



OFFICE *of the* AUDITOR GENERAL
Republic of Fiji

REPORT OF THE AUDITOR-GENERAL OF THE REPUBLIC OF FIJI

Remaining 2019 Audit Report on
General Administration, Social Services,
Economic Services and
Infrastructure Services Sectors



PARLIAMENT OF FIJI

PARLIAMENTARY PAPER NO. 109 OF 2021



OFFICE of the AUDITOR GENERAL
Republic of Fiji

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

To provide independent value adding
audit services

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To provide an environment where
our people can excel

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We uphold respect
in our relationships.

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International Standards on Auditing

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REPUBLIC OF FIJI

AUDIT
ACT 1969

ENVIRONMENT
MANAGEMENT ACT

NDP AND OTHER
LEGISLATION

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File: 102

29 November 2021

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

Dear Sir

REMAINING 2019 AUDIT REPORT ON GENERAL ADMINISTRATION, SOCIAL SERVICES, ECONOMIC SERVICES AND INFRASTRUCTURE SERVICES SECTORS

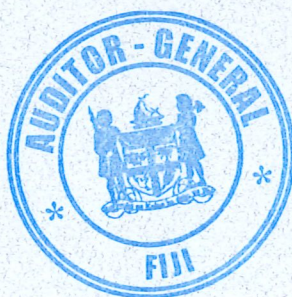
In accordance with section 152(13) of the Constitution of the Republic of Fiji, I am pleased to transmit to you my report on the remaining 2019 audit report on General Administration, Social Services, Economic Services and Infrastructure Services Sectors.

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 Financial Statements of Government 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 audit of 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 promoting public sector accountability and sustainability through our audits 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, taxpayers and the general public as well.

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AUDITOR-GENERAL'S FOREWORD



I am pleased to present the remaining 2019 report on the General Administration, Social Services, Economic Services and Infrastructure Services Sectors.

Permanent Secretaries and those charged with governance of the agencies under the General Administration, Social Services, Economic Services and Infrastructure Services Sectors 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 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) Difficulty in confirming date and time for Exit Meetings.
- (iv) Not providing documents to support management comments for audit verification prior to finalization of management letters.

- (v) Delay in signing of audited accounts and Management Representation Letters.

Consequently, I have 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 my 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 her 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 audit by the Auditor-General, on 01 April 2021. However, with the second-wave of the COVID-19 pandemic and closure of most operations of government including OAG, it was decided to suspend the new reporting guidelines till 31 July 2021.

This report contains summaries and my analysis of the audit findings, the quality and timeliness of financial reporting, 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, by the remaining agencies under the General Administration, Social Services, Economic Services and Infrastructure Services Sector.

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: 29 November 2021

1.0 SECTOR SUMMARY

This report includes the audit results of the remaining five (5) agency financial statements, for the financial year ended 31 July 2019, for the following:

General Administration Sector includes:	
Head 4	Ministry of Economy
Social Services Sector includes:	
Head 23	Ministry of Housing & Community Development
Economic Services Sector includes:	
Head 36	Ministry of Public Enterprises
Head 37	Ministry of Local Government
Infrastructure Sector includes	
Head 41	Ministry of Waterways and Environment

The audit results of the other Ministries and Departments for the year ended 2019 have already been reported and tabled in Parliament on 01/06/2021 as follows:

1. [2019 Audit Report on Economic Services Sector \(Parliamentary Paper No. 24 of 2021\)](#)
2. [2019 Audit Report on General Administration Sector \(Parliamentary Paper No. 25 of 2021\)](#)
3. [2019 Audit Report on Infrastructure Sector \(Parliamentary Paper No. 26 of 2021\)](#)
4. [2019 Audit Report on Social Services Sector \(Parliamentary Paper No. 27 of 2021\)](#)

Results of our Audits – Quality and Timeliness of Financial Statements

Of the five agencies reported in this report, the Auditor-General issued four unmodified audit opinions and one modified audit opinion. The details are contained in Section 2.

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 submitted to the Auditor-General.

Comparatively, for the financial years 2017 – 2019, the quality of the agency financial statement for Ministry of Waterways and Environment has not improved. This indicates that significant matters reported in the independent auditors' report were not given sufficient priority and attention. As a result, most of these matters remain unresolved resulting in modified audit opinion.

The following table presents comparisons of the results of our audit for the past three financial years.

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
Ministry of Economy	27/10/21	Unmodified	Unmodified	Unmodified
Ministry of Housing and Community Development	15/11/21	Unmodified	Unmodified	Unmodified
Ministry of Public Enterprise	01/06/21	Unmodified	Unmodified	Unmodified
Ministry of Local Government	02/09/21	Unmodified	Unmodified	Modified
Ministry of Waterways and Environment	18/11/21	Modified	Modified	---

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** and/or **Other Matter** paragraph is included in the auditor's report to highlight an issue that will help the user better understand the financial statements.

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

Based on the above, we issued modified audit opinion on the following grounds.

Ministry of Waterways and Environment

1. Monthly bank and Trust Fund Account reconciliations for the Environment Trust Fund account were not performed during the financial year. As a result, an unreconciled variance of \$4.1 million existed between the bank balance (bank audit confirmation) and the FMIS general ledger balance. Furthermore, the Ministry was unable to provide for verification payment vouchers and supporting documents of the trust fund account for payments totalling \$359,980. Consequently, audit was unable to substantiate the accuracy and completeness of the Trust Fund Account balance of \$6.05 million reflected in the Environment Trust Fund Account.

Note 6(b) to the financial statements provides the status of the Ministry's effort to resolve the above variance. The Environment Trust Fund account bank reconciliation statements for 2019 - 2021 have been prepared and submitted to the Ministry of Economy.

