,998 between the FMIS general ledger for revenue received from Native Timber Measurement and the report extracted from the Timber Revenue System. Consequently, the audit was unable to establish the accuracy of the revenue recorded under Native Timber Measurement of \$318,442 in the Statement of Receipts and Expenditure for the year ended 31 July 2019.
- Included in the FMIS general ledger are accounts receivable of \$677,339, accrued expenses and deferred income of \$1,739 and accounts payable of \$5,767, carried forward from previous years. The Ministry was unable to provide appropriate documentations to support these balances. As

a result, the completeness and accuracy of the balances could not be determined and whether any adjustments might have been necessary and any corresponding adjustments to the elements making up the Statement of Income and Expenditure.

5. There is an unreconciled variance of \$112,699 between the Trading and Manufacturing Activity (TMA) bank reconciliation and the general ledger balance for Cash at Bank. Consequently, the accuracy and completeness of the Cash at Bank balance of \$1.3 million recorded in the TMA Balance Sheet as at 31 July 2019 could not be established.
6. The Ministry, with the approval of the Ministry of Economy, transferred a sum of \$2.0 million in 2016 to the TMA account from its operating budget for the purpose of salvaging logs after Tropical Cyclone Winston. Although funds amounting to \$228,886 was utilised in 2019, deferred income was not adjusted and the balance remained unchanged since 2017.

The cash at bank balance of \$1.3 million recorded in the TMA Balance Sheet was not sufficient to support the remaining deferred income balance of \$2.2 million.

7. The Ministry recorded maintenance and operation expenses of \$285,071 in the TMA Profit and Loss Account, which included the cost of a logging truck of \$218,349. As a result, the maintenance and operations expenses was overstated by \$218,349 for the year ended 31 July 2019.
8. The Ministry recorded Accounts Receivable of \$73,857 in the TMA Balance Sheet as at 31 July 2019. The Ministry was unable to provide the debtors' aging listing, subsidiary debtor's ledgers and account reconciliation statements to support the accounts receivable balance.

Attention was also drawn to the following matters:

1. Trading and Manufacturing account continues to operate at loss since 2010 which has resulted in excess of liabilities over assets of \$662,879 in the TMA Balance Sheet as at 31 July 2019.
2. Non-compliance with the requirements of the Finance Manual in relation to procurement of goods and services, retirement of accountable advance, cash management, and unsubstantiated carried forward balances have recurred despite the recommendations for improvement.

### **32.2 Appropriation Statement**

The Ministry collected revenue totalling \$553,774 and incurred expenditure totalling \$14.9 million against a revised budget of \$17.1 million resulting in savings of \$2.2 million or 13%.

Details of expenditure against the revised budget are provided in Table 32.1.

**Table 32.1: Appropriation Statement for 2019**

SEG	Item	Budget Estimate (\$)	Appropriation Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	4,014,204	363,721	4,377,925	4,308,597	69,328
2	Government wage earners	1,489,401	148,959	1,638,360	1,480,597	157,763
3	Travel & communication	535,538	102,586	638,124	636,073	2,051
4	Maintenance & operations	1,408,040	(199,814)	1,208,226	1,207,464	762
5	Purchase of goods & services	1,195,004	(11,039)	1,183,965	1,183,384	581
6	Operating grants & transfers	979,502	(4,158)	975,344	975,344	-
7	Special expenditure	3,009,105	(18,099)	2,991,006	2,027,687	963,319
	<b>Total Operating Expenditure</b>	<b>12,630,794</b>	<b>382,156</b>	<b>13,012,950</b>	<b>11,819,146</b>	<b>1,193,804</b>
8	Capital Construction	2,617,500	(24,382)	2,593,118	2,216,573	376,545
9	Capital Purchases	1,150,000	(302,807)	847,193	297,193	550,000
	<b>Total Capital Expenditure</b>	<b>3,767,500</b>	<b>(327,189)</b>	<b>3,440,311</b>	<b>2,513,766</b>	<b>926,545</b>
13	Value added tax	667,300	(54,967)	612,333	540,829	71,504
	<b>TOTAL</b>	<b>17,065,594</b>	<b>-</b>	<b>17,065,594</b>	<b>14,873,741</b>	<b>2,191,853</b>

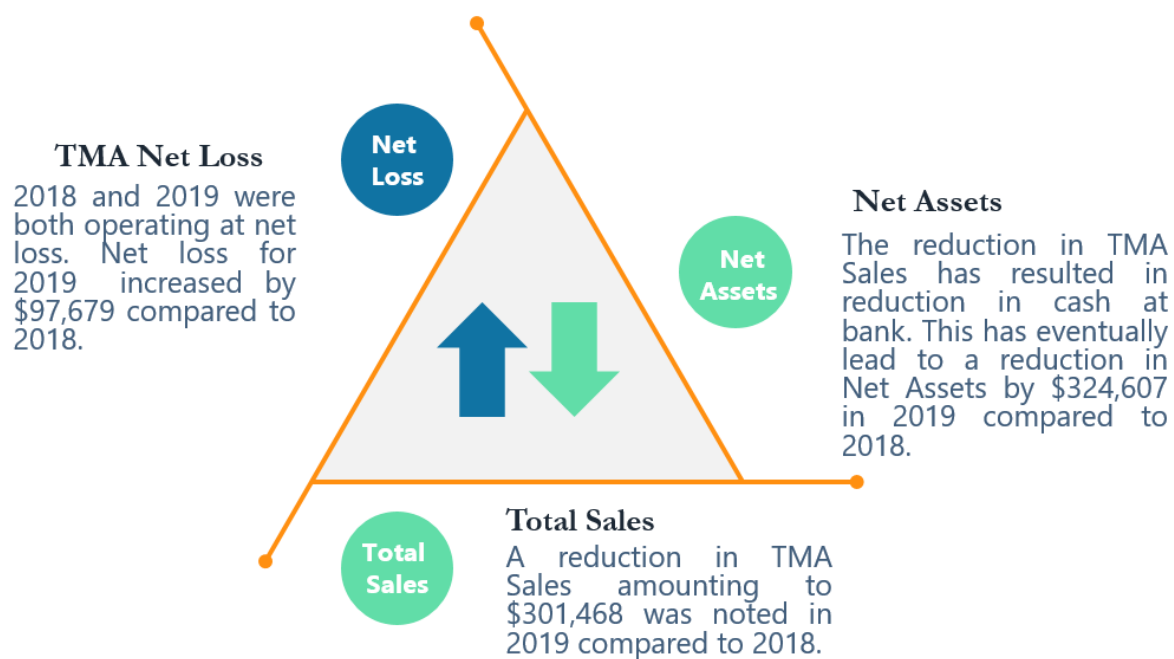
The budget saving of \$2.2 million resulted mainly from the following:

- SEG 7 – Special Expenditure – Delay in the extension of contract with the Conservation International resulting in delayed payments and consultancy works related to projects on “Drivers of Deforestation”, “Accuracy Assessment on Land Use/Cover” and “Free Prior and Inform Consent (FPIC) and Gender Guideline”.
- SEG 9 – Capital Purchases - The capital project relating to the purchase of new harvesting machines was shelved.

### 32.3 Trading and Manufacturing Account (TMA)

The Ministry of Forestry operates a TMA that provides assistance in the processing and selling of pine products.

The financial analysis of TMA for the year ended 31 July 2019 is provided below. Detailed Statements for the TMA are provided in Appendix 32.1.



## PART B: 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 2019.

### 32.4 Variance between FMIS GL and Payroll Report (Recurring Issue)

We noted variances between the FMIS general ledger and the Ministry's payroll report balances for SEG 1 – Established Staff and SEG 2 – Government Wage Earners for \$1.05 million and \$33,072 respectively. Refer to Tables 32.2 and 32.3 below for details.

**Table 32.2: Variance between FMIS and Payroll Report for SEG 1**

SEG 1	2019 (\$)	2018 (\$)
FMIS general ledger	4,308,597	3,604,048
Less Payroll Summary Report	3,249,978	2,872,205
<b>Variance</b>	<b>1,058,619</b>	<b>731,843</b>

**Table 32.3: Variance between FMIS and Payroll Report for SEG 2**

SEG 2	2019 (\$)	2018 (\$)
FMIS general ledger	1,480,597	1,680,468
Less Payroll Summary Report	1,513,669	1,561,480
<b>Variance</b>	<b>(33,072)</b>	<b>118,988</b>

#### Root cause and/or Implication

The Ministry's Finance Manual does not require that reconciliations should be performed between the FMIS general ledger balance and the Payroll Summary Report. As a result, the officer responsible for payroll reconciliation was unaware that the two records should be reconciled and variances (if any) should be properly documented and investigated.



**Recommendation**

The Ministry's Finance Manual should be amended to include the requirement and the process of reconciling the FMIS general ledger and Payroll Reports and that any variances noted are investigated and rectified.

**Management Action**

The Ministry concurs with the recommendation. The reconciliation officer is reconciling the FMIS GL with payroll and any variance noted is journalized.

**Officer Responsible**

Manager Finance

**32.5 Non-compliance with the procurement and payment processes (Recurring Issue)**

The Accounts Officer, Senior Accounts Officer and Manager Finance must not certify a payment as correct unless they are satisfied that sufficient uncommitted funds are available for payment of the amount and the expenditure account it is charged to is correct.<sup>1</sup>

We noted the continued non-compliance with the procurement and payment processes by the Ministry. The following anomalies were noted:

- Local Purchase Orders were raised after invoices were received. Refer to Table 32.4 below for examples.

**Table 32.4: Local Purchase Orders raised after the Invoices were received**

Payment ID	Local Purchase Order Date	Invoice Date	Amount (\$)
23298	15/08/18	06/06/18 & 27/06/18	4,385.29
23521	27/09/18	24/09/18	12,982.50
23523	27/09/18	26/09/18	17,640.99
23617	01/10/18	24/09/18	14,400.00
23618	03/10/18	27/09/18	19,118.00
23618	03/10/18	27/09/18	20,952.66
23618	02/10/18	27/09/18	8,256.88
23732	16/10/18	15/10/18	10,584.60
23811	19/10/18	12/09/18	17,280.00
24123	12/11/18	18/10/18	10,739.10
24312	27/11/18	12/11/18	12,535.78
24312	27/11/18	12/11/18	5,137.62
24604	18/12/18	12/09/18	6,232.72
25547	11/02/19	14/01/19	4,383.95
25949	14/03/19	18/02/19	3,789.53

<sup>1</sup> Ministry of Forests Finance Manual 2018 - Section 2.9.4

Payment ID	Local Purchase Order Date	Invoice Date	Amount (\$)
26399	17/04/19	10/04/19	11,926.62
26932	17/04/19	26/02/19	6,189.45
84814	14/02/19	13/02/19	8,899.08

- Numerous instances of misposting of expenditures in various Standard Expenditure Group. (SEG). Refer to Table 32.5 below for examples.

Table 32.5: Misallocation in the Expenditure General Ledger

Payment ID	Date	Description	Amount (\$)	Posted to Allocations	Correct Allocation
26724	31/05/19	Accommodation	8,720	SEG 4 - Power Supply	SEG 3 – Travel & communication
27475	31/07/19	Nursery construction	10,212	SEG 4 - Power Supply	SEG 8 – Capital construction
27471	31/07/19	Payment of Provisional Tax	491	SEG 4 - Power Supply	SEG 8 – Capital construction
26083	30/04/19	Uniform for garage staff.	1,890	SEG 4 - Spare Parts	SEG 5 – Purchase of goods & services
84743	31/12/18	Membership contribution for the International Tropical Timber Organisation	9,985	SEG 7 - Sustainable Management Vulnerable Forests	SEG 6 – Operating of grants & transfers
26197	30/04/19	Radio & Television advertising for International Day of Forests	22,360	SEG 8 - REDD+	SEG 7 – Special expenditure
26208	30/04/19	Water tank for Colo-I-Suva Forestry station	18,963	SEG 8 - REDD+	SEG 4 – Maintenance & operations
27740	31/07/19	Completion of consultation report for the National Ply Wood Standard Development.	5,725	SEG 8 - REDD+	SEG 7 – Special expenditure

**Root cause and/or Implication**

Lack of supervisory checks within the Accounting Section to ensure that the requirements of the Finance Manual are complied with and that expenditures are charged to the correct allocation in the FMIS general ledger.

**Recommendations****The Ministry should:**

- ensure that supervisory checks are improved in the Accounting function and that internal controls as required by the Finance Manual are implemented; and
- consider instituting disciplinary action against officers circumventing processes and procedures laid out in the Finance Manual.

### **Agreed Management Action**

*The Ministry has revised its Finance Manual each year and limited the officers with authority for procurement. A Procurement Advisor role was provided for in the 2018-2019 budget and the officer now closely monitors and provides advice on procurements in the Ministry.*

### **Officer Responsible**

Manager Finance

## **32.6 Unsubstantiated Balances Carried Forward from Prior Years (Recurring Issue)**

The review of the FMIS general ledger revealed the following accounts for Fund 1 that have been carried forward from prior years, which could not be substantiated:

- Accounts receivable of \$677,339 has been carried forward since 31/07/16.
- Revolving Fund Account (RFA) of \$302,301 has been carried forward from prior years which are yet to be retired or adjusted. Although the reconciliations were performed and statements prepared during the year, detailed listing of the outstanding balance was not provided for audit review.
- Accounts payable (SLG 84) of \$5,767 has been carried forward since 31/7/16.

### **Root cause and/or Implication**

Failure to accurately perform reconciliation of accounts can lead to errors and omission not being detected on a timely basis.

Lack of understanding on the correct procedures to be followed when accounting and recouping accountable advances can be contributing factors leading to the findings highlighted above.

As a result, expenditure is understated by \$302,301.

### **Recommendations**

- **The Ministry should consider capacity development for accounting officers involved in the monthly reconciliation of accounts and awareness on the requirements of the Finance Instructions and Finance Manual.**
- **The balance carried forward from previous years should be reviewed with the Ministry liaising with Ministry of Economy to make the necessary accounting adjustments.**

### **Management Action**

*A request was sent to OAG for approval to post/adjustment, later it was sent to Ministry of Economy and was returned for audit adjustment by Manager Financial Reporting Ministry of Economy.*

### **Further OAG Comments**

*A response was submitted to the Ministry on 05 August 2020 stating that it is not the responsibility of the Auditor-General to provide approval for processing of accounting adjustments. This responsibility rests with the Ministry in consultation with the Ministry of Economy. The situation would not have arisen if the Ministry was preparing regular reconciliations with the FMIS and submitting any variances to Ministry of Economy for resolution on a timely basis.*

### **Officer Responsible**

Manager Finance

## **32.7 Accounting of TMA Assets**

The profit and loss statement and the balance sheet must be prepared on an accrual accounting basis<sup>2</sup>.

During FY 2018/2019, a logging truck was purchased for \$218,349. We noted that the cost of logging truck of \$218,349 was not capitalised but included as repairs and maintenance expenses.

In addition, the Fixed Assets Register has not been updated to record the details of the logging truck.

### **Root cause and/or Implication**

The Ministry's Finance Manual does not specify the accounting policy and guideline to account for fixed assets purchased for TMA. As a result, the Ministry did not capitalise the cost of fixed assets acquired during the period.

### **Recommendation**

**The Ministry, in consultation with Ministry of Economy, should review its Finance Manual and clearly document the accounting policies including treatment and presentation of fixed assets purchased for TMA.**

### **Agreed Management Action**

*All assets purchased for \$2,000 and above for the TMA Operations have been entered in the Fixed Asset Register (FAR). The Forestry Finance Manual 2020 – 2021 has been reviewed with inclusion of accounting treatment of fixed assets purchased for TMA.*

### **Officer Responsible**

Manager Finance & Procurement Advisor

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<sup>2</sup> Finance Instruction 2010 – Section 30 (2)

### **32.8 TMA Sales and Accounts Receivable**

The Ministry recorded a total sales revenue of \$144,086. We noted that a sum of \$55,718 or 39% of the sales revenue related to reimbursement of TMA wages, thus overstating revenue.

In addition, a balance of \$73,857 was recorded as accounts receivable in the TMA Balance Sheet as at 31 July 2019, has been carried forward from prior years which could not be substantiated. As TMA sales are only carried out on cash basis without credit transactions, records such as debtors register, aged debtors listing and debtors' reconciliations are not maintained.

#### **Root cause and/or Implication**

There is only one account maintained for revenue in the general ledger and any reimbursement and unidentified funds are posted to the sales revenue account.

By not promptly investigating and rectifying the carried forward balances has resulted in TMA assets being overstated by \$73,857.

#### **Recommendations**

**The Ministry should:**

- **liaise with the Ministry of Economy to create additional general ledger revenue accounts for other types of revenue to avoid overstating TMA sales revenue. In addition, the supervision in the accounts reconciliation process should be strengthened; and**
- **promptly investigate and rectify the balances recorded in the FMIS general ledger that were unable to be substantiated.**

#### **Management Action**

*TMA needs to receipt all payments done to TMA, due to only one revenue allocation wages component was wrongly deposited to sales.*

*These are carried forward balances from previous years due to incomplete accounts receivable processing in FMIS. The Ministry will investigate and journalize this. As a way forward, the Ministry is currently using smart link for uploading of revenue into FMIS.*

#### **Officer Responsible**

Director Timber Utilisation Division & Manager Finance

### 32.9 Variances in Finished Goods Balance

We noted a variance of \$69,860 between the balances for finished goods as recorded in the FMIS general ledger and the financial statements for the year ended 31 July 2019. Refer to Table 32.6 below for details.

**Table 32.6: Variance noted for finished goods**

Finished Goods	Amount (\$)
Balance as per financial statement	45,323
Balance as per FMIS GL	(24,537)
<b>Variance</b>	<b>69,860</b>

#### Root cause and/or Implication

The variance was due to transaction posted on opening stock of finished goods, which resulted in finished goods being understated in the general ledger. In addition, there was no general ledger account specific for jobs in progress.

#### Recommendation

**The Ministry should seek clarifications on transactions posted by the Ministry of Economy during the accounts reconciliation process to ensure that transactions posted to the TMA accounts in the FMIS general ledger are correct.**

#### Management Action

*The Ministry concurs with the recommendation. The Ministry has noted the opening stock of finished goods is posted from Ministry of Economy – TMA.*

#### Officer Responsible

Manager Finance

### 32.10 Variance noted for TMA Cash (Recurring Issue)

From the review of the TMA cash balance, variances were noted between the cash balances reflected in the bank reconciliation statement and the FMIS general ledger. Refer to Table 32.7 below for details.

**Table 32.7: Understated General Ledger Balances**

Closing Balances	2019 (\$)	2018 (\$)
Bank reconciliation statement	1,451,309	1,673,265
FMIS GL balance	1,338,610	1,567,496

Closing Balances	2019 (\$)	2018 (\$)
Variance	112,699	105,769

Out of the variance of \$112,699, 95% or \$106,773 are balances carried forward from prior years and 5% or \$5,966 relate to receipts for December 2018 to July 2019, which were yet to be posted to the general ledger.

#### **Root cause and/or Implication**

Failure to post transactions to the general ledger has resulted in the TMA cash balance being understated by \$112,699 in the FMIS general ledger. In addition, there is a need to strengthen supervisory checks in the performance of accounts reconciliation process.

#### **Recommendations**

The Ministry should:

- liaise with Ministry of Economy and make necessary adjustments in accordance with the Finance Manual; and
- ensure that supervisory checks on the performance of monthly reconciliations is strengthened.

#### **Management Action**

A request was sent to OAG for approval to post/adjustment, later it was sent to Ministry of Economy and was returned for audit adjustment by Manager Financial Reporting Ministry of Economy.

#### **OAG Further Comments**

A response was submitted to the Ministry on 05 August 2020 stating that it is not the responsibility of the Auditor-General to provide approval for processing of accounting adjustments. This responsibility rests with the Ministry in consultation with the Ministry of Economy.

#### **Officer Responsible**

Manager Finance

### **32.11 Delays in Banking (Recurring Issue)**

If it is not practical to bank money daily i.e. if banking facilities are not accessible or money received is less than \$50, money may be kept overnight, but it must be kept under lock in a safe or strong box.<sup>3</sup>

We noted that money receipted by the TMA were not always deposited to the bank on time. Refer to Appendix 32.2 for details.

<sup>3</sup> Ministry of Forests Finance Manual 2018 - Section 4.4.6

**Root cause and/or Implication**

There was only one Clerical Officer handling operations and the accounting functions for TMA.

Delays in banking of cash increases the risk of misappropriation funds and theft.

**Recommendations**

**The Ministry should ensure that monies collected are promptly banked in accordance with the requirements of the Finance Manual.**

**Agreed Management Action**

*The Ministry has taken the steps to identify and address the issues as follows:*

- The revenue inspection is conducted on a quarterly basis.
- The report is submitted to Permanent Secretary and Director Corporate Services with recommendation.
- A copy of the report is sent to division heads and revenue collectors/EO's for implementations.
- Revenue management training is provided to the revenue collectors every quarter.

**Officer Responsible**

Manager Finance

**32.12 Overstatement of TMA Deferred Income (Recurring Issue)**

The Ministry of Forestry with the approval of the Ministry of Economy transferred a sum of \$2.5 million in 2016 to the TMA account for the purpose of salvaging logs after Tropical Cyclone Winston. We noted that there were no movements in the Deferred Income account since 31 July 2017 even though purchases had been made and the TMA cash allocation adjusted accordingly.

Refer to Table 32.8 below for details.

**Table 32.8: Overstatement of TMA Deferred Income Balance**

Period	Deferred Income (\$)	Cash(\$)
31/07/16	2,500,000	2,500,000
31/07/17	2,198,548	1,896,419
31/07/18	2,198,548	1,567,496
31/07/19	2,198,548	1,338,610

**Root cause and/or Implication**

In addition to the need to strengthen supervisory checks in the performance of accounts reconciliation process, there was lack of understanding on the correct accounting entries to be



processed in the FMIS general ledger. As a result, the TMA Deferred Income balance is overstated by \$859,938.

### **Recommendations**

#### **The Ministry should:**

- Strengthen supervisory checks on the performance of the monthly reconciliations; and
- investigate the variances noted and make the necessary adjustments to the Deferred Income account in the FMIS general ledger.

### **Management Action**

A request was sent to OAG for approval to post/adjustment, later it was sent to Ministry of Economy and was returned for audit adjustment by Manager Financial Reporting Ministry of Economy.

### **OAG Further Comments**

A response was submitted to the Ministry on 05 August 2020 stating that it is not the responsibility of the Auditor-General to provide approval for processing of accounting adjustments. This responsibility rests with the Ministry in consultation with the Ministry of Economy.

### **Officer Responsible**

Manager Finance

## **32.13 Viability of TMA (Recurring Issue)**

We noted that the TMA had been operating at a loss for the last ten years raising questions as to the viability of operating and maintaining the TMA. Refer to Table 32.9 for details.

**Table 32.9: Details of TMA operating at a loss over a 10-year period**

Period	Income (\$)	Expenses (\$)	Net Loss (\$)
31/07/10	1,141,781	1,288,573	(146,792)
31/07/11	(27,043)	119,152	(146,195)
31/07/12	(43,061)	63,492	(106,553)
31/07/13	31,517	40,125	(8,608)
31/07/14	40,927	107,240	(66,313)
31/07/15	15,578	59,026	(43,448)
31/07/16	10,153	43,263	(33,110)
31/07/17	1,141,781	1,288,573	(146,792)
31/07/18	351,661	578,588	(226,927)
31/07/19	(39,537)	285,071	(324,608)

### **Root cause and/or Implication**

The Ministry has not conducted a cost-benefit analysis of operating the TMA and determine opportunities for cost savings.

The lack of guidance on capitalizing the cost of property, plant and equipment acquired for the TMA has also resulted in the operating loss.

### **Recommendations**

- The Ministry should perform a cost-benefit analysis on the operations of the TMA; and
- The Finance Manual should provide guidance on capitalising the cost of property, plant and equipment and clearly state the accounting treatment for recording of fixed assets purchased relating to the TMA.

### **Management Action**

*Ministry of Economy is closely monitoring the performance and viability of TMA operation in the Ministry for a 6 months period from August 2020 until the end of January 2021.*

### **Officer Responsible**

Manager Finance

## **32.14 Balances Carried Forward for Operating Trust Fund Account**

The closing balance for operating trust fund account (Standard Liability Group 86) as at 31 July 2019 was \$1.29 million which included VAT from provision of goods and services of \$1.09 million.

We noted that the balance on VAT from provision of goods and services has been carried forward from prior years. Refer to Table 32.10 below for details.

**Table 32.10: Carried forward balances on VAT from provision of goods and services**

Period	VAT (\$)
2017	1,100,957
2018	1,114,732
2019	1,090,069

### **Root cause and/or Implication**

Failing to promptly investigate and rectify the outstanding balances from prior years has resulted in the substantial balance for the operating trust fund account.

### **Recommendation**

**The balance carried forward from previous years should be reviewed with the Ministry liaising with Ministry of Economy to make the necessary accounting adjustments.**

**Management Action**

A request was sent to OAG for approval to post/adjustment, later it was sent to Ministry of Economy and was returned for audit adjustment by Manager Financial Reporting Ministry of Economy.

**Further OAG Comments**

A response was submitted to the Ministry on 05 August 2020 stating that it is not the responsibility of the Auditor-General to provide approval for processing of accounting adjustments. This responsibility rests with the Ministry in consultation with the Ministry of Economy.

**Officer Responsible**

Manager Finance

**32.15 Anomalies in Revenue**

Each journal voucher or input form shall be checked by the Manager Finance who must ensure that the correct account codes have been debited and credited.<sup>4</sup>

The lodgment forms shall be checked and signed by the Accounts Officer/Station Head. Cash to be deposited shall be counted before the Accounts Officer/Station Head signs the lodgment forms.<sup>5</sup>

Audit review of the operating and miscellaneous revenue revealed the following anomalies:

- Misposting of revenues where recoveries of accountable advances were incorrectly posted to the general ledger account for Native Timber Measurement (NTM). Refer to Table 32.11 below for details.

**Table 32.11: Misposting of recoveries of accountable advances as revenue from NTM**

Receipt No.	Date Received	Amount (\$)
424002 - 424005	13/09/18	2,857
424010 - 424012	19/09/18	3,409
534433	26/10/18	2,455
424028 - 424030	31/10/18	5,974
534438 - 534442	30/11/18 - 05/12/18	4,018
822238 - 822240	14/05/19	2,222
<b>Total</b>		<b>20,9386</b>

- Bank lodgement forms were not checked and signed-off by Accounts Officers or Station Heads. Refer to Table 32.12 below for details.

**Table 32.12: Bank lodgement forms not checked and signed off**

<sup>4</sup> Ministry of Forestry 2018 Finance Manual – Section 4.5.6

<sup>5</sup> Ministry of Forestry 2018 Finance Manual – Section 4.4.3

Receipt No.	Date Received	Amount (\$)	Receipt No.	Date Received	Amount (\$)
176293 - 176297	07/08/18	3,033	424119 - 424120	09/05/19	8,410
423983	14/08/18	2,178	822238 - 822240	14/05/19	2,222
532198 - 532201	15/08/18	7,146	424127 - 424126	15/05/19	2,893
423991	27/08/18	4,622	424133 - 424135	29/05/19	2,268
46398	27/08/18	4,587	176652	30/05/19	2,093
423992 - 423994	28/08/18	5,824	424139 - 424142	31/05/19	3,615
176403, 176407 - 176408	11/09/18	2,752	822255	05/06/19	4,161
424002 - 424005	13/09/18	2,857	339959	19/07/19	2,009
535383 - 535389	13/09/18	2,216	699978 - 699980	22/07/19	2,593
424010 - 424012	19/09/18	3,409	424168 - 424170	25/07/19	4,485
176423 - 176426	28/09/18	2,005	822220 - 822228	07/03/19 - 15/03/19	2,724
424021	01/10/18	4,505	424150 - 424154	19/06/19 - 20/06/19	9,697
532212 - 532213	12/10/18	2,618	534438 - 534442	30/11/18 - 05/12/18	4,018
424025 - 424026	25/10/18	2,702	424063 - 424064	10/01/19	5,655
534433	26/10/18	2,455	534449 - 534450	10/01/19	2,414
424028 - 424030	31/10/18	5,974	424075 - 424077	30/01/19	10,536
176373 - 176375	08/11/18	2,377	424075 - 424077	30/01/19	10,536
176467 - 176473	05/12/18	3,200	823148 - 823257	18/02/19	3,197
176474 - 176477	10/12/18	2,087	823281 - 823391	21/02/19	3,539
176381 - 176382	24/12/18	4,216	424101	20/03/19	2,826
821524 - 821626	02/01/19	4,261	45921 & 45922	08/04/19	20,744

**Root cause and/or Implication**

Ineffective supervisory oversight in the Accounting Section to ensure compliance with the requirements of the Finance Manual.

There is a potential risk of misappropriation of funds without being detected.

**Recommendation**

**The Ministry should ensure that supervisory oversight within the Accounting Section is strengthened.**

**Agreed Management Action**

*The Ministry has taken these steps to identify and address the issues as follows:*

- Revenue inspection is conducted on a quarterly basis.
- The report is submitted to the Permanent Secretary and Director Corporate Services with recommendation.
- A copy of the report is sent to division heads and revenue collectors/ EO's for implementation.
- Revenue management training is provided to revenue collectors every quarter.

**Officer Responsible**

Manager Finance

**32.16 Variance between FMIS GL and TRS Report (Recurring Issue)**

We noted a variance of \$167,998 between the balances reflected in the FMIS general ledger account and the report extracted from the Timber Revenue System (TRS) on the total fees collected for Native Timber Measurement.

Refer to Table 32.13 below for details.

**Table 32.13: Variance noted for revenue (Native Timber Measurement)**

Native Timber Measurement Balances	2019 (\$)	2018 (\$)
Timber Revenue System	149,063	248,571
FMIS General Ledger	317,061	286,381
<b>Variance</b>	<b>167,998</b>	<b>37,810</b>

Although the Finance Manual has been amended, it did not specify that reconciliations should be performed between the reports extracted from the TRS and FMIS GL with variances (if any) promptly rectified.

**Root cause and/or Implication**

The Ministry's Finance Manual does not require that reconciliations should be performed between the FMIS general ledger balance and the TRS for Native Timber Measurement. As a result, the Revenue Clerk was unaware that the two records should be reconciled and variances (if any) should be properly documented and investigated.

**Recommendation**

**The Ministry's Finance Manual should be amended to include the requirement and the process of reconciling the FMIS GL and the Timber Revenue System and that any variances noted are investigated and rectified.**

**Agreed Management Action**

- Ministry's Finance Manual has been reviewed with the TRS component.
- Technical staff have been trained and issued with data entry gadgets (tablets) to upload all the Removal License (RML) Data to TRS.
- Monitoring team to continuously monitor on quarterly basis of the data input for TRS and should reconcile with FMIS.
- Way-forward – Divisional Executives Officers to monitor and reconcile TRS on a monthly basis.