2. Contrary to the requirements of section 49 of Finance Instructions 2010, the Ministry did not prepare a report for the annual board of survey of assets under its authority. As a result, audit was unable to verify the existence and condition of the Ministry's assets and could not ascertain the accuracy of Loss of Assets recorded in the Statement of Losses.
3. The Ministry disbursed a total of \$3.4 million as capital grants to Municipal Councils for maintenance of drainage. Audit was unable to extend the verification beyond the acquittal reports submitted by the Municipal Councils. The acquittals reports were not supported with appropriate progress reports and project completion reports or engineer's certificate. Furthermore, the Ministry did not carry out independent verification of the projects to ascertain whether the projects were undertaken as per the approved scope and plan. Due to the lack of appropriate supporting documents and evidence of verification by the Ministry, audit was unable to ascertain whether value for money for payments totalling \$3.4 million for maintenance of drainage reflected as Capital Grant and Transfers in the Financial Statements has been achieved.
4. Funds totalling \$50,505 were transferred from the Drainage Boards in accordance with section 26 of the Drainage (Budget Amendment) Act 2018. The funds transferred were

neither based on audited closing cash at bank balance nor supported with closing bank statements balances of the respective Drainage Boards. As a result, audit was unable to ascertain the accuracy and completeness of the Transfer of Drainage Board Fund revenue totaling \$50,505 reflected in the Statement of Receipts and Expenditure.

3.0 ASSESSMENT OF FINANCIAL GOVERNANCE

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 Ministry of Housing 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

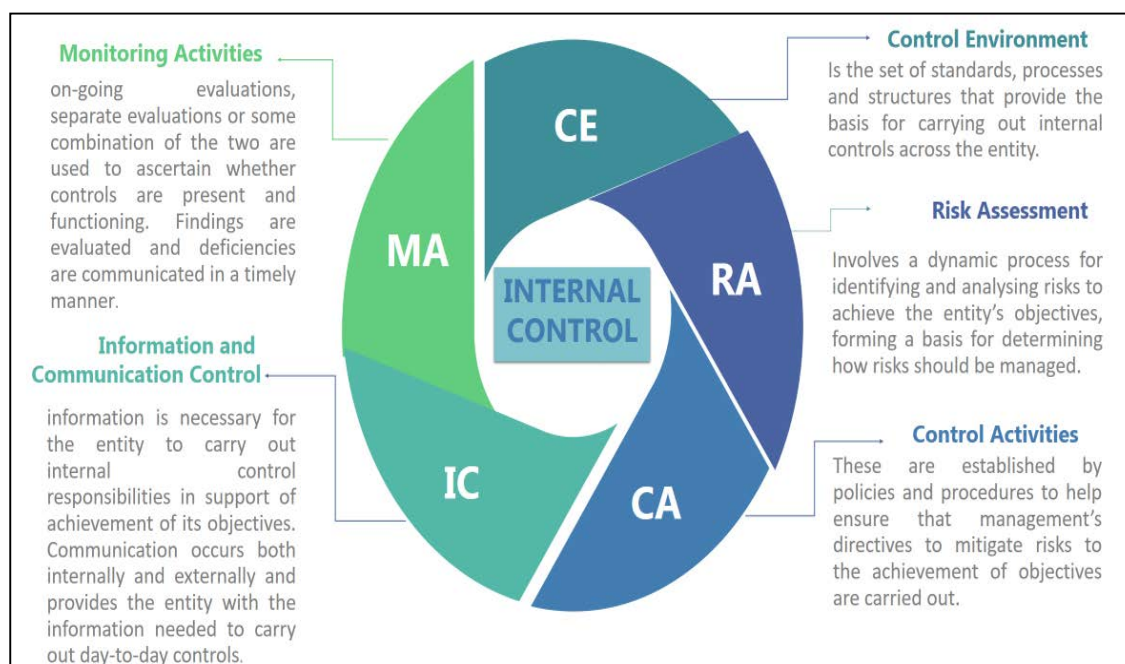
During our audit, we assess the design and implementation of controls to ensure that they are suitably designed to prevent, detect and correct material misstatements. Where audit strategy requires, we also test the operating effectiveness to ensure the internal controls are functioning as designed.

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. Refer to the next page.




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.

- Cancellation of unprocessed purchase orders by 12 July 2019
- Retirement of Imprest by 19 July 2019
- Processing of payments by 29 July 2019
- Clearance of stale cheques by 5 August 2019
- Closing date for journal adjustments by 7 August 2019
- Processing of virement by 23 August 2019
- Completion of reconciliation by 29 August 2019
- Clearance of Inter departmental clearance accounts by 30 August 2019
- Annual Board of Survey on Drawings accounts cheques by 30 August 2019
- Submission of Arrears of Revenue Return by 30 August 2019

When ministries and departments achieves 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	Internal control assessment
● Effective	All 10 key processes completed by due date
● Generally effective	Five or 10 key processes completed within two weeks of due date.

Rating	Internal control assessment
 Ineffective	Less than five or 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	Internal control 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

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	Internal control assessment
 Effective	Acceptable draft financial statements received before or on 15 October 2019.
 Generally effective	Acceptable draft financial statements received before or on 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 the entity and the date management comments and signed accounts were received.

Rating	Internal control assessment
Timeliness of Management Comments	
★ Effective	Within 14 days from the issue of Draft Management Letter
★ Generally effective	Within 21 days from the issue of Draft Management Letter
★ Ineffective	After 21 days from the issue of Draft Management Letter
Timeliness of Signed Accounts Received	
★ Effective	Within 5 days from the issue of Financial Statements for signing
★ Generally effective	Within 15 days from the issue of Financial Statements for signing
★ Ineffective	After 15 days from the issue of Financial Statements for signing

4.0 RESULT SUMMARY – FINANCIAL GOVERNANCE

The following table summarizes our assessment of controls and the 2018-2019 financial statement preparing processes across Ministries and Departments which were audited.

Ministry or Department		Internal controls										Financial Statement Preparation					Responses to OAG					
		CE		RA		CA		IC		MA		T		YE		Q					MC	
Financial Year		'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17	'19	'18	'17
General Administration Sector																						
4. Ministry of Economy		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Social Services Sector																						
23. Ministry of Housing		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Economic Services Sector																						
36. Ministry of Public Enterprise		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
37. Ministry of Local Government		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●
Infrastructure Services Sector																						
41. Ministry of Waterways		●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●	●

'17 = 2017	'18 = 2018	'19 = 2019	
CE=Control Environment			RA=Risk Assessment
IC=Information and Communication Control			CA=Control Activities
T=Timeliness of draft financial statements			MA=Monitoring Activities
MC=Management Comments provided			SFS=Signed Audited financial statements returned
			Q=Quality of draft financial statements
			YE= Year-end close processes

HEAD 04

MINISTRY OF ECONOMY

Roles and Responsibilities

The Ministry of Economy is responsible for managing public finances in accordance with the Fijian Constitution and the Financial Management Act 2004.