**Officer Responsible**

Manager Finance

## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

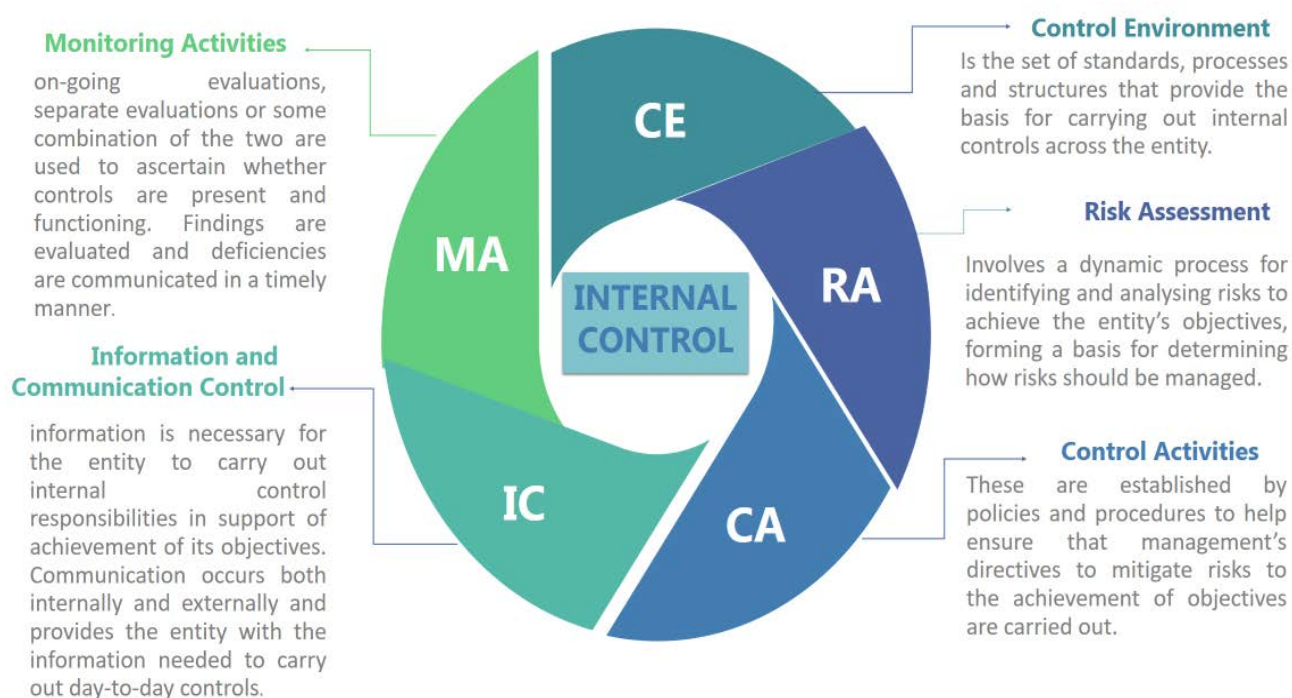
### 32.17 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
☀ Generally Effective	Deficiencies identified in internal controls

### 32.18 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Cancellation of unprocessed purchase orders by 12 July 2019	✗	Processing of virement by 23 August 2019	✗
Retirement of imprests by 19 July 2019	✓	Completion of reconciliations by 29 August 2019	✗
Processing of payments by 29 July 2019	✓	Annual Board of Survey on Drawings Account cheques by 30 August 2019	✗
Clearance of stale cheques by 05 August 2019	✓	Clearance of Inter-departmental clearance accounts by 30 August 2019	✗
Closing date for journal adjustments by 07 August 2019	✗	Submission of arrears of revenue returns by 30 August 2019	✓

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

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

Rating	Year-end close process assessment
✗ Ineffective	Only 4 of the 10 key processes were completed within two weeks of the due dates

### 32.19 Quality of Draft Financial Statements by entities


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

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

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

**32.20 Timeliness of draft financial statements**


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


Rating	Timeliness of draft financial statements assessment
 Ineffective	Acceptable draft financial statements received after 31 October 2019

**32.21 Timeliness of Provision of Management Comments and Signing of Financial Statements**

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

Accordingly, we have assessed timeliness as:

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

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



**APPENDIX 32.1: DETAILED STATEMENTS FOR THE TMA****Table 32.14: TMA – Manufacturing Account – Timber Utilisation Division**

Description	2019 (\$)	2018 (\$)
Opening raw materials	211,881	178,541
Add: purchases	-	190
Less: closing raw materials	74,691	211,881
Raw materials used	137,190	(33,150)
Add: direct labour	70,969	126,060
<b>Cost of Goods Manufactured transferred to Trading Account</b>	<b>208,159</b>	<b>92,910</b>

**Table 32.15: TMA – Trading Account – Timber Utilisation Division**

Description	2019 (\$)	2018 (\$)
Sales	144,086	445,554
Opening finished goods	20,786	21,770
Add: cost of manufactured goods	208,159	92,910
Less: closing finished goods	45,323	20,786
Cost of goods sold	183,622	93,894
<b>Gross (Loss)/Profit transferred to Profit &amp; Loss Statement</b>	<b>(39,536)</b>	<b>351,660</b>

**Table 32.16: TMA – Profit and Loss Statement – Timber Utilisation Division**

Description	2019 (\$)	2018 (\$)
<b>Income</b>		
Gross (loss)/profit transferred from Trading Account	(39,536)	351,660
<b>Expenses</b>		
Maintenance & operations	285,071	569,014
Other expenses	-	9,574
<b>Total Expenses</b>	<b>285,071</b>	<b>578,588</b>
<b>Net Loss</b>	<b>(324,607)</b>	<b>(226,928)</b>

**Table 32.17: TMA – Balance Sheet – Timber Utilisation Division**

Description	2019 (\$)	2018 (\$)
<b>Assets</b>		
Cash at bank	1,338,610	1,567,496
Raw materials	74,691	211,881
Accounts receivable	73,857	56,839
Finished goods	45,323	20,786
<b>Total Assets</b>	<b>1,532,481</b>	<b>1,857,002</b>
<b>Liabilities</b>		
Accounts payable	9,630	-
Deferred income	2,198,548	2,198,548
Deposits & deductions	(12,818)	(3,274)
<b>Total Liabilities</b>	<b>2,195,360</b>	<b>2,195,274</b>

Description	2019 (\$)	2018 (\$)
<b>Net Assets</b>	<b>(662,879)</b>	<b>(338,272)</b>
<b>Equity</b>		
TMA accumulated loss	(568,118)	(341,190)
Net loss for the period	(324,607)	(226,928)
Transfers to consolidated fund	229,846	229,846
<b>Total Equity</b>	<b>(662,879)</b>	<b>(338,272)</b>

**APPENDIX 32.2: DELAYS IN BANKING OF TMA REVENUE**

Receipt No.	Amount (\$)	Date	Date Lodged	Delays in banking
247741	59.50	04/01/19	28/02/19	39 days
247742	480.00	11/01/19	28/02/19	34 days
247743	135.00	14/01/19	28/02/19	33 days
247745	1,020.80	22/01/19	28/02/19	27 days
247746	4,300.00	31/01/19	28/02/19	20 days
247747	101.25	31/01/19	28/02/19	20 days
247748	2,054.95	06/02/19	28/02/19	16 days
247749	500.00	06/02/19	28/02/19	16 days
247750	200.00	11/02/19	28/02/19	13 days
247751	100.00	13/02/19	28/02/19	11 days
247755	700.00	21/02/19	07/03/19	5 days
247756	33.75	21/02/19	07/03/19	10 days
247757	100.00	27/02/19	07/03/19	9 days
247758	50.00	27/02/19	07/03/19	9 days
247780	101.25	16/05/19	29/05/19	9 days
247781	15.00	16/05/19	29/05/19	9 days
247782	700.00	16/05/19	29/05/19	9 days
247783	500.00	16/05/19	29/05/19	9 days
247793	184.00	21/06/19	05/07/19	10 days
247794	33.75	21/06/19	05/07/19	10 days
247795	208.60	21/06/19	05/07/19	10 days
247796	40.90	28/06/19	05/07/19	5 days
247797	15.00	28/06/19	05/07/19	5 days
247798	15.00	28/06/19	05/07/19	5 days
247816	15.00	12/07/19	18/07/19	4 days
247818	1,670.00	12/07/19	18/07/19	4 days
247819	10.00	12/07/19	18/07/19	4 days
247820	15.00	12/07/19	18/07/19	4 days
247841	15.00	23/07/19	01/08/19	7 days
247842	57.00	23/07/19	01/08/19	7 days
247843	15.00	23/07/19	01/08/19	7 days
247844	5.00	23/07/19	01/08/19	7 days
247845	5.00	23/07/19	01/08/19	7 days
247846	16.85	24/07/19	01/08/19	6 days
247847	873.75	24/07/19	01/08/19	6 days
247848	7.50	24/07/19	01/08/19	6 days
247849	18.00	24/07/19	01/08/19	6 days
247852	7.50	26/07/19	01/08/19	4 days
247853	100.90	26/07/19	01/08/19	4 days
247854	15.00	26/07/19	01/08/19	4 days
247855	15.00	26/07/19	01/08/19	4 days
247856	41.10	26/07/19	01/08/19	4 days

**Section 33****MINISTRY OF LANDS AND MINERAL RESOURCES**

The Ministry of Lands and Mineral Resources ('Ministry') is responsible for policy formulation, monitoring and implementation of programs in the areas governing State Land Administration, Mineral Sector and Fiji's Groundwater Resources, all of which play a distinct role in Fiji's economy.

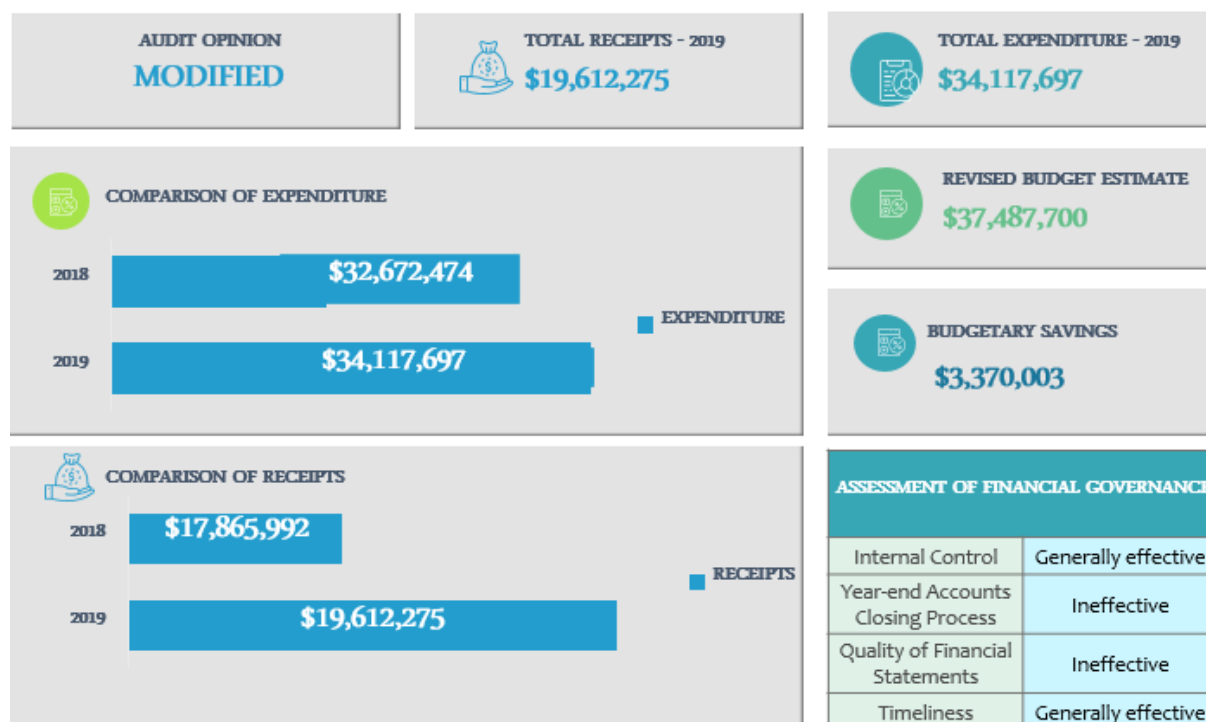
Within the Ministry, the Department of Lands & Survey is responsible for the effective and efficient administration, development and management of all State land in Fiji. Services that fall under the Department's purview include the administration of State leases; land surveying; mapping; land valuation; survey plan examination and approval; development and maintenance of State land; and geospatial information systems.

The Department also manages the Land Use Unit, which coordinates the implementation of Government's land reform initiatives. The governance of State land is provided under the provisions of the State Lands Act 1945, Property Law Act 1971, Lands Sales Act 1974, Land Transfer Act 1971 and Agricultural Landlord and Tenant Act (ALTA) 1966.

Separately, the Department of Mineral Resources oversees and facilitates development of Fiji's mineral, rock and groundwater resources. It undertakes studies in relation to geological hazard assessment, which includes geotechnical issues, and monitors for landslides, earthquakes and tsunamis for public alerts and warnings. The Department also regulates the mining and quarrying sector with a mandate under a multitude of Acts, including the Mining, Petroleum (Exploration and Exploitation) 1978, Quarries Act 1939, Explosives Act 1937 and Continental Shelf Act 1970. It also monitors the sector's impact on Fiji's environment.

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**PART A: FINANCIAL INFORMATION****33.1 Audit Opinion**

The audit of the 2019 accounts of the Ministry of Lands and Mineral Resources resulted in a modified audit opinion. The basis of qualifications is discussed in detail under Part B of this report. The qualifications were as follows:

- An unreconciled variance of \$1.3 million existed between FMIS general ledger and the Ministry's payroll report for both Established Staff and Government Wage Earners. Consequently, the accuracy of the Established Staff and Government Wage Earners balances recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019 was not established.
- Trust Fund Account balance for the Department of Lands amounting to \$6.6 million was not supported with detailed listing of claimants of the monies held in trust. As such, the completeness of the Trust Fund Account balance as at 31 July 2019 could not be established.
- An unreconciled variance of \$1.02 million existed between the FMIS general ledger and the report extracted from the Ministry's Crown Land Lease System (CLLS) for land and property rent revenue. Consequently, the accuracy of the Land and Property Rent balance of \$16.5 million recorded in the Statement of Receipts and Expenditure for the year ended 31 July 2019 could not be established.
- The Ministry recorded Capital Grants and Transfers expenditures of \$2.2 million in the Statement of Receipts and Expenditures for the year ended 31 July 2019. Capital Grants and Transfers expenditures totalling \$374,363 were incorrectly posted to other expenditure allocations in the FMIS general ledger. As a result, Capital Grants and Transfers was

understated by \$374,363 with overstatements of expenditures in Travel & Communications by \$24,400, Maintenance and Operations by \$98,163, Purchase of Goods & Services by \$32,000 and Capital Construction by \$219,800.

- The Ministry recorded Miscellaneous Revenue of \$1.6 million for the year ended 31 July 2019. Miscellaneous revenue totalling \$263,426 were incorrectly posted to other revenue allocations in the FMIS general ledger. As a result, miscellaneous revenue is understated by \$263,426 with overstatements in the revenues from Surveys & Sales of Navigation and Fees, Charges, Fines & Penalties for \$261,300 and \$2,126 respectively.

In addition to the above, emphasis was made on the following matters:

- The Ministry was unable to provide me with payment and journal vouchers to support expenditures totalling \$201,387. The amount comprised of \$93,409 operating expenditures and \$107,978 for capital expenditures.
- Implementation of internal controls over receipting, recording and checking of trust fund and operating fund revenues, reconciliation of accounts and records management were generally weak. If the issues are not addressed promptly, this will result in material misstatements and possible financial losses in future.

### 33.2 Appropriation Statement

The Ministry collected revenue totalling \$19.6 million in 2019 and incurred expenditure totalling \$34.1 million against a revised budget of \$37.5 million and resulting in savings of \$3.4 million or 9%.

Details of expenditure against the revised budget are provided in Table 33.1.

**Table 33.1: Appropriation Statement for 2019**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	9,955,535	754,780	10,710,315	10,623,735	86,580
2	Government Wage Earners	1,060,318	160,736	1,221,054	1,130,827	90,227
3	Travel and Communications	893,200	106,600	999,800	988,290	11,510
4	Maintenance & Operations	7,486,602	(377,001)	7,109,601	5,789,357	1,320,244
5	Purchase of Goods & Services	1,136,202	16,000	1,152,202	1,078,729	73,473
6	Operating Grants & Transfers	32,100	---	32,100	---	32,100
7	Special Expenditures	655,165	(112,000)	543,165	516,868	26,297
	<b>Total Operating Expenditure</b>	<b>21,219,122</b>	<b>549,115</b>	<b>21,768,237</b>	<b>20,127,806</b>	<b>1,640,431</b>
8	Capital Construction	7,996,453	(777,070)	7,219,383	6,483,990	735,393
9	Capital Purchase	4,034,021	227,955	4,261,976	3,965,457	296,519
10	Capital Grants & Transfers	2,240,000	---	2,240,000	2,191,101	48,899
	<b>Total Capital Expenditure</b>	<b>14,270,474</b>	<b>(549,115)</b>	<b>13,721,359</b>	<b>12,640,548</b>	<b>1,080,811</b>
13	Value Added Tax	1,998,104	---	1,998,104	1,349,343	648,761

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	<b>TOTAL EXPENDITURE</b>	<b>37,487,700</b>	<b>---</b>	<b>37,487,700</b>	<b>34,117,697</b>	<b>3,370,003</b>

Significant budget savings were largely due to the following:

1. Savings of \$1.3 million in Maintenance and Operation was due to unutilised budget for renewal of native lease as expenditures are only incurred when leases are renewed depending on the lease terms and conditions. In addition, there was no refund made for Government Land Schedules A & B during the financial year.
2. Savings of \$1.1 million in Capital Expenditure:
  - The upgrade of geodetic datum system was delayed due to unavailability of materials from the supplier and adverse weather condition.
  - The project for groundwater assessment and development for large islands was met with the funds that were already made available hence the Ministry did not apply for the remaining funds with Ministry of Economy.
  - The construction of core repository storage was completed from available funds hence the Ministry did not apply for the remaining funds with Ministry of Economy.

### 33.3 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 Lands and Mineral Resources operated and maintained two main trust fund bank accounts which include the following:

#### Lands Trust Fund Account

The Lands Trust Fund Account was created due to the new Land Use Unit and as such the Department is responsible for the collection of fees, lease rents and other official land charges for the Government and also for the collection of the same revenue for the Native Land Owners that have deposited their land into the Land Bank. Funds collected also include security such as deposits, payments in advance and bank guarantees as stipulated in Section 12 of the Land Use Act.

The funds that are operated under the Lands Trust Fund include the following:

- Land acquisition compensation funds;
- Land bank fees, leases & securities collected on behalf of Land Owning Unit;
- Sand and gravel extraction royalties;
- Qoliqoli compensation;
- Government survey & plan ad-hoc work;
- Government construction work compensation;
- Land owning unit leases;
- Funds received for Vanua View Services; and
- Funds received for re-evaluation of city and town boundaries for Municipal Councils.

Detailed statements for trust receipts and payments are provided below:

**Table 33.2: Abridged Main Trust Fund Account – Lands**

Description	2019 (\$)	2018 (\$)
Receipts	3,414,083	10,298,995
<b>Total Receipts</b>	<b>3,414,083</b>	<b>10,298,995</b>
Payments	3,381,424	9,913,619
<b>Total Payments</b>	<b>3,381,424</b>	<b>9,913,619</b>
<b>Net Surplus</b>	<b>32,659</b>	<b>385,376</b>
<b>Opening Balance as at 01/08/18</b>	<b>6,614,870</b>	<b>6,229,494</b>
<b>Closing Balance as at 31/07/19</b>	<b>6,647,529</b>	<b>6,614,870</b>

**Minerals Trust Fund Account**

The Minerals Trust Fund Account includes licence paid in advance. This is to ensure that any environmental damage caused will be covered by the money held.

The money held in Non-mining Trust Fund Account are from the private or public entities that request the Mineral Resources Department to conduct works on projects. This includes groundwater project or mineral investigations.

Detailed statement for trust receipts and payments are provided below.

**Table 33.3: Abridged Main Trust Fund Account – Minerals**

Description	2019 (\$)	2018 (\$)
Receipts	3,379,034	1,168,073
<b>Total Receipts</b>	<b>3,379,034</b>	<b>1,168,073</b>
Payments	3,308,122	148,845
<b>Total Payments</b>	<b>3,308,122</b>	<b>148,845</b>
<b>Net Surplus</b>	<b>70,912</b>	<b>1,019,228</b>
<b>Opening Balance as at 01/08/18</b>	<b>5,405,536</b>	<b>4,386,308</b>
<b>Closing Balance as at 31/07/19</b>	<b>5,476,448</b>	<b>5,405,536</b>



## PART B: 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 2019.

### 33.4 Variance between FMIS GL and Payroll Report (Recurring Issue)

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.<sup>1</sup>

A variance of \$1.3 million was noted between the FMIS general ledger balances and the Ministry's payroll report for the Established Staff and Government Wage Earners. Refer to Table 33.4 below for details of the variances.

**Table 33.4: Variance between FMIS General Ledger and Payroll Report**

	SEG 1 (\$)	SEG 2 (\$)	Consolidated (\$)
Personal Emolument and Wages	9,752,279	864,173	10,616,452
Add: Relieving Staff	2,600	---	2,600.00
Add: Allowances	23,268	92,351	115,619
Add: Overtime	---	52,315	52,315
<b>Total SEG 1 and 2</b>	<b>9,778,147</b>	<b>1,008,839</b>	<b>10,786,986</b>
Add: Project Staff paid from SEGs 4, 5, 7, 8 and 10			894,219
<b>Total FMIS General Ledger</b>			<b>11,681,205</b>
<b>Less: Payroll Summary Report</b>			<b>12,987,183</b>
<b>Variance</b>			<b>(1,305,978)</b>

#### Root-Cause and/or Implication

Ministry's Finance Manual did not require reconciliations to be performed between the FMIS general ledger balance and the Payroll Summary Report. As a result, the officer responsible for payroll reconciliation was unaware that the two records should be reconciled.

#### Recommendations

**The Ministry should:**

<sup>1</sup> Ministry of Lands and Mineral Resources Finance Manual 2013, Section 4.5.4

- amend its Finance Manual to include the process of reconciling the FMIS general ledger and payroll reports; and
- Reconciliations between the FMIS general ledger and payroll reports should be regularly performed and any variances noted are investigated and rectified.

#### **Agreed Management Action**

The Auditors recommendation is noted and the Ministry agrees that there were variances exist in its Payroll and FMIS. The major variances is through the payment of Wages & Salaries on weekly/fortnightly basis for Project Officers.

When Salaries and Wages are processed in Payroll it captures the total amount payable which includes for all project officers. Once it is paid out, commitment for established Officers and GWE's are captured in SEG 1 & 2 whilst for the project officers are captured into the other allocation that project officers are paid from.

#### **Further OAG Comments**

As of 15/04/21, details of the variances have not been provided, thus the issue remained unresolved.

#### **Officer Responsible**

Manager Finance

### **33.5 Misallocation of Expenditures**

Details of each invoice or other source document for a payment must be promptly and accurately entered into the fields provided, these includes - the correct tax code; and the ledger account it is charged to.<sup>2</sup>

Review of the payments records noted that the Ministry had charged expenditures to incorrect allocations in the FMIS general ledger during the year which were not regularised at the end of the financial year.

Refer to Appendix 33.1 for details of the expenditures charged to incorrect allocations.

#### **Root-Cause and/or Implication**

These situations can arise when budget funding is not available and payments made are charged to other allocations. The Ministry did not regularise the mispostings during the closing of accounts process.

Absence of effective supervisory checks with the accounts reconciliation process and closing of accounts process.

Funds are not utilised for the purpose appropriated by Parliament as a result of misallocations.

#### **Recommendation**

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<sup>2</sup> Finance Instructions 2010, Section 14(1)

**The Ministry should strengthen supervisory checks in its accounting function, specifically in the areas of accounts reconciliation and processes relating to closing of accounts.**

**Agreed Management Action**

*The recommendation is acknowledged and noted. The Ministry is ensuring that all relevant expenditures are charged from the relevant budgetary allocations.*

*In cases where relevant funds are not available, proper processes such as virements and period cash flows are pursued to meet the cost. Most of the transaction highlighted here is made to the correct allocation as those allocation covers the divisions' operational activities.*

**Officer Responsible**

Manager Finance

**33.6 Detailed Listing of Claimants Not Maintained (Recurring Issue)**

Each month, the trust account must be 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.<sup>3</sup>

The closing balance of the Lands Trust Fund Account<sup>4</sup> as at 31 July 2019 was \$6.6 million. Audit was not able to ascertain the accuracy and completeness of the Main Trust Fund Account balance as this was not supported with a detailed listing of claimants for monies held in trust.

The various funds held in trust are explained on Section 33.3 of this report.

**Root-Cause and/or Implication**

Absence of effective supervisory checks with the accounts reconciliation process.

**Recommendations**

**The Ministry should:**

- **strengthen supervisory checks in its accounting function, specifically those relating to accounts reconciliation; and**
- **maintain detailed listings of claimants of monies held in Main Trust Fund Account.**

**Agreed Management Action**

*The Auditors comments is noted. The Ministry has taken appropriate measures to address this ongoing issue. As of now we have an updated listing of claimants from the time this account was open till to date.*

**Further OAG Comments**

*The Ministry on 05/03/2021, provided a list with closing balance of \$7.5 million showing receipts and payments of trust money with the last receipt dated 27/11/2020. The list also included payments that had been made but the*

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<sup>3</sup> Finance Instruction 2010 Section 58 (3)

<sup>4</sup> Main Trust Fund Account

Ministry was unable to identify the relevant receipts. The listing of claimants for the closing balance as at 31/07/2019 was not provided.

### **Officer Responsible**

Manager Finance

## **33.7 Variance between Crown Land Lease System and FMIS**

Any errors or misallocations must be immediately adjusted by way of journal vouchers.<sup>5</sup>

We noted a variance of \$1.02 million between the Crown Land Lease System (CLLS) record and the FMIS general ledger for the Land and Property Rent revenue collected as at 31 July 2019. Refer to Table 33.5 below for details.

**Table 33.5: Variance in Land and Property Rent Revenues**

Particulars	31/7/18 Amount (\$)	31/7/19 Amount (\$)
Crown Land Lease System	14,699,733	15,488,441
FMIS general ledger	14,386,719	16,513,923
<b>Variance</b>	<b>313,014</b>	<b>(1,025,482)</b>

### **Root-Cause and/or Implication**

The variance was due to expired leases for which posting of revenue could not be done in the CLLS. Consequently, the CLLSs was not updated.

### **Recommendations**

The Ministry should:

- Generate year-end report as at 31 July at close of business from CLLS and carry out reconciliation with FMIS General Ledger; and
- Reconcile revenue figures in CLLS and FMIS General Ledger in a timely manner and investigate and rectify any variances between the two records.

### **Agreed Management Action**

The recommendation is acknowledged and noted. The Ministry has strengthened its internal processes through daily verification and reconciliation of revenue received together with Cash Analysis against the CLLS revenue records. The variance was due to:

- The expired leases not updated to the CLLS for those agencies that make one-off payments for large listings of lessees such as FSC, Post Fiji and Housing Authority. Payment was received in bulk from FSC but upon updating this payment to the individual account (Oracle System) it shows that their lease has been expired.
- The inconsistency in the timeframe for processing the renewal of leases.

Corrective measures undertaken by the Ministry to address the above issue includes:

<sup>5</sup> Ministry of Lands and Mineral Resources Finance Manual 2013, Section 16.3.4

- i. Activate expired leases accounts in CLLs for the purpose of receipting and deactivate them at the end of the process;
- ii. Review of SOPs to ensure consistent and timely renewal of leases.
- iii. Verification of Revenue Manual Records /FMIS against the LIS records are now being instigated to ensure that records captured are correct and error free.

### **Officer Responsible**

Director Geospatial Information Mapping & Manager Finance

## **33.8 Significant Arrears of Revenue (Recurring Issue)**

Within one month after the end of each quarter, each agency with accounts receivable must submit a quarterly report on outstanding and overdue debts to the Ministry of Economy. Accounts which are overdue must be promptly followed up in accordance with the debt recovery procedures in the Finance Manual.<sup>6</sup>

All supporting documents should be provided to substantiate the information provided on Arrears of Revenue Report.<sup>7</sup>

We noted that the Ministry had substantial arrears of revenue amounting to \$26.9 million as at 31 July 2019. Over the past six years, arrears of revenue remained above \$20 million, as indicated on Table 33.6 below.

**Table 33.6: Arrears of Revenue**

Year	Amount (\$)
2019	26,936,731
2018	23,457,483
2017	21,820,630
2016	20,778,013
2015	26,980,319
2014	25,250,168

In addition, the Ministry collected \$16.5 million revenue in the form of Land and Property Rent in 2019. However, the Ministry was not able to establish the amount of arrears it collected and the related period from the total collection of \$16.5 million.

### **Root-Cause and/or Implication**

There is high risk of this arrears of revenue becoming irrecoverable resulting in loss of revenue to government.

Incompatibility of the Crown Land Lease System (CLLS) with Financial Management Information System (FMIS) may lead to incorrect reporting.

### **Recommendations**

<sup>6</sup> Finance Instructions 2010, Section 43 (1) and 41

<sup>7</sup> Ministry of Lands and Mineral Resources Finance Manual 2013, Schedule 11

**The Ministry should:**

- Take appropriate steps to reduce the arrears of revenue that had progressively increased over the years; and
- establish how much of the Land & Property Rent collected each year relates to arrears of revenue to determine whether recovery strategies adopted have been effective.

**Agreed Management Action**

The Management duly acknowledge to the recommendation made. The Ministry has vigorously implement and instigate appropriate measures and strategies to strengthen collection of Revenue and at the same time work in reducing arrears of revenue. This include the digitization of our records. For several years we have been requesting for funding to support stabling a digitization of our land record systems but this has been deferred and funds not given.

The strategies currently undertaken by the Ministry are as below:

- Developed a Debt and Revenue Management policy,
- Waiver of interest incentive,
- Site visits to lessees and conducting awareness on rental payments,
- Issuance of notices and flyer on rental
- Accepting undertaking with lessees to clear rental arrears within a respective period.

The Ministry has also sought legal advice and now processing in taking those not complying in payments to court to recover what is owed to state. Also the Ministry is going to launch a web app whereby lessees have access to their details and accounts. This would assist in notifying customers of due payments.

The Auditors recommendation is noted. The Ministry is currently working in developing a platform that we can use to address the issue regarding demarcating lease rental arrears from the current rental collected. This is largely affected in the legislated payment timelines by which the Land information system is created. January 31st and July 31st are end dates of payments for lease rental hence when payment are not done on those dates, it becomes arrears.

**Officer Responsible**

Director Lands and Director Geospatial Information Mapping

**33.9 Records Not Provided**

The Accounting Head of an agency is responsible to the Permanent Secretary for the effective design and operation of internal controls across the agency.<sup>8</sup>

The Ministry was unable to provide the payment s and journal vouchers with supporting documents for expenditures totalling \$201,387 for the year ended 31 July 2019. Refer to Table 33.7 below for details.

**Table 33.7: Details of Records Not Provided**

Date /Period	Payment Voucher/Journal Voucher No.	Amount (\$)
22/08/2018	33242	4,192.11

<sup>8</sup> Finance Instructions 2010, Section 59(2)

Date /Period	Payment Voucher/Journal Voucher No.	Amount (\$)
17/06/2019	13504	11,889.91
01/04/2019	33640	13,038.85
18/04/2019	33654	37,749.16
12/06/2019	13475	42,500.00
01/07/2019	24911	1,834.86
07/09/2018	25032	33,948.85
26/02/2019	23047	4,544.64
22/03/2019	23467	7,931.00
30/11/2018	21890	2,800.00
21/12/2018	64498	1,086.03
July 2019	JV 337149	12,021.00
December 2019	JV 337149	24,878.00
08/10/18	11196	1,321.10
11/07/19	13779	1,651.38
<b>Total</b>		<b>201,386.89</b>

### **Root-Cause and/or Implications**

The findings indicate that accounting records are not properly maintained. In addition, the lack of supervisory checks within the Accounting Section to ensure that records are properly maintained and stored.