The Ministry formulates Government's national budget and coordinates with other ministries and departments to ensure effective implementation. The Ministry through its various functional units promotes sound management of the Fijian economy via economic analysis, efficient budgeting and pro-active planning, including prudent management of financial assets and debts and the administration of fiscal policy and tax collection through the Fiji Revenue and Customs Service.

Other major roles include: coordination and management of Government's capital construction projects including its offices and accommodation; formulation of national development plans, including climate change policy and financing, monitoring of programmes and projects under the national budget; and ensuring effective operation of the Fiji Bureau of Statistics [FBOS] in collating, storing and publishing statistical information in a timely and coherent manner.

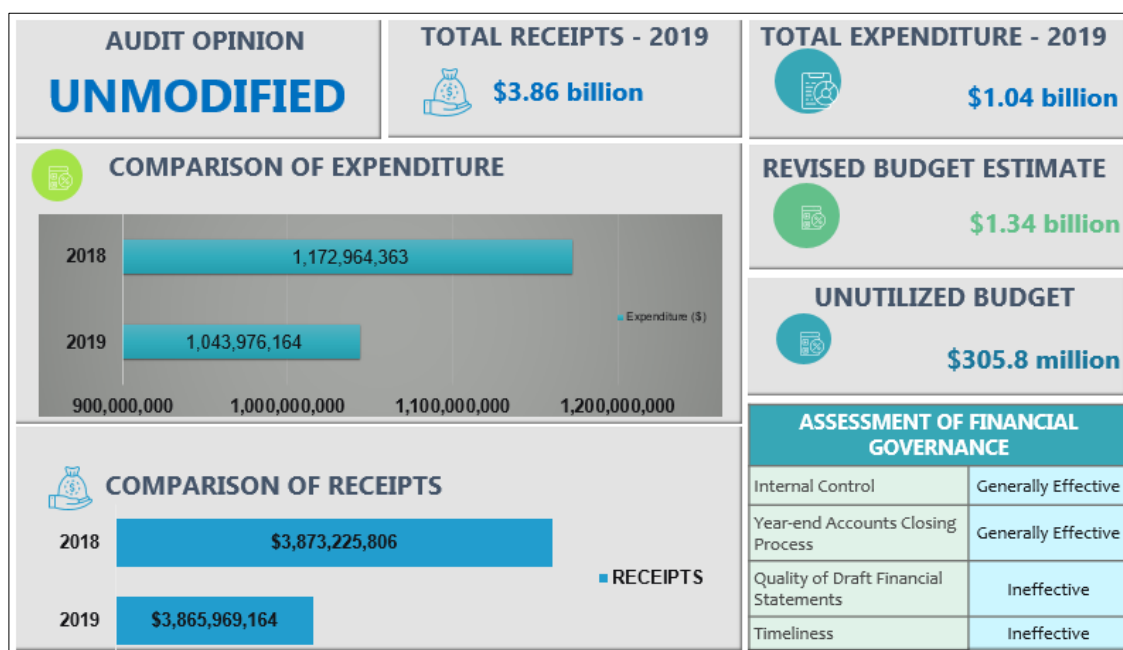
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PART A: FINANCIAL INFORMATION



The budget, including total receipts and expenditures, consisted of the following Heads:

- Head 4 – Ministry of Economy and Fiji Bureau of Statistics
- Head 50 – Miscellaneous Services
- Head 51 – Pensions, Gratuities and Compassionate Allowances
- Head 52 – Charges on Account of Public Debt
- Head 13 – Fiji Independent Commission Against Corruption

4.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Economy resulted in an unqualified audit opinion, however, with emphasis of matters and other matters.

The Emphasis of Matters included the following:

1. The Office Accommodation Trading Manufacturing Account on Schedules 14 & 15 of the Agency Financial Statements relate to the semi-commercial arm of the Ministry that caters for the commercial rent out of government quarters. The Ministry recorded deposits and deductions of \$204,921 in the Office Accommodation TMA Balance Sheet as at 31 July 2019. The funds were transferred from Public Service Commission in 2015. The Ministry was not able to provide detailed listing to confirm the completeness and accuracy of deposits and deductions of \$204,921. The Ministry had agreed to resolve the matter in the subsequent year's financial statements.

2. There were opportunities to improve internal controls over the Parenthood Assistance Scheme. The audit could not establish whether independent checks were carried out to confirm the accuracy of the information provided in the application forms. There was no documentary evidence to confirm that the bank accounts were opened under the children's name and there were no follow up with financial institutions to confirm that a minimum balance of \$500 were retained in the bank accounts to be accessed only when the child is enrolled in Year 1. These internal control weaknesses, if not addressed promptly, may result in material misstatement and possible financial losses in the future.
3. A total grant of \$11.7 million was paid to Fiji Servicemen's After-Care Fund (FSAF) for the year ended 31 July, 2019. The FSAF has yet to submit the draft financial statements for the years ended 31 July 2017 to 2019 for audit. A disclaimer of opinion was issued for the year ended 31 July 2016.

Other Matters included the following:

1. The Ministry did not have a Risk Management Policy and was still in the process of finalising the Strategic Plan and Costed Operational Plan.
2. The Trading and Manufacturing Account (Fiji Procurement Office and Office Accommodation) are operating on semi-accrual accounting basis instead of full accrual accounting as required by the Finance Instructions 2010. Property, plant and equipment used for the operation were not disclosed in the balance sheet of the Trading Accounts.
3. The Ministry did not disclose any significant events subsequent to year end that would require adjustment to or disclosure in the financial statements.