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

### **Recommendation**

**The Ministry should ensure that supervisory oversight in the Accounting Section is strengthened, specifically, in records management.**

### **Agreed Management Action**

*The Auditors recommendation is noted. Finance Team is currently collating the documents identified as missing to be made available for further scrutiny.*

*The biggest challenge faced is when audit or investigations are being conducted, documents submitted are not returned to its file for proper recording and integrity of the files and at times documents provided are sometimes not returned hence affects future audits where the same information is required.*

*A proper storage system will be in place for easy identification and retrieval of relevant documents.*

### **Officer Responsible**

Manager Finance

## **33.10 Mining Bond Rate Applied Without an Assessment Structure**

As a guarantee for the due performance of any obligation imposed by the provisions of this Act, the Director may require any person, either on first making application for a mining tenement or at any time during the currency thereof, to deposit with him or her such sum as he or she may specify,

or such guarantee in a like amount as may be approved by him or her, and if such person fails to make such deposit within 30 days or such further time as the Director may specify, the application may be refused or the mining tenement suspended or cancelled, provided that on the application of the owner or occupier of any land being prospected, the Director may require:

- a) a deposit or an increased deposit from the holder of a prospector's right; or
- b) an increased deposit from the holder of a mining tenement.<sup>9</sup>

The Department of Minerals is charging 10% bond for mineral exploration to Companies for exploration works.

We noted that the 10% bond applied by the Mines Division of the Department of Mineral Resources was without an assessment structure or framework to objectively determine the bond rate.

### **Root-Cause and/or Implication**

Without the structured bond calculation, there is a risk that correct bond amount may not be levied to exploration companies to commensurate with the environmental impact.

### **Recommendation**

**The Ministry should expedite the formulation of an appropriate bond calculation matrix for mineral exploration purposes.**

### **Agreed Management Action**

*MRD has formulated a bond calculation matrix for the determination of exploration as per Deposit clause under the Mining Act 1965.*

*Once the matrix is revised and approved, it will be adopted by the Department.*

### **Officer Responsible**

Manager Mines

## **33.11 Rent of \$0.10 charged on Active Leases (Recurring Issue)**

Subject to the provisions of any other written law for the time being in force, leases shall be subject to re-assessment of the rent at each tenth year of the term of these lease.<sup>10</sup>

Review of the CLLS revealed that the Ministry is charging rent on active leases for as low as ten cents. Refer to Table 33.9 below for examples.

**Table 33.9: Rent \$0.10 charged on active leases**

Account No.	Lease No.	File Reference No.	Lease Start Date	Rent Amount (\$)	Last Valuation Date	Lapse in Reassessment As at 2019
10625	001924	4/16/2614	1/01/1949	0.10	1/01/1974	45 Years

<sup>9</sup> Mining Act 1965, Section 16(1)

<sup>10</sup> Crown Land Act 1978 part II leases clause 10 re-assessment of rent



Account No.	Lease No.	File Reference No.	Lease Start Date	Rent Amount (\$)	Last Valuation Date	Lapse in Reassessment As at 2019
12507	039149	4/16/2033	1/01/1947	0.10	1/01/1972	47 Years
12541	AN 12541	4/16/3882	1/01/1956	0.10	1/01/1981	38 Years
24873	003163	4/7/983	1/07/1957	0.10	1/07/1982	37 Years
25635	003469	4/10/1027	1/04/1961	0.10	1/07/1979	40 Years
25644	018150	4/11/1431	1/01/1975	0.10	1/01/1985	34 Years
26190	090173	4/01/2260	1/01/1962	0.10	1/01/1962	57 Years

### **Root-Cause and/or Implication**

Absence of reassessment clause in the lease agreements, thus reassessments were not carried out as required under the Crown Land Act.

### **Recommendation**

**The Ministry should carry out rental re-assessment every tenth year of the term of the lease as stipulated in the Crown Land Act 1978 Part II Clause 10 and ensure that all lease agreement include a rental re-assessment clause.**

### **Agreed Management Action**

*The recommendation is acknowledged and noted. The Ministry had sought Solicitor General's opinion of the possibility of carrying re-assessment of lease rental for those leases that have surpassed timeline of its re-assessment however the advice received that re-assessment needs only to be carried out when only they are due for re-assessment.*

*Re-assessment can only be done if both parties (Lessor & Lessee) agrees in writing to have re-assessment be carried out. In regards to leases that do not have a re-assessment clause. The Ministry will only carry out the re-assessment when the lease is due for renewal and the clause is inserted.*

*Timeline will depends on the expiry of the lease.*

### **Officer Responsible**

Director Lands

## **33.12 Land Owning Units Accounts Not Audited**

The Office of the Auditor General must audit the annual financial statements of accounts for the Land Owning Unit for any calendar year.<sup>11</sup>

We noted that the financial statements of the Land Owning Units have not been submitted for audit. Refer to the Table 33.9 below for the last audited accounts.

<sup>11</sup> Land Use Regulation 2011, Part II, Section 7

**Table 33.9: Land Owning Units Audited Accounts**

Land Owning Units	Last Audited Accounts
Vanua Lekutu and Navakasiga Trust	2011
Mataqali Nalutu Trust	2011
Mataqali Naicobo Trust	2011
Mataqali Noro Trust	2011
Tokatoka Saravi Trust	None
Bitolevu Vuvale Trusts	None
Natodre Land Trust Fund	None

**Root-Cause and/or Implications**

Lack of understanding on the preparation of the financial statements by the Land Owning Units has resulted in the accounts not prepared and submitted for audit.

**Recommendations**

**The Ministry should:**

- continue to provide assistance and follow-up with the Land Owning Units to ensure that annual financial statements are submitted as required under the Land Use Regulation 2011; and
- ensure Trustees are aware of the requirement for submission of the financial statements for audit.

**Agreed Management Action**

*The Ministry agrees to the recommendations provided and as a matter of ensuring good governance and transparency, we have conducted extensive on-the- ground training one to one basis with Land Owning Units (LOUs) in which the Trustees are fully aware of the requirements for submission.*

*The Ministry will continue to provide assistance and follow ups however the onus is on individual Land owning unit to be compliant in holding their AGM and tabling audited financial reports.*

**Officer Responsible**

Director Land Use

**33.13 Balances Not Cleared from Operating Trust Fund Account**

Where charges are for payments to organisations through salary deductions, the relevant creditor account shall be credited. When actual payment is made to the organisation, the creditor account shall be debited.<sup>12</sup>

At balance date, the Ministry had a credit balance of \$437,529 in its Operating Trust Fund Account. Generally, balances in operating trust fund account are kept for one month and should be cleared in the subsequent month.

<sup>12</sup> Ministry of Lands and Mineral Resources Finance Manual 2013, Section 4.6.3

We noted that amounts totalling \$476,954.33 remained unpaid at 31 August 2019.

**Root-Cause and/or Implication**

Balances in operating trust fund account indicate that payments have not been made for funds deducted from salaries and wages of employees.

**Recommendation**

**The Ministry should investigate and rectify carry forward balances in the operating trust fund account.**

**Agreed Management Action**

*The recommendation is acknowledged and noted. The Ministry had already liaised with Ministry of Economy on the recommendation given whereby appropriate justification has been provided based on the carried forward amount that reflected on the Dormant Account.*

*Our explanation to Ministry of Economy was that the amount reflected on the dormant account was the posting done by FMIS way back then. Together we are working out an amicable solution to have the issue sorted out.*

**Officer Responsible**

Manager Finance

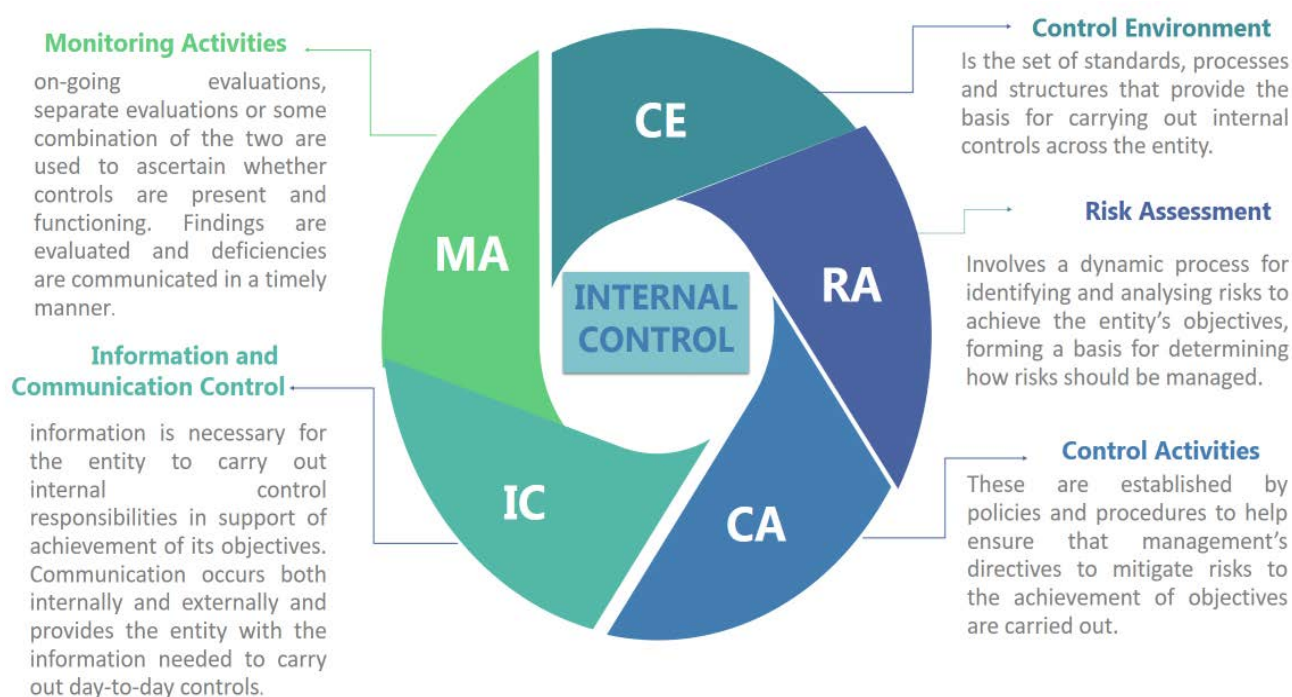
**PART C: ASSESSMENT OF FINANCIAL GOVERNANCE****33.14 Internal Controls**

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

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

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

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



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

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

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

Rating	Internal control assessment
✱ Generally effective	Deficiencies identified in internal controls

### 33.15 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Cancellation of unprocessed purchase orders by 12 July 2019	✓	Processing of <u>virement</u> by 23 August 2019	✗
Retirement of <u>imprests</u> by 19 July 2019	✗	Completion of reconciliations by 29 August 2019	✗
Processing of payments by 29 July 2019	✓	Clearance of Inter-departmental clearance accounts by 30 August 2019	✓
Clearance of stale cheques by 05 August 2019	✗	Annual Board of Survey on Drawings Account cheques by 30 August 2019	✗
Closing date for journal adjustments by 07 August 2019	✗	Submission of arrears of revenue returns by 30 August 2019	✗

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

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

Rating	Year-end close process assessment
✗ Ineffective	7 out of 10 key processes were not completed within due date

### 33.16 Quality of Draft Financial Statements by entities

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

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

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

### 33.17 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
✓ Effective	Acceptable draft financial statements received on 01/11/19

### 33.18 Timeliness of Provision of Management Comments and Signing of Financial Statements

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

Rating	Timeliness of Management Comments Received
☀ Generally effective	After 14 days from issue of Draft Management Letter

Rating	Timeliness of Signed Financial Statements Received
☀ Effective	Within 5 days from issue of Financial Statements for signing

**APPENDIX 33.1: EXAMPLES OF MISALLOCATION OF EXPENDITURE**

Cheque Date	Cheque/E FT Number	Particulars	Posted to Allocation	Correct Allocation	Amount (\$)	Net Effect
12/11/18	21664	Payment made for the airfare of two staffs travelling to Sydney for the Fiji Independence Day Celebrations	SEG 5 - Land Reform Program	SEG 3 - Travel	3,713.21	SEG 3 understated by \$6,269.91
01/02/19	22690	Payment of electricity bills for Valuation section.	SEG 5 - Land Reform program	SEG 4 - Power Supply	3,627.36	SEG 4 overstated by \$94,535.34
20/03/19	64611	Payment of per diem allowance to the officers travelling to Washington, DC to attend the world bank land & property conference 2019	SEG 5 - Land Reform Program	SEG 3 - Travel	12,187.18	SEG 5 overstated by \$51,527.75
			SEG 13 - VAT	SEG 3 - Travel	2,229.70	SEG 8 overstated by \$219,800.00
24/07/2019	25298	Being payment for the Progress Claim No. 7 & 8 with regards to Land Bank - WSC 79/2018  Expense was posted to GL through JV 337150 as adjustments based on the July Reconciliation outstanding balances. Expense totalling to \$154,562.70 was incorrectly posted to the SEG 3,4,5 and 8	SEG 3 Travel and Communication	SEG 10 Capital Grants and Transfers	24,400.00	SEG 10 understated by \$374,362.70  SEG 13 overstated by \$2,229.70
			SEG 4 Maintenance and Operations	SEG 10 Capital Grants and Transfers	98,162.70	
			SEG 5 Purchase of Goods and Services	SEG 10 Capital Grants and Transfers	32,000.00	
			SEG 8 Capital Construction	SEG 10 Capital Grants and Transfers	219,800.00	

## **Section 34      Ministry of Industry, Trade and Tourism**

### **Role and Responsibilities**

The Ministry of Industry, Trade and Tourism ('Ministry') aims to promote Fiji to the world as an attractive destination for both business and pleasure alike. The Ministry actively works to solidify and strengthen Fiji's position as the economic hub of the Pacific, and to develop and diversify the Fijian economy to be more vibrant, dynamic, and export-led.

Across all industries, the Ministry strives to adapt and innovate the nation's growing economy to ensure that Fijian businesses can aggressively compete on the international stage; having already achieved record-setting economic growth, Fiji's economy is well-positioned to assume a larger role in the global marketplace. As such, the Ministry is working to broaden the base of export markets for Fijian-Made products and services.

The Ministry is continuously reviewing Fiji's investment policy and laws to better align with the Fijian Government's overall vision for continued prosperity. This introspective approach aims to ensure that the Fijian economy remains as competitive and business-friendly as possible, attracting new business, maximizing investor confidence, and allowing Fiji's existing businesses to flourish.

To ignite grassroots entrepreneurship, the Ministry's programs and initiatives heavily focus on the support and development of Fiji's micro, small and medium enterprises, the backbone of the Fijian society. By creating a business climate where good ideas can easily become reality, the Ministry is empowering ordinary Fijians' ability to tap into their economic potential, all while growing the economy as a whole. The Ministry also specifically incentivizes young Fijians through the Young Entrepreneurship Scheme who have innovative business ideas by providing skills training and economic guidance, arming them with the necessary knowledge to navigate Fiji's formal financial sector with a higher chance of success.

The following highly-specified divisions are under the ambit of the Ministry: The Trade Unit; Economic Unit; Department of National Trade Measurement and Standard; Department of Co-operative Business; Tourism Unit; and the Integrated Human Resource Development Programme; along with four distinct Trade Commissions to cater to targeted international markets: Australia and New Zealand; China; North America; and Papua New Guinea. The Ministry also provides oversight for the following institutions, boards and councils: The Consumer Council of Fiji; National Centre for Small and Medium Enterprises, Fijian Competition and Consumer Commission; Investment Fiji; Tourism Fiji; Film Fiji; and the Real Estate Agents Licensing Board.