4.2 Appropriation Statement – Head 4 Ministry of Economy

The Ministry collected revenue totalling \$3.86 billion in 2019 and incurred expenditure totalling \$73.8 million against a revised budget of \$120.4 million resulting in unutilised budget of \$46.7 million or 38.8%.

Details of expenditures against the revised budget are provided in Table 4.1.

Table 4.1: Head 4 - Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	18,637,119	22,500	18,659,619	11,949,400	6,710,219
2	Government Wage Earners	617,647	117,462	735,109	578,270	156,839

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
3	Travel & Communication	1,760,039	25,000	1,785,039	1,142,258	642,781
4	Maintenance & Operations	1,949,500	(28,962)	1,920,538	1,265,727	654,811
5	Purchase of Goods & Services	2,513,506	(138,000)	2,375,506	1,745,067	630,439
6	Operating Grants & Transfers	80,472,722	---	80,472,722	54,358,640	26,114,082
7	Special expenditure	3,611,617	2,000	3,613,617	2,298,768	1,314,849
	Total Operating Expenditure	109,562,150	---	109,562,150	73,338,130	36,224,020
8	Capital Construction	---	---	---	---	---
9	Capital Purchase	---	---	---	---	---
10	Capital Grants & Transfers	10,000,000	---	10,000,000	---	10,000,000
	Total Capital Expenditure	10,000,000	---	10,000,000	---	10,000,000
13	Value Added Tax	885,100	---	885,100	416,897	468,203
	TOTAL	120,447,250	---	120,447,250	73,755,027	46,692,223

The unutilised budget were largely due to the following:

1. Unutilised budget of \$6.7 million in SEG 1 - Established Staff was due to the significant number of positions that remained vacant at year end due to the delay in filling them.
2. Unutilised budget of \$26.1 million in SEG 6 - Operating Grants and Transfers was due to the partial release of funding to the Fiji Revenue Customs and Service. Grants were released on need for funding basis.
3. Unutilised budget of \$1.3 million in SEG 7 - Special Expenditure were due to the delay in the development of the National Asset Management Framework and savings from the Population Census and Household Income & Expenditure Survey.
4. Unutilised budget of \$10 million in SEG 10 - Capital Grants and Transfer was due to non-release of quarterly capital grants to the Fiji Revenue and Customs Service.

4.3 Appropriation Statement – Head 50 Miscellaneous Services

Miscellaneous Services is administered by the Ministry of Economy. The funding provided under Head 50 normally include contingency funding and other common central pools of funds that are available to the Whole of Government. It also includes funding for activities that require scrutiny and monitoring by the Ministry of Economy.

Expenditures totalling \$310.4 million were incurred under Head 50 in 2019 against a revised budget of \$538.9 million resulting in unutilised budget of \$228.5 million or 42%.

Details of expenditures against the revised budget are provided in Table 4.2.

Table 4.2: Head 50 - Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	10,000,000	---	10,000,000	---	10,000,000
2	Government Wage Earners	---	---	---	---	---
3	Travel & Communication	5,438,300	---	5,438,300	2,744,969	2,693,331
4	Maintenance & Operations	---	---	---	---	---
5	Purchase of Goods & Services	47,649,038	(3,352,838)	44,296,200	38,386,303	5,909,897
6	Operating Grants & Transfers	2,845,231	130,000	2,975,231	2,319,426	655,805
7	Special expenditure	32,508,480	5,768,026	38,276,506	27,067,620	11,208,886
	Total Operating Costs	98,441,049	2,545,188	100,986,237	70,518,318	30,467,919
8	Capital Construction	22,480,970	(1,167,355)	21,313,615	6,723,139	14,590,476
9	Capital Purchase	33,500,000	(1,594,365)	31,905,635	25,326,720	6,578,915
10	Capital Grants & Transfers	400,813,498	(28,108,741)	372,704,757	200,589,546	172,115,211
	Total Capital Expenditure	456,794,468	(30,870,461)	425,924,007	232,639,405	193,284,602
13	Value Added Tax	12,628,500	(617,368)	12,011,132	7,237,375	4,773,757
	TOTAL	567,864,017	(28,942,641)	538,921,376	310,395,098	228,526,278

The unutilised budget were mainly due to the following:

1. Unutilised budget of \$193.3 million in SEGs 8 – 10 Capital Expenditures were due to the partial release of funds to agencies based on the funding needs, delay in progress of project implementations and finalisation of procurements.
2. Unutilised budget of \$11.2 million in SEG 7 - Special Expenditure was due to the delay in the implementations of projects such as Public Private Partnership for housing and for health and the deferral of support measures for Crop Insurance Development.

3. The budget of \$10 million for SEG 1 - Established Staff was not utilised as there were no over expenditures for Ministries and Department.

4.4 Appropriation Statement – Head 51 Pensions, Gratuities and Compassionate Allowances

The Pensions Section manages the computation and payment of various pensions in accordance with existing pension legislation. The Section also processes re-engagement benefits for prison officers, military officers and forest guards. The section oversees the payment of pensions to Government Pensioners, Ex-Parliamentarians, Ex-Prime Ministers and Presidents, Ex-Chief Justices and Retired Judges, Service Pensioners and the widows and orphans of deceased public officers.

Expenditures totalling \$34.6 million were incurred under Head 51 against a revised budget of \$46.2 million, resulting in unutilised budget of \$11.6 million or 25.1% for 2019.

Details of expenditure against the revised budget are provided in Table 4.3.

Table 4.3: Head 51 - Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
11	Pensions	45,315,100	(8,676)	45,306,424	33,895,442	11,410,982
	Gratuities	906,000	8,676	914,676	752,000	162,676
	TOTAL	46,221,100	---	46,221,100	34,647,442	11,573,658

The unutilised budget resulted from the decrease in the number of pensioners from natural attrition and non-submission of Life Certificates, which is required on a six-monthly basis.

4.5 Appropriation Statement – Head 52 Charges on Account of Public Debt

Funds allocated under Head 52 – Charges on Account of Public Debt were for the repayments of domestic and overseas loans.

Expenditures totalling \$617.4 million was incurred under Head 52 in 2019 against a revised budget of \$635.8 million, resulting in unutilised budget of \$18.4 million or 3%.

Details of expenditure against the revised budget are provided in Table 4.4.

Table 4.4: Head 52 - Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
Finance Charges on Public Debt						
12	Miscellaneous Payment	9,200,000	---	9,200,000	3,903,139	5,296,861
14	Overseas Loans	123,372,400	---	123,372,400	109,191,082	14,181,318
15	Domestic Loans	503,178,900	---	503,178,900	504,269,080	(1,090,180)
	TOTAL	635,751,300	---	635,751,300	617,363,301	18,387,999

4.6 Appropriation Statement – Head 13 FICAC

Expenditures totalling \$7.8 million was incurred under Head 13 in 2019 against a revised budget of \$8.4 million. The expenditure was related to grants paid to the Fiji Independent Commission Against Corruption (FICAC).

Details of expenditure against the revised budget are provided in Table 4.5.

Table 4.5: Head 13 - Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Budget (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
6	Operating Grants & Transfers	8,480,987	---	8,480,987	7,815,296	665,691
	TOTAL	8,480,987	---	8,480,987	7,815,296	665,691

4.7 Trading & Manufacturing Account (TMA)

Trading & Manufacturing Accounts are government owned entities that are operated on a semi-commercial basis and within the limits of a prescribed ceiling set by the Minister to provide goods, services or works cost effectively, whilst increasing the returns that are realised from them. The Ministry of Economy operated two TMAs which included the following:

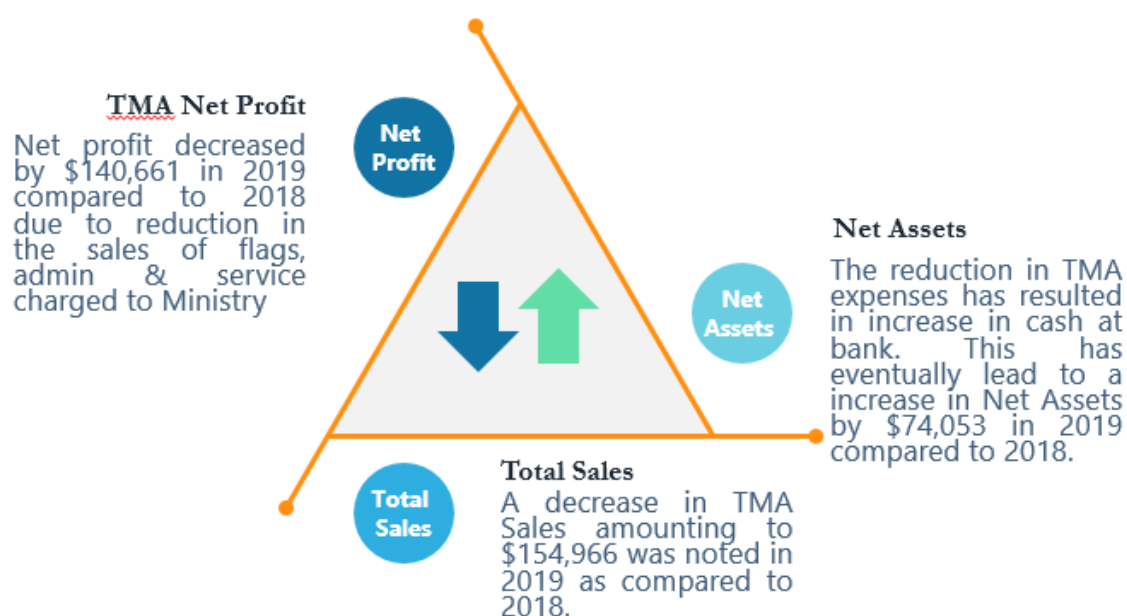
(a) Fiji Procurement Office (FPO)

The FPO TMA is designed to assist with the procurement and logistic service requirements in line with the Ministry of Economy's objectives. FPO sells official Fiji flags, charges for tender documentation fees, levies accounts and administrative charges to Ministries for payment

services and logistic service charges for customs clearance of imported goods and delivery of items from ports to agency site.

The financial analysis of the FPO TMA for the year ended 31 July 2019 is provided below.

1



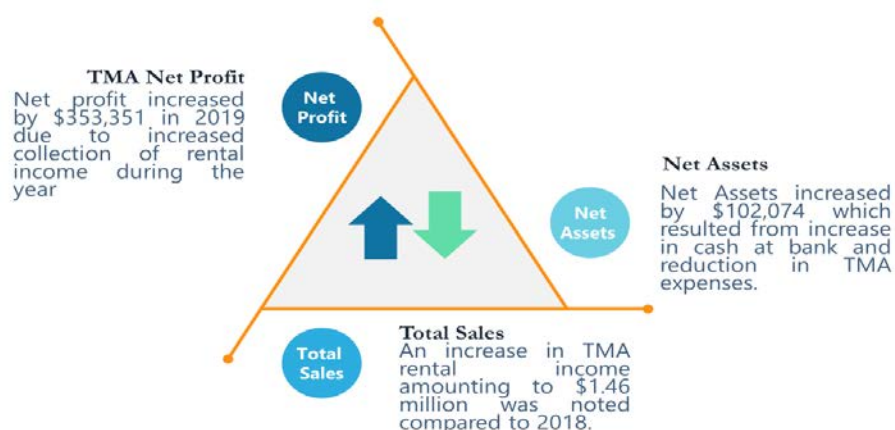
Detailed Statements for the FPO TMA are provided in [Appendix 4.1](#).

(b) Office Accommodation

The Office Accommodation TMA provides housing for eligible civil servants. In 2009, the responsibility of the function was extended to commercial rental to interested members of the public resulting in the establishment of the TMA in 2011. The TMA is solely responsible for the semi-commercial nature that caters for commercially renting out of quarters.¹

¹ Office Accommodation & Government Housing, Construction Implementation Unit, Ministry of Economy TMA Business Plan 2016

The financial analysis of TMA for the year ended 31 July 2019 is provided below.



Detailed Statements for the Office Accommodation TMA are provided in [Appendix 4.2](#).