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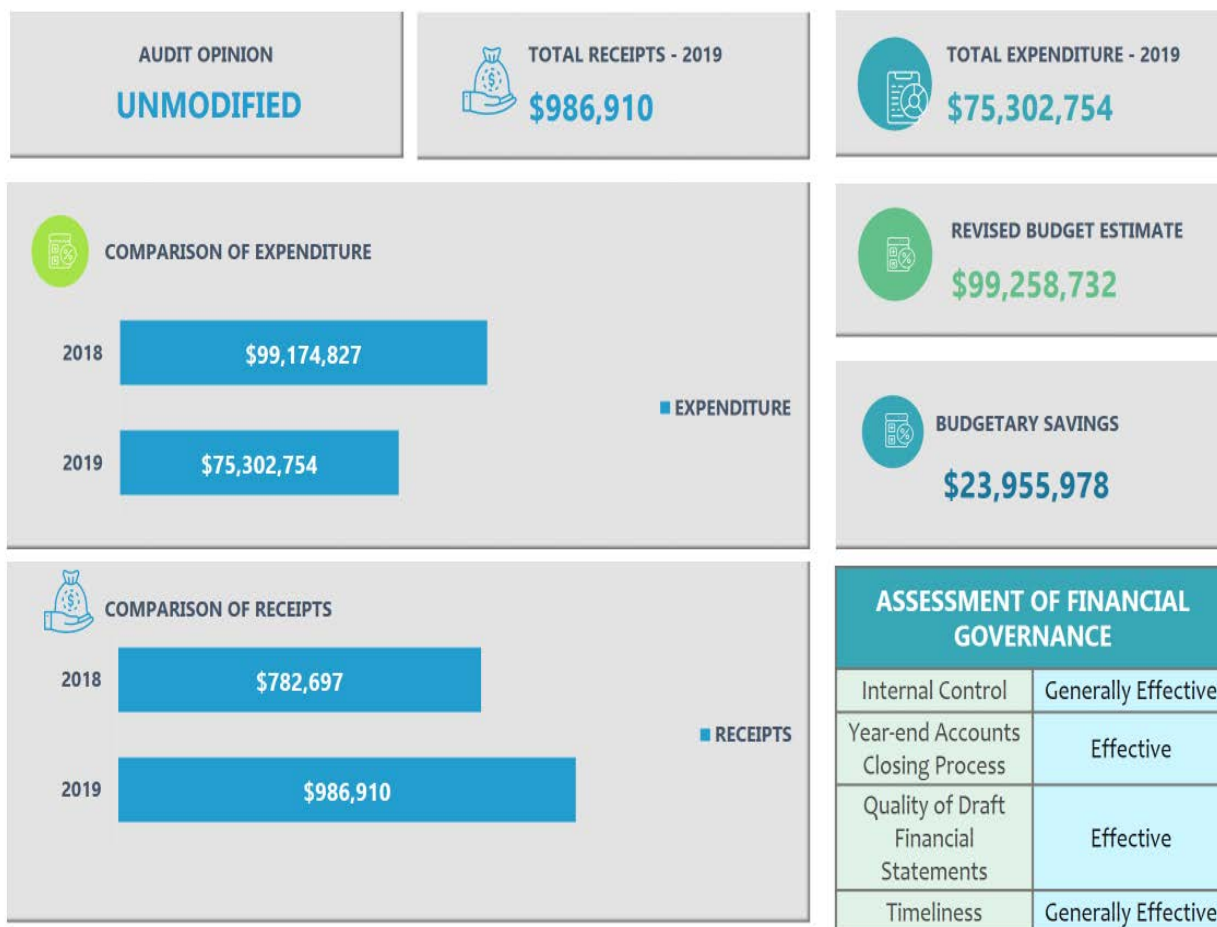


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## PART A: FINANCIAL INFORMATION



### 34.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Industry, Trade and Tourism resulted in an unmodified opinion.

### 34.2 Appropriation Statement

The Ministry collected revenue totalling \$986,910 in 2019 and incurred expenditure totalling \$75.3 million in 2019 against a revised budget of \$99.2 million resulting in budget savings of \$23.9 million or 24%.

Details of expenditure against the budget estimate are provided in Table 34.1 below.

Table 34.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	4,079,722	(39,200)	4,040,522	3,062,508	978,014
2	Government Wage Earners	444,975	39,200	484,175	433,806	50,369

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
3	Travel & Communications	486,600	-	486,600	254,992	231,608
4	Maintenance & Operations	1,030,300	-	1,030,300	664,861	365,439
5	Purchase of Goods & Services	399,710	-	399,710	232,608	167,102
6	Operating Grants & Transfers	22,208,855	354,866	22,563,721	19,266,963	3,296,758
7	Special Expenditures	11,464,032	(84,369)	11,379,663	8,564,551	2,815,112
<b>Total Operating Expenditure</b>		<b>40,114,194</b>	<b>270,497</b>	<b>40,384,691</b>	<b>32,480,289</b>	<b>7,904,402</b>
8	Capital Construction	-	-	-	-	-
9	Capital Purchases	770,000	-	770,000	166,004	603,996
10	Capital Grants & Transfers	57,100,938	(270,497)	56,830,441	42,342,886	14,487,555
<b>Total Capital Expenditure</b>		<b>57,870,938</b>	<b>(270,497)</b>	<b>57,600,441</b>	<b>42,508,890</b>	<b>15,091,551</b>
13	Value Added Tax	1,273,600	-	1,273,600	313,575	960,025
<b>TOTAL</b>		<b>99,258,732</b>	<b>-</b>	<b>99,258,732</b>	<b>75,302,754</b>	<b>23,955,978</b>

The budget savings were largely due to the following:

1. The savings for payroll is due to vacant positions.
2. The savings in travel and communication, maintenance and operations, purchase of goods and services is due to implementation of controls to reduce expenditure for the respective expenditure allocations.
3. The savings in operating grants and transfers is due to the non-release of the 4<sup>th</sup> quarter grant for Tourism Fiji (\$2,584,211), Film Fiji (\$553,448) and Textile and clothing Footwear Council (\$50,000) as agencies had sufficient savings for the fourth quarter operations.
4. The savings in special expenditure is attributed to the reduction in overseas travels which was substituted with video conference for the Pacer Plus Meetings for all discussions with Australia and New Zealand on Fiji's position. Further savings is attributed to the fully funded Minister's travel by host countries or hosting organization. In addition, the Fiji China Trade Agreement Negotiation Meeting was postponed.
5. The savings in capital purchases is due to the non- procurement of the new lab equipment as the Ministry was focusing on accreditation of National Measurement Laboratory before purchasing the lab equipment.
6. The savings in capital grants and transfers is due to the non-release of the 4<sup>th</sup> marketing grant (\$7,445,704) to Tourism Fiji as there was sufficient savings to cater for the fourth quarter operations.

### 34.3 Main Trust Fund Account

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

### 34.3.1 Co-operative Trust Fund Account - Statement of Receipts and Payments

The Co-operative Trust Fund Account was established to administer the training services delivered to co-operative members. The receipts consist of fees charged to trainees and payment relates to the operation of the training institutes.

The Department of Co-operative collected trust revenue totalling \$16,878 in 2019 and incurred expenditure totalling \$2,734 resulting in a surplus of \$14,144 in 2019.

Detailed statement for trust receipts and payments are provided in Appendix 34.1.

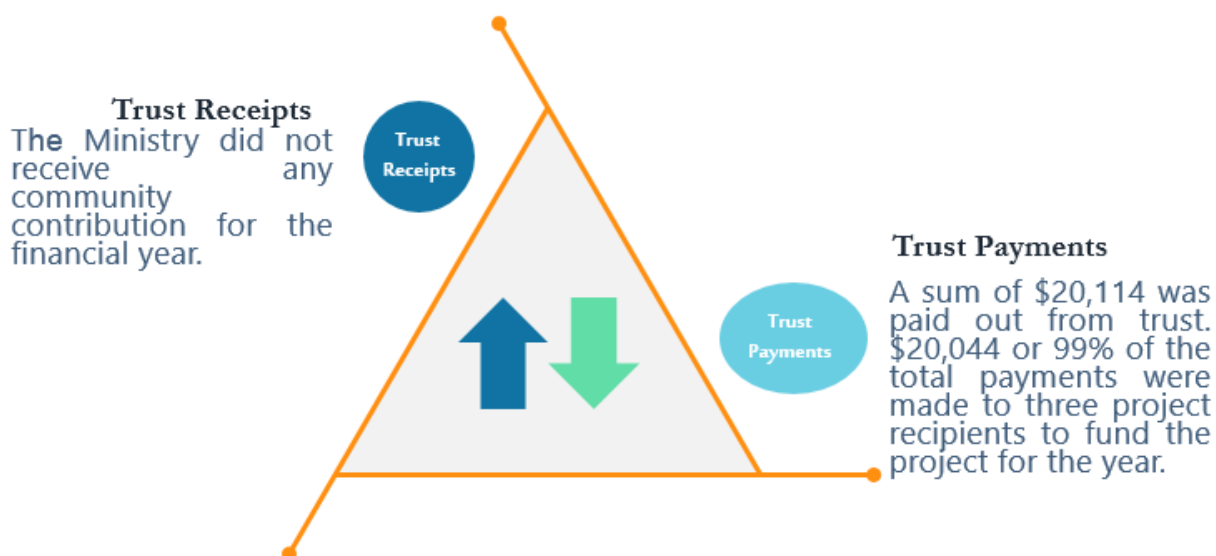
### 34.3.2 IHRDP Trust Fund Account - Statement of Receipts and Payments

The Ministry administers the Integrated Human Resource Development Programme (IHRDP) Trust Fund Account.

The Integrated Human Resource Development Programme was endorsed by Government in 2000 to establish income generating projects and to create decent employment. These small and medium economic activities are intended to generate and revitalise the local rural economies and thus enhancing the livelihood of rural communities, settlements and villages.

The administration of the accounts was transferred from the Ministry of Economy (MOE) to Ministry of Industry, Trade and Tourism in 2017.

The Ministry did not receive any community contribution for the financial year 2019 and incurred expenditure totalling \$20,114 resulting in a deficit of \$20,114 in 2019.



Detailed statement for trust receipts and payments are provided in Appendix 34.2.

## PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

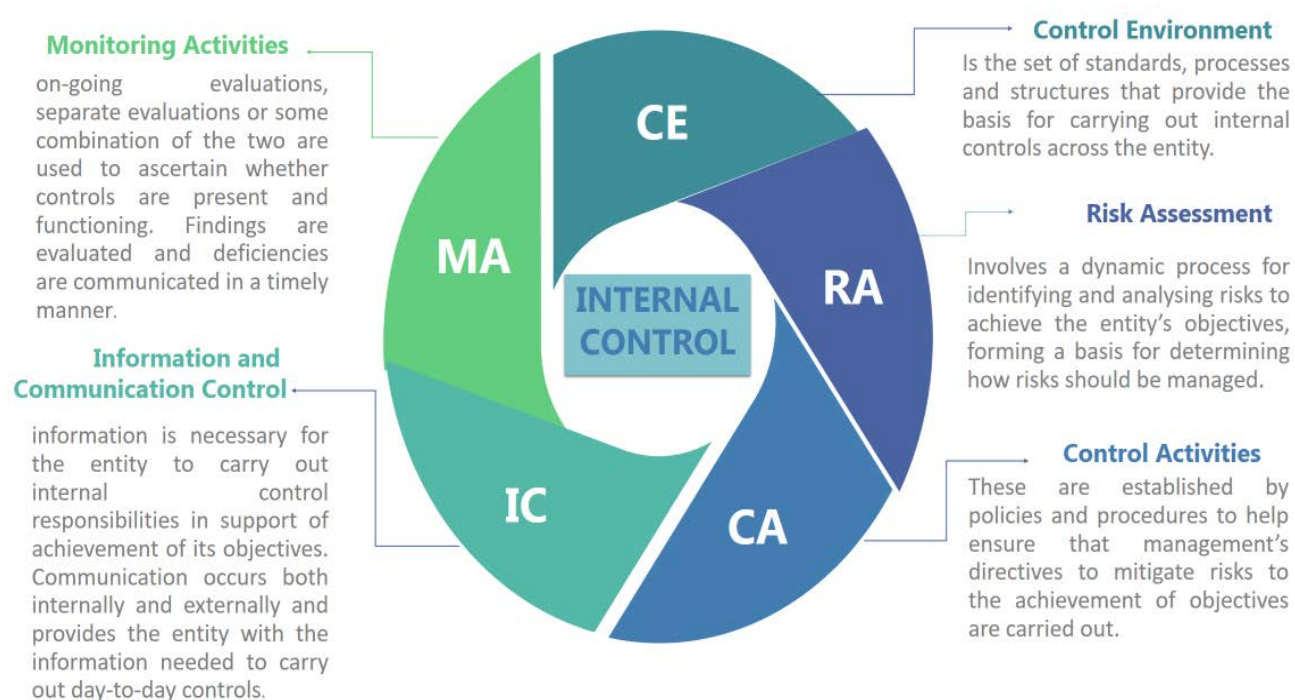
### 34.4 Internal Controls

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

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

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

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



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

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

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

Ratings	Internal control assessment
• Effective	No deficiencies identified in internal controls

### 34.5 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019	✓	Cancellation of unprocessed purchase orders by 12 July 2019	✓
Clearance of Inter-departmental clearance accounts by 30 August 2019	✓	Processing of payments by 29 July 2019	✓
Clearance of stale cheques by 05 August 2019	✓	Processing of virement by 23 August 2019	✓
Annual Board of Survey on Drawings Account cheques by 30 August 2019	✓	Completion of reconciliations by 29 August 2019	✓
Retirement of imprests by 19 July 2019	✓	Submission of arrears of revenue returns by 30 August 2019	Not Applicable

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


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

Ratings	Internal control assessment
• Effective	All key processes completed by due date

### 34.6 Quality of Draft Financial Statements by Entities


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

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

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


### 34.7 Timeliness of Draft Financial Statements

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


Ratings	Internal control assessment
 Generally Effective	Acceptable draft financial statements received on or before 31 October 2019

### 34.8 Timeliness of Management Comments and signed Financial Statements

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

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

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 5 days from issue of Financial Statements for signing

**APPENDIX 34.1: DETAILS OF CO-OPERATIVE TRUST FUND ACCOUNT**

Description	31 July 2019 (\$)	31 July 2018 (\$)
<b>Receipts</b>		
Co-operative Training Fees	14,910	16,495
Re-print Certificate	---	10
Interest Received from Bank	1,175	1,039
Sales of Stationery	793	3,137
<b>Total Receipts</b>	<b>16,878</b>	<b>20,681</b>
<b>Payments</b>		
Training fees	---	11,993
Bank Charges	227	153
Interest Paid to Ministry of Economy	948	887
FRCS	1,559	1,437
Catering	---	5,000
<b>Total Payments</b>	<b>2,734</b>	<b>19,470</b>
Net Surplus	14,144	1,211
Opening Balance as at 1 August	94,588	93,377
<b>Closing Balance as at 31 July</b>	<b>108,732</b>	<b>94,588</b>



**APPENDIX 34.2: DETAILS OF IHRDP TRUST FUND ACCOUNT**

Description	31 July 2019 (\$)	31 July 2018 (\$)
<b>Receipts</b>		
Community Contribution	---	---
<b>Total Receipts</b>	---	---
<b>PAYMENTS</b>		
Adjustment of Bank Charges	70	70
Concrete – Cautata Village Bakery	6,649	22,000
Merchandise- Matainasau Bakery	1,344	2,610
Gas Oven & Spiral Mixer- Lawaki Bakery	12,051	12,804
<b>Total Payments</b>	<b>20,114</b>	<b>37,484</b>
Net (Deficit)	(20,114)	(37,484)
Opening Balance as at 1 August	109,203	146,687
<b>Closing Balance as at 31 July</b>	<b>89,089</b>	<b>109,203</b>

## Section 35

## Ministry of Sugar Industry

### Roles and Responsibilities

The Ministry of Sugar Industry is responsible for the coordination of the activities and functions of the various institutions that make up the sugar industry with the sole objective of ensuring that Government's commitment to reviving the industry is achieved. On-going partnership with the relevant industry stakeholders will enable more land available for productive and social purposes which encourages cane cultivation, adequate labour and committed sugar workforce.