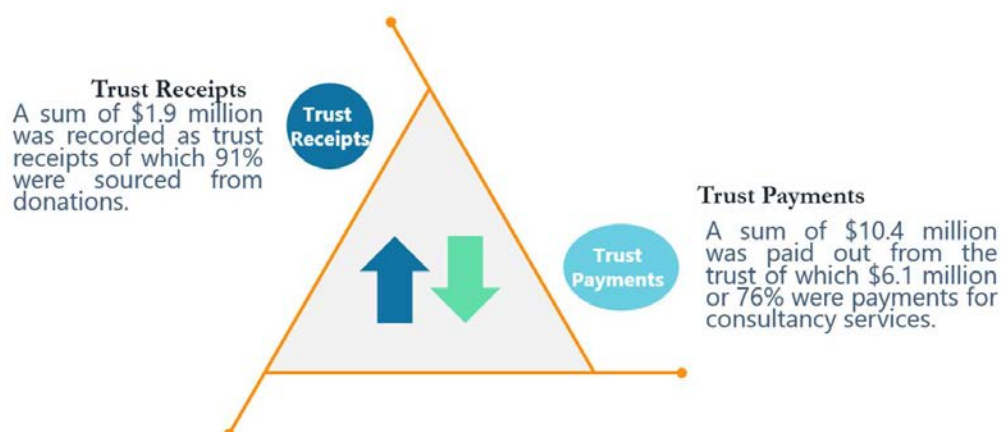
4.8 Trust Fund Account

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 withdrawal for use. The Ministry of Economy operated and maintained ten main trust fund accounts which included the following:

(a) COP 23 Trust Fund

The COP 23 Presidency Trust Fund account was established for the funding of the Republic of Fiji ('government') in their role as President of Conference of Parties 23 and to assist the government to finance programmes, projects and activities that relate to the Paris Agreement and for related matters. As at 31 July 2019, the account had a balance of \$5.1 million.

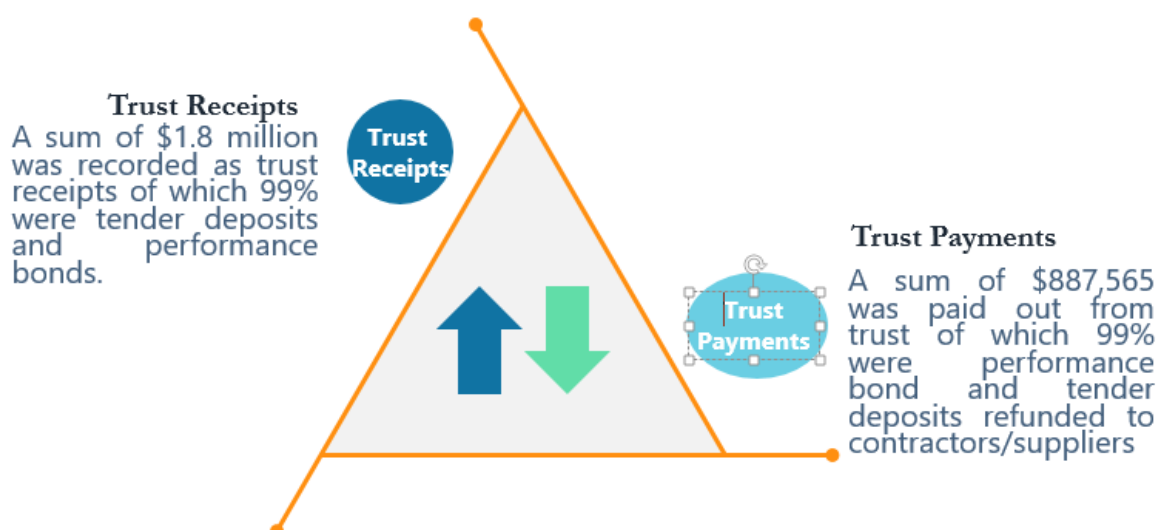
1



(b) Performance Bond

Performance bonds for tenders awarded by the Fiji Procurement Office as a means of security for the faithful performance of contracts for which payments are made according to the tender contracts. As at 31 July 2019, the Trust Fund account had a balance of \$6.5 million.

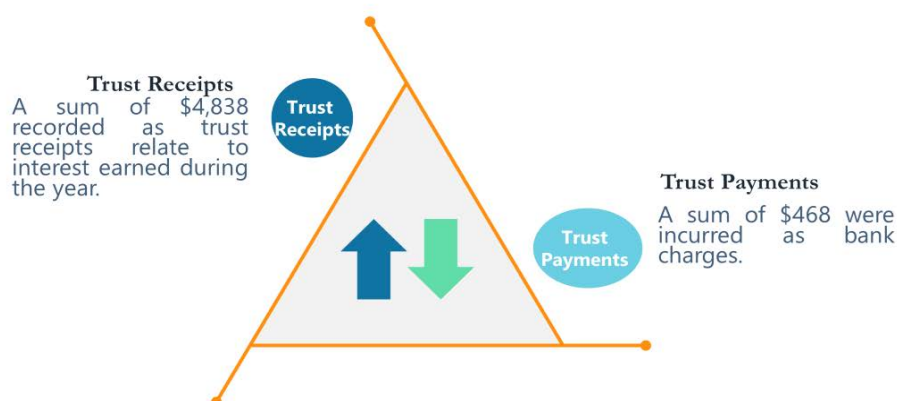
2



(c) TC Winston Trust Fund Account

The Tropical Cyclone Winston Trust Fund Account was established for donations received from various donors of the Cyclone Winston Relief Fund appeal. As at 31 July 2019, the Trust Fund account had a balance of \$3.6 million.

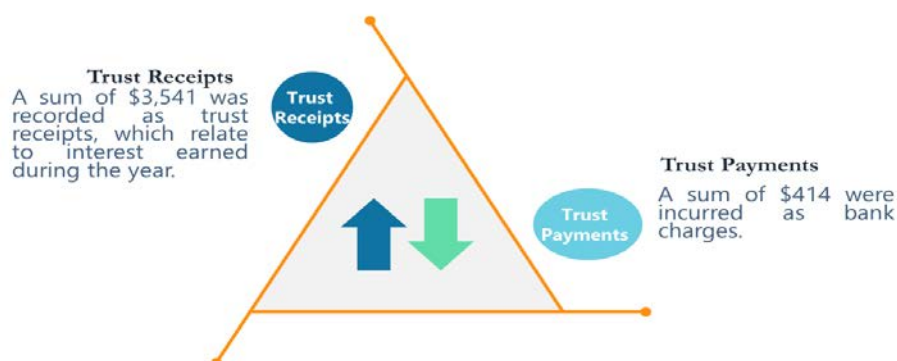
3



(d) Government Tuna Stabilization Trust Fund

This trust fund was established to facilitate the Tuna Stabilization Fund (TSF) Policy. The underlying purpose of the TSF policy is to assist locally owned fishing companies by providing funding assistance to the fishing companies that are locally owned and/or controlled. The fund was created to assist these companies raise their financial capacity to compete with foreign fishing companies. As at 31 July 2019, the Trust Fund account had a balance of \$0.4 million.

4



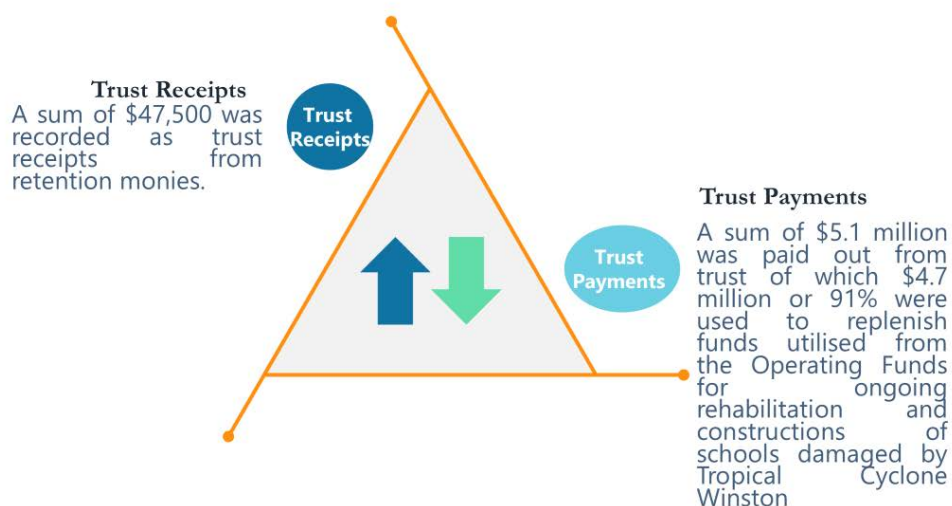
(e) ODA Performance and Tenancy Bond

The Tenancy trust fund account was established to record tenancy bonds for occupation of quarters on rent. As at 31 July 2019, the Trust Fund account had a balance of \$0.2 million, and there was no movement in the balances during the year.

(f) Adopt a School Trust Fund

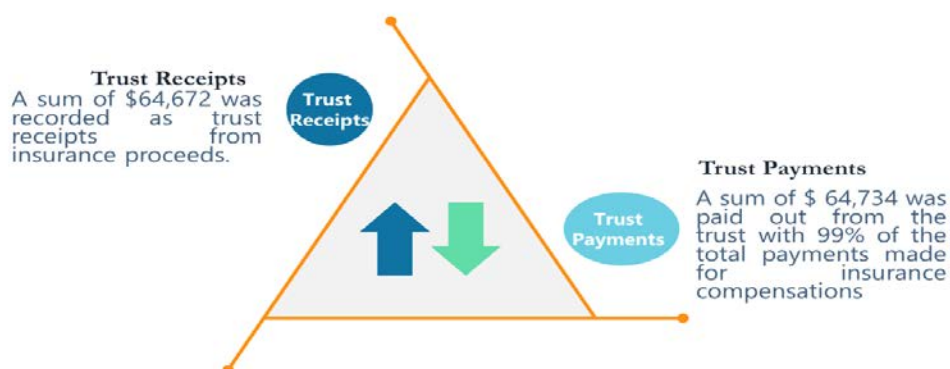
The trust fund was established specifically to record funds received from donors willing to carry out the rehabilitation of schools. As at 31 July 2019, the Trust Fund account had a balance of \$4.7 million.

5

**(g) Group Insurance Trust Fund Account**

The trust account receives insurance payments and facilitates payments after assessments are made to the nominees of the insurance policy holders upon death. As at 31 July 2019, the Trust Fund account had a balance of \$0.09 million.

6



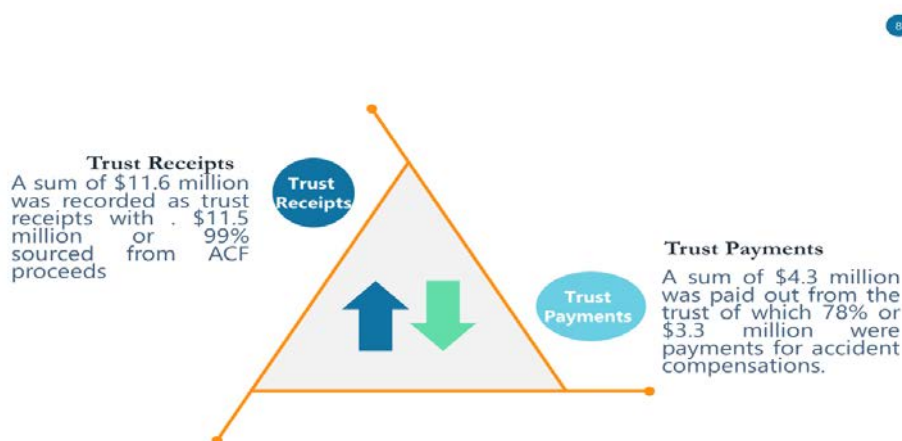
(h) Miscellaneous Fund and Others

The trust fund account was established following a Cabinet decision on "Effective management of trust monies - FIN 60/16" CP (09)72 of 16/06/09. The Cabinet approved that the surplus funds in various Agency trust bank accounts be transferred into the Consolidated Trust Fund account. As at 31 July 2019, the Trust Fund account had a balance of \$8.8 million.