The establishment of a dedicated Ministry of Sugar provides the enabling environment for direct efficient delivery of services to the stakeholders and cane districts and sectors throughout Fiji. The adoption of the 'professional' service delivery by the Ministry will promote maximum cane and sugar production annually through increased investments in cane and mill efficiency operation which lead to higher prices in sugar exports to existing and potential global markets.

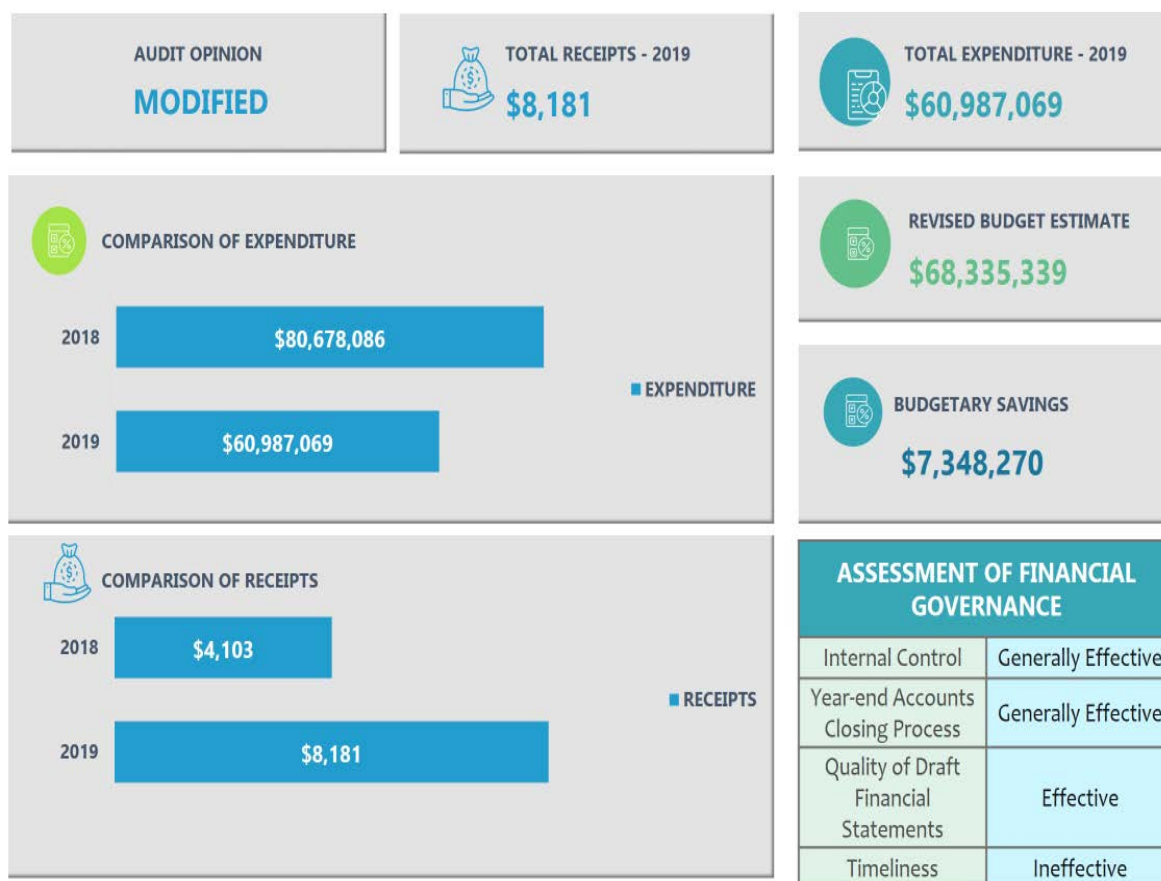
With clear guidelines in place to achieve specific targets, the Ministry is committed to adopting a 'professional' service status that promotes:

- (a) Investment in cane management systems thus ensuring increased cane production.
- (b) Investments in mill technology thus contributing to improved mill efficiency and sugar extraction.
- (c) Exploring opportunities to value adding of milling by products as a source of additional revenue for the industry.

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## PART A: FINANCIAL INFORMATION



### 35.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Sugar resulted in a modified audit opinion. The qualification issues were as follows:

1. There is an unreconciled variance of \$1,820,659 and \$3,838,071 between the cane access roads and cane planting grant acquittals, respectively and bank statement balance of the cane access roads and cane planting grant maintained by Fiji Sugar Corporation. Consequently, the accuracy of the Capital Grants and Transfers amounts of \$57,750,367 reflected in the financial statements cannot be confirmed.
2. The Cane Top-up payments of \$3,134,295 and \$2,869,165 were incorrectly posted to general ledger for Sugar Development and Farmers Assistance program allocation and Cane Access Road allocation respectively. Consequently, the general ledger account of the Cane Top-up payment is understated by \$6,003,460, and the general ledger of the Sugar Development and Farmers Assistance program allocation and Cane Access Road was overstated by \$3,134,295 and \$2,869,165, respectively.
3. Acquittals totalling \$5,659,906.72 submitted by the Fiji Sugar Corporation were not supported with proper records for all costs incurred and the utilisation of the cane cartage grant in accordance with the requirements of Section 6.1 of the Grant Agreement.

## 35.2 Appropriation Statement

The Ministry collected revenue totalling \$8,181 in 2019 and incurred expenditure totalling \$60.9 million against a revised budget of \$68.3 million resulting in savings of \$7.4 million or 10.8%.

Details of expenditure against the revised budget are provided in Table 35.1.

**Table 35.1: Appropriation Statement for 2019**

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	598,145	---	598,145	523,456	74,689
2	Government Wage Earners	73,259	---	73,259	62,094	11,165
3	Travel & Communication	215,005	(72,770)	142,235	120,912	21,323
4	Maintenance & Operations	213,000	72,770	285,770	280,240	5,530
5	Purchase of Goods & Services	32,380	---	32,380	23,012	9,368
6	Operating Grants & Transfers	2,014,947	---	2,014,947	2,012,442	2,505
7	Special expenditure	5,881,413	---	5,881,413	179,315	5,702,098
	<b>Total Operating Costs</b>	<b>9,028,149</b>	<b>---</b>	<b>9,028,149</b>	<b>3,201,471</b>	<b>5,826,678</b>
8	Capital Construction	---	---	---	---	---
9	Capital Purchase	---	---	---	---	---
10	Capital Grants & Transfers	53,231,930	6,003,460	59,235,390	57,750,367	1,485,023
	<b>Total Capital Expenditure</b>	<b>53,231,930</b>	<b>6,003,460</b>	<b>59,235,390</b>	<b>57,750,367</b>	<b>1,485,023</b>
13	Value Added Tax	71,800	---	71,800	35,231	36,569
	<b>TOTAL</b>	<b>62,331,879</b>	<b>6,003,460</b>	<b>68,335,339</b>	<b>60,987,069</b>	<b>7,348,270</b>

The budget savings were largely due to the following:

1. Savings in special expenditure is due to non-utilization of funds amounting to \$5,544,352 allocated for Sustainable Rural Livelihood as the National Sugar Policy was not legislated.
2. Savings in capital grants and transfers is attributed to the Ministry of Economy releasing only \$300,000 out of \$1,785,000 requested by the Ministry through the requisition to incur expenditure (RIE) for cane access roads.

## **PART B: 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 2019.

### **35.3 Anomalies in Capital Grant Payments to the Fiji Sugar Corporation (FSC)**

The Grant Recipient must maintain proper files and accounting records relating to this agreement ('Records'), adequate to show, without limitation, all costs incurred under this agreement and the utilisation of the Government Grant. The Records must cover all funds and activities financed under the Government Grant. In addition, the Grant Recipient must furnish to the Government, any other relevant information at such times as the Government may reasonably request. The Grant Recipient must make the records available to the Government or the Auditor-General upon request.<sup>1</sup>

The total grant paid to the Fiji Sugar Corporation (FSC) for the financial year ending 31 July 2019 amounted to \$49,217,367.

Audit review of the government grant paid to the Fiji Sugar Corporation (FSC) revealed the following anomalies:

- i. Variances of \$1,820,659 and \$3,838,071 were noted between the cane access roads and cane planting grants balances, respectively as per acquittals and bank statements; and
- ii. The cane top-up payment was posted to sugar development and farmers' assistance program allocation and the cane access road general ledger allocation.

We further noted that the following clauses in the Grant Agreement were not complied with:

- i. Section 8(f) of the grant agreement requires the FSC to refund to the Ministry any disbursement of the Government Grant. However, there were no evidence to indicate that unutilised grant was refunded by the FSC. In addition, it was noted that the Ministry continued to release second quarter and final payment grant for the Tractor Mounted Harvesters Program despite acquittals submitted by FSC indicated that the first quarter grant for 2019 had not been fully utilized.

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<sup>1</sup> Grant Agreement Between Ministry of Sugar Industry and The Fiji Sugar Corporation, Section 6.1

- ii. Section 6.1 of the grant agreement requires FSC to maintain proper files and accounting records, adequate to show, without limitation, all costs incurred and the utilization of the Government Grant, and the records must cover all funds and activities financed under the Government Grant. The acquittals submitted by the FSC were not adequately supported for all costs incurred and the utilization of the cane cartage grant.

Refer to Table 35.2 below for details

**Table 35.2: Details of Anomalies in Grant Payments to FSC**

FSC Grant Details	Amount (\$)	Audit Comments	Response from Ministry
Tractor Mounted Harvester	500,000.00	According to the grant agreement section 8(f) Notwithstanding the availability or exercise of any other remedies under this agreement, the Government may require the grant recipient, as soon as practicable, to immediately refund to the Government any disbursement of the Government Grant in the currency in which it was disbursed, but allowing for time to honor commitments, in the circumstance there remains any unutilized funds in relation to the Government Grant by the Grant recipient. Grant were not fully utilized by FSC.	Ministry has explored countries including China, India, Thailand and Brazil to name a few to procure harvester suitable to harvest cane on hilly terrains. However, an interested supplier did develop the machine suitable for hilly terrains. Upon inspection by the stakeholder, it was identified that the machine was not suitable to harvest cane in Fiji. The supplier is further modifying the machine hence funds are still committed. Please note that it is anticipated that machine will be tested in this harvesting season.
Cane Cartage	5,659,906.72	Acquittals were not detailed to include supporting documents such as cheque numbers and bank statements. According to the agreement 6.1 the grant recipient must maintain proper files and accounting records relating to this agreement ('records'), adequate to show, without limitation, all costs incurred under this agreement and the utilization of the government grant.	Cane cartage payments are combined with delivery payment. Delivery payments are done electronically therefore cheque is not generated.
Sugarcane Development & Farmers Assistance Program	18,534,295.00	Included in the general ledger allocation is the cane top up payment of \$3,134,295 which should have been included under the Cane Top up Payment general ledger allocation in the FMIS. Based on the acquittals a balance of \$3,863,001 VEP should be available in this account allocation. However according to the bank account a balance of \$24,929.99 was available. Therefore, a variance of \$3,838,071.01 exists between the acquittals and the bank balances.	Numerous requests were made to FMIS and Budget Division of Ministry of Economy to correctly reflect the cane top up payment. However, this was not facilitated by the Ministry of Economy. Ministry has identified these anomalies and written to FSC to correct this anomaly. A copy of letters is attached. FSC is in the process of identifying the transactions and reimbursing completely to the Sugar Development program bank account. In addition, no funds will be released till the matter is rectified.
Cane Access Roads	9,169,165.00	Included in this general ledger allocation is the cane top up payment of \$2,869,165 which should have been included under Cane Top up Payment general ledger allocation in the FMIS. Based on the acquittals a balance of \$2,117,263 (VEP) should be available in this allocation. However, the bank account has a balance of \$296,603.85. Therefore, a variance of	Numerous requests were made to FMIS and Budget Division of Ministry of Economy to correctly reflect the cane top up payment. However, this was not facilitated by the Ministry of Economy. Ministry has identified these anomalies and written to FSC to correct this anomaly. FSC is in the process of identifying the transactions and

FSC Grant Details	Amount (\$)	Audit Comments	Response from Ministry
		\$1,820,659.15 exists between the acquittals and the bank balances.	reimbursing completely the Sugar Development program bank account. In addition, no funds will be released till the matter is rectified.

### **Root Cause / Implications**

The anomalies noted indicate that the Ministry was not properly reviewing and monitoring the government grant disbursed to FSC.

As a result, the Grant Agreement was not fully complied with, which increases the risk that the government grant was not used for the purpose it was intended for.

The Ministry indicated that due to the lack of staffs, proper monitoring of grants could not be carried out.

### **Recommendations**

The Ministry should:

- Re-organise current staffing resource and prioritize the efficient monitoring and reporting of grants funds disbursed.
- ensure that transactions are posted to correct allocation in the FMIS; and
- ensure that grant agreements are fully complied with.

### **Agreed Management Action**

Ministry does not have sufficient staff to undertake proper monitoring of grants. Ministry has been requesting for additional monitoring staff through 2018-2019 and 2019-2020 National Budget Submissions. However, the Ministry did not get the requested budget for additional staff.

Ministry has requested FMIS Division of Ministry of Economy to correctly post the cane top up payment to the cane top up allocation under SEG 10. Despite this, Ministry of Economy has not posted the cane top-up payment to correct allocations. Copies of emails correspondence have been provided to Auditors for reference.

Ministry is complying and will adhere to all clauses in the grant agreement.

### **Officer Responsible**

Director Sugar  
Senior Accounts Officer

## **35.4 Anomalies in the Sugarcane Individual Small Grants Scheme Program**

The Sugarcane Individual Small Grants Scheme program has an allocation of \$1 million in the 2018/2019 budget to enhance sugarcane productivity and support the livelihood of farmers.

The Ministry aims to assist approximately 200 farmers. The targets in each request type is as

follows:<sup>2</sup>

Activity	Request Type	No. of Farmers Assisted	Maximum grant allowed per applicant (\$)	Budget (\$)
1	Farm Implements and Tools	125	4,000	500,000
2	Fencing Materials	30	4,000	120,000
3	Irrigation Pumps & Implements	20	5,000	100,000
4	Borehole & Fittings	30	8,000	240,000
5	Water Tank	35	1,250	40,000
<b>Total</b>				<b>1,000,000</b>

The Ministry's 2018-2019 Work Programme Manual for Capital Projects includes selection criteria and process for farmers to qualify for this assistance. The selection and process criteria selected for audit verification included the following:

1. The individual applicant shall request for a maximum of \$15,000 per project based on total tonnes of cane produced or as otherwise determined and approved by the Minister of Sugar Industry;
2. The individual applicant will be required to contribute towards the total cost of the project either in cash and/or in kind or both;
3. A Memorandum of Grant Agreement ('Agreement') will be signed between successful project beneficiaries and the Ministry of Sugar Industry for all projects.
4. For fencing materials, only registered complaints received from Police Department, FSC, Ministry of Sugar Industry and SCGC will be assisted under the grant

The following anomalies were noted in the implementation of this program due to the Ministry not complying with the requirements of the selection criteria and process:

- There was no evidence to indicate that the individual applicants contributed towards the total cost of the project either in cash and/or in kind or both.
- There was no evidence of the Minister's approval for the applicants assisted.
- Memorandum of grant agreement between the successful project beneficiaries and the Ministry of Sugar Industry for all projects was not provided for our review.
- For farmers assisted for fencing materials, there was no evidence to indicate that complaints were registered with the Police Department, FSC, MOSI and SCGC on the damages to the farm caused by animals.
- For farmers assisted for the purchase of tractors, this was not part of the assistance under the small grants program for 2018/2019.