While there were no expenditures incurred during the year, \$174,094 was recorded as trust receipts from interest earned during the year.

(i) Accident Compensation Fund

This trust fund account was established for the payment of compensation for personal injury and death as a result of an accident in Fiji arising out of and in the course of employment and accidents occurring on any school premises. As at 31 July 2019, the Trust Fund account had a balance of \$14.5 million.



Detailed statements for trust receipts and payments are provided in [Appendix 4.3](#).

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.

4.9 Detailed listing not maintained for rental bond received - Office Accommodation TMA

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.²

The audit noted that detailed listings to support the rental bonds of \$204,921 were not maintained by the Ministry.

Root Cause/Implication

There was no handover when management of Office Accommodation was transferred from the Public Service Commission to the Ministry of Economy.

In the absence of detailed listings, we were not able to ascertain the accuracy and completeness of the deposits and deductions balance reflected in the Trading and Manufacturing Account - Accommodation as at 31 July 2019.

Recommendation

The Ministry should ensure that detailed listings of the bonds received from tenants are maintained.

² Finance Instruction 2010 - Section 58(3)

Agreed Management Action

The recommendation of the auditors are noted. A thorough exercise would be carried out to prepare the detailed bond listing which should be finalised in FY2021-2022.

Officer Responsible

Head of CIU.

4.10 Anomalies in the Parenthood Assistance Payment

The parenthood assistance payment (PAP) of \$1,000 was provided in the 2018/2019 budget to assist low income families cover the costs of rearing a child during infancy and upon entering primary school.

The review of the applications under the PAP program ([Appendix 4.4.](#)) revealed the following:

- The audit could not ascertain whether independent checks were carried out to confirm the accuracy of the information provided in the application forms such as the annual gross income of applicants.
- There were no documentary evidence to confirm that the bank accounts were opened in the children's name.
- The audit could not ascertain that follow-ups were made with financial institutions to confirm that a minimum balance of \$500 have been retained in the children's bank account.
- Contrary to Section 2.9.3 of the Finance Manual, the parenthood assistance of \$14.1 million paid to applicants were not processed through payment vouchers. Instead, direct transfers were made by the bank upon receiving approval from Registrar of Births, Deaths and Marriages.

Root Cause/Implication

There were no Inter-Agency Data Sharing Memorandum of Understanding/Agreement between the Government entities involved in the PAP program.

Recommendations

The Ministry should review the processes involved in the PAP program and develop an inter-agency Memorandum of Understanding describing principles, procedures, roles and responsibilities for the parenthood assistance scheme. In addition, internal control and oversight of the PAP program should be improved.

Agreed Management Action

We agree with the recommendation. The scheme is not budgeted in the FY 2020-2021. If the programme is reintroduced to be budgeted, the Ministry will ensure that internal control processes are observed and improved.

Officer Responsible

Head of Budget and Planning.

4.11 Grant paid to Fiji Servicemen's Aftercare Fund

Administering agencies must review each grant scheme each year to determine whether it is achieving its specified outcomes as efficiently and effectively as possible and, where it is not, must take action necessary to improve its efficiency and effectiveness. Acquittal reports must be obtained before the next monthly or quarterly grants are paid out. The administering agency must ensure that each grant has been used only for the purpose for which it was provided.³

The audit could not ascertain whether the Ministry had carried out a review of the grant scheme to the Fiji Servicemen's Aftercare Fund (FSAF). A disclaimer of opinion was issued to FSAF's last audited financial statements for the period ending 31 July, 2016.

A total of \$11.7 million was paid to FSAF during the year of which \$11 million was acquitted. Refer to Table 4.6 for details.

Table 4.6: Details of Amount Paid and Acquitted by FSAF

Recipient	Amount Paid (\$)	Amount Acquitted (\$)	Unutilised Sum (\$)
FSAF	11,685,749	11,021,466	664,283

Root Cause/Implication

Non-compliance with the Grant Agreement between the Ministry of Economy and Fiji Servicemen's Aftercare Fund.

Recommendation

The Ministry should ensure that the requirements of the Grant Agreement are complied with.

³ Finance Instructions 2010 – Section 16 - (6), (8) and (9).

Agreed Management Action

The Fiji Servicemen's Aftercare Fund receives annual grant, through the annual budget process for which an agreement is signed between the Ministry of Economy and Aftercare Fund on the disbursements of funds. The roles and responsibilities of both the agencies is stipulated in the signed agreement.

The Ministry of Economy reviews the grant on yearly basis through the submission of acquittals and progress reports of the current year through the normal budgetary process whereby expenditure are critically reviewed and allocated. Based on this, the following year's grant is determined. For example, a sum of \$11.7m was provided in the 2018-2019 FY and \$11.3m in the 2019-2020 FY. The reduction of \$0.4m was due to the reduction in the number of recipients who were no longer in the service. The fluctuations in the annual grant for the Aftercare over the years is tabulated below

Financial Year	Annual Grant (\$)
2016-2017	8,776,749
2017-2018	10,985,749
2018-2019	11,685,749
2019-2020	11,285,749
Revised 2019-2020	11,285,749
2020-2021	11,485,749
2021-2022	12,045,239

We understand that there was unutilized sum of around \$664,283, emanating from the 2018-2019 FY which was rolled over to 2019-2020 FY. In the 2019-2020 FY, the Aftercare Fund was transferred from the Ministry of Economy to the Ministry of Defence, National Security and Policing.

Officer Responsible

Head of Budget and Planning.

4.12 Accounting for TMA Assets

The profit and loss statement and the balance sheet must be prepared on an accrual accounting basis.⁴

The audit noted that the cost of property, plant and equipment acquired for Trading and Manufacturing Activities have not been capitalised. For example, the cost of the forklift of

⁴ Finance Instructions 2010 – Section 30(2)

\$55,300 acquired in 2019 was not capitalised but included as repairs and maintenance expenses.

Root Cause/Implication

The Ministry's Finance Manual does not specify the accounting policy and guideline to account for property, plant and equipment purchased for TMA