Refer to Table 35.3 below for details.

<sup>2</sup> Ministry of Sugar Industry 2018-2019 Work Programme Manual for Capital Projects



**Table 35.3: Details of Anomalies in Small Grants Scheme Program**

Farmer Assisted (Farm No.)	Type of Assistance	Cost (\$)	Audit Remarks
3710 Tavua	Water tank	680.00	The Minister's approval could not be verified and there was no memorandum of grant agreement. The Memorandum was prepared and signed after it was raised as an audit issue. There is no evidence of the farmer contributing to the total cost of the project.
13308	Farm implements	7,615.00	The Minister's approval could not be verified and there was no memorandum of grant agreement. Memorandum was prepared and signed after it was raised as an audit issue. There is no evidence of the farmer contributing to the total cost of the project.
23045	Fencing materials	7,936.25	The Minister's approval could not be verified and there was no memorandum of grant agreement. Memorandum was prepared and signed after it was raised as an audit issue. There is no evidence of the farmer contributing to the total cost of the project.
11250	Farm implements, tractor harrow and 3-disc plough	8,000.00	The Minister's approval could not be verified and there was no memorandum of grant agreement. Memorandum was prepared and signed after it was raised as an audit issue. \$800 was the total contribution from the farmer.
24058	3-disc plough and 4 le ripper	9,200.00	The Minister's approval could not be verified and there was no memorandum of grant agreement. Memorandum was prepared and signed after it was raised as an audit issue. There is no evidence of the farmer contributing to the total cost of the project.
29093	Tractor harrow, ripper and fencing materials	8,452.90	The Minister's approval could not be verified and there was no memorandum of grant agreement. There is no evidence of the farmer contributing to the total cost of the project. There was no registered complaints received from the Police Department, FSC, MOSI and SCGC on the damages to the farm caused by stray animals.
19942	Fencing materials	7,620.30	The Minister's approval could not be verified and there was no memorandum of grant agreement. The Memorandum was prepared and signed after it was raised as an audit issue. There is no evidence of the farmer contributing to the total cost of the project. There was no registered complaints received from the Police Department, FSC, MOSI and SCGC on the damages to the farm caused by stray animals.
28123	Tractor	15,000.00	The Minister's approval could not be verified and there was no memorandum of grant agreement. The Memorandum was prepared and signed after it was raised as an audit issue. The purchase of the tractor was not part of the assistance under the small grants scheme.
1429	Farm implements	2,178.00	The Memorandum was prepared and signed after it was raised as an audit issue. There is no evidence of the farmer contributing to the total cost of the project.
133	Tractor	15,000.00	The Memorandum was prepared and signed after it was raised as an audit issue. The purchase of the tractor was not part of the assistance under the small grants scheme.
5653	Borehole	8,350.00	The Minister's approval could not be verified and there was no memorandum of grant agreement. The Memorandum was prepared and signed after it was

Farmer Assisted (Farm No.)	Type of Assistance	Cost (\$)	Audit Remarks
25075 and 3127	Tractor	18,904.50	raised as an audit issue. There is no evidence of the farmer contributing to the total cost of the project. The purchase of the tractor was not part of the assistance under the small grants scheme.

**Root Cause / Implications**

The selection criteria and process as per the work programme manual was not complied with.

As a result, there is an increased risk that grants maybe unfairly distributed to farmers.

**Recommendation**

**The Ministry should ensure that the Work Programme Manual for Capital Projects and selection criteria and process are complied with.**

**Agreed Management Action**

*Ministry will continue to comply with the approved work plan and will ensure that there is no inconsistency in work program due to human errors.*

**Officer Responsible**

Director Sugar  
Senior Accounts Officer

**35.5 Anomalies in the Cane Access Road Program.**

The cane access road program had an allocation of \$6.3 million for the 2018/2019 financial year. Its objectives were to upgrade cane access roads to motorable condition to ensure consistent supply of sugarcane to the mills during the crushing season and to ensure that at the end of the crushing season, there would be no stand over cane owing to poor cane access roads.

Audit review of the cane access road account revealed the following anomalies:

- We carried out site visits on the cane access roads using the odometer of the vehicle and noted variances in the length of the road as per physical verification and the length as per progress report. Refer to Table 35.4 below for details.

**Table 35.4: Cane Access Roads – Variances in Length (km)**

Sector	Road Name/Number	Length as per Physical Verification (km)	Length as per Progress Report (km)	Variance (km)
Ellington 2	JV Dreketi (49)	1.2	4	-2.8
	JV Nausori (50)	2.3	4	-1.7

Sector	Road Name/Number	Length as per Physical Verification (km)	Length as per Progress Report (km)	Variance (km)
	Natadra/Sadua (51)	0.7	1	-0.3
	Atama (52)	2	1	1
	Madrai Rd (53)	2.1	1	1.1
	Masakia Rd (54)	1.2	1	0.2
	Delavakadrau (55)	2.8	2.5	0.3
	Natuvutuvu (56)	0.7	1	-0.3
	Naikarua (57)	0.2	0.5	-0.3
	Tunakau (58)	1.1	1	0.1
	Burenitu Circular (59)	1.7	2.5	-0.8
	Suasua (60)	0.7	1	-0.3
	Ekubu JV (61)	0.5	1.5	-1
	Jovesa/Nikola Road (62)	0.9	1	-0.1
	Meli Road (63)	0.7	0.5	0.2
	Tuvutuvu Road (64)	0.2	0.5	-0.3
Yaladro	Ram Samudh Circular Road (8)	1.1	1.5	-0.4
	Barma Nand Rd (9)	0.4	0.6	-0.2
	Latchmen Rd (10)	0.2	0.3	-0.1
	Parvin Chand Rd (12)	0.3	0.3	0
	Nakali Rd (20)	0.4	0.6	-0.2
	Shiu Lal Rd (21)	0.5	1.6	-1.1
	Reservoir Rd (23)	0.6	0.8	-0.2
	River Side Rd (Reddy) (24)	1.3	0.6	0.7
	Kamal Chand Rd (26)	0.4	0.5	-0.1
	Ram Phal Rd (29)	1.0	0.5	0.5
	Lekh Ram Rd (31)	0.8	2.5	-1.7
	Sami/Balram Rd (32)	0.5	0.3	0.2
	Ram Karan Rd (39)	0.2	0.3	-0.1
	Bob Kumar Rd (40)	0.9	0.3	0.6
Varoko	Road # 32	0.4	1	-0.6
	Road # 44	0.4	0.8	-0.4
	Road # 45	0.7	1	-0.3
	Road # 46	2.2	2	0.2
	Road # 51	0.3	0.6	-0.3
	Road # 52	0.7	1.4	-0.7
	Road # 84	0.7	2	-1.3
	Road # 85	0.6	2	-1.4
	Road # 86	0.7	1	-0.3
	Road # 87	0.6	1	-0.4
	Road # 88	0.5	1.8	-1.3
	Road # 89	0.6	1.2	-0.6
	Road # 90	1	2	-1

In addition to the above, completion certificates for road numbers 45 and 90 in the Varoko Sector were not provided for our review.

- The standard of the cane access roads is determined by the Road Committee which includes growers, gangs and other road users. While the effort of the Ministry is noted, we were

not able ascertain the skills/experience of the Roads Committee on determination of standards for cane access roads.

#### **Root Cause / Implications**

- The Ministry did not properly verify and monitor grants disbursed for cane access roads.
- The Roads Committee team dynamics may not have the capacity to assess the cane access roads.

As a result, grants that were provided for cane access roads were not properly utilized. Grants are allocated every year to undertake rehabilitation and construction of the cane access roads due to poor cane access roads, which may indicate that proper work was not done on the roads and the roads not being of any specific standard.

#### **Recommendations**

- **The Ministry should ensure that proper verification and assessment of cane access roads are carried out.**
- **The Ministry should re-evaluate the expertise that is available with the different Committees to assist in the assessment of cane access roads. Alternatively, the Ministry should consider seeking assistance from Fiji Roads Authority for technical assistance and advice.**

#### **Agreed Management Action**

*Due to lack of staff, Ministry is unable to carry out proper monitoring of grants. Please note that roads in all sectors are upgraded simultaneously, hence make it impossible to monitor and verify by Ministry's current staff. However, Ministry has requested for additional budget from Ministry of Economy to recruit monitoring and verification officers, but no additional funding was provided.*

*Cane Access Roads grant is used to do temporary repairs to cane access roads. There is insufficient funding to construct permanent roads or hire expertise to determine road worthiness for the transport of cane. Road committees based on past experiences determine that the quality of road is worthy enough to last for the crushing season. Cane access roads are temporarily repaired to ensure that canes are delivered to the mills. Current budget is insufficient to hire qualified road committee members. In case where construction of crossing is undertaken. Ministry seeks assistance from Ministry of Infrastructure and Transport for technical advice and assistance.*

#### **Officer Responsible**

Director Sugar  
Senior Accounts Officer

### **35.6 Ineffective Grants Monitoring**

The Ministry of Sugar Industry is responsible for the coordination of the activities and functions of the various institutions that make up the sugar industry with the sole objective of ensuring that Government's commitment to reviving the industry is achieved.

The Ministry paid out a total of \$57.75 million in grants in 2018/2019 financial year to different institutions for the benefit of farmers. Refer to Table 35.5 below for details.

**Table 35.5: Details of Grants paid to different Institutions**

Grant Details	Recipient	Amount (\$)
Tractor Mounted Harvester	Fiji Sugar Corporation	500,000.00
Cane Cartage (Penang to Rarawai)	Fiji Sugar Corporation	5,659,906.72
Fertilizer Subsidy	South Pacific Fertilizers Ltd	15,354,000.00
Sugarcane Development and Farmers Assistance	Fiji Sugar Corporation	18,534,295.00
Cane Assess Roads	Fiji Sugar Corporation	9,169,165
Weedicide Subsidy	South Pacific Fertilizers Ltd	6,318,000.00
Sugarcane Farm Mechanization	Fiji Development Bank	1,215,000.00
Sugar Individual Small Grants Scheme	Various	999,999.98
<b>TOTAL</b>		<b>57,750,366.70</b>

We noted that the Ministry was not effectively monitoring the grants in terms of carrying out adequate field visits to farmers to ensure that grant assistance that should have been provided by the institutions to farmers have been received by farmers. Refer to Table 35.6 below for details.

**Table 35.6: Details of Grant Monitoring**

Grant Details	Total Number of Farms Assisted	Total Number of Farms Monitored	Percentage
Sugarcane Development and Farmers Assistance Program (Cane Planting)	4,825	36	0.74%
Sugarcane Individual Farmers Grant Assistance Program (Small Grants Scheme)	214	20	9%
Weedicide Subsidy Program	1,040	36	3%
Fertilizer Subsidy Program	10,038	36	0.35%

### **Root Cause / Implications**

The anomalies resulted mainly from the insufficient number of staff available to undertake the grant monitoring activities.

### **Recommendation**

**The Ministry should ensure that resourcing for monitoring of grants are enhanced and provide added assurance to Government that funds have been effectively utilized.**

### **Agreed Management Action**

*Ministry has requested Ministry of Economy in the budget proposal for 2019-2020 to be able to recruit Project Officers who will assist in monitoring of capital grants.*

*Ministry has been requesting for additional budget to recruit staff to undertake monitoring of grants in 2017-2018, 2018-2019 and 2019-2020 budget. However, funds were not provided for recruitment of monitoring officers. Ministry will again request for additional budget to recruit monitoring in 2020-2021 Budget.*

**Officer Responsible**

Director Sugar

## PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

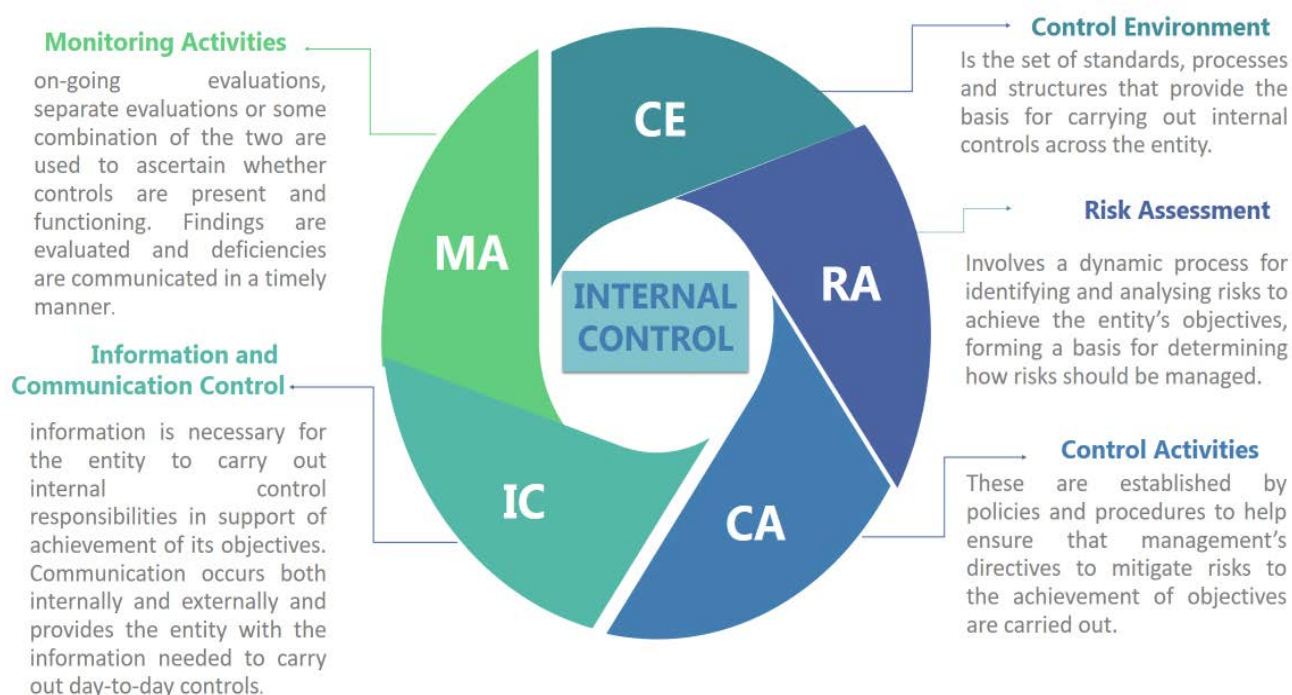
### 35.7 Internal Controls

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

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

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

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



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

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

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

Rating	Internal control assessment
☀ Generally effective	Deficiencies identified in internal controls


### 35.8 Submission of FY 2018-2019 Draft Agency Financial Statements

On 29 May 2019, Permanent Secretary for Economy issued Circular No. 09/2019 to Permanent Secretaries, Heads of Departments, High Commissioners and Ambassadors in Fiji Foreign Missions in which procedures for closing of 2019 accounts and times were detailed.

KEY FOCUS AREAS	ACHIEVEMENT	KEY FOCUS AREAS	ACHIEVEMENT
Closing date for journal adjustments by 07 August 2019		Cancellation of unprocessed purchase orders by 12 July 2019	
Clearance of Inter-departmental clearance accounts by 30 August 2019		Processing of payments by 29 July 2019	
Clearance of stale cheques by 05 August 2019		Processing of virement by 23 August 2019	
Annual Board of Survey on Drawings Account cheques by 30 August 2019		Completion of reconciliations by 29 August 2019	
Retirement of imprests by 19 July 2019		Submission of arrears of revenue returns by 30 August 2019	

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


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

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

### 35.9 Quality of Draft Financial Statements by entities

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

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

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



### 35.10 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
★ Effective	Acceptable draft financial statements received before 15 October 2019.

### 35.11 Timeliness of Provision of Management Comments and Signing of Financial Statements

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
★ Ineffective	After 21 days from issue of Financial Statements for signing



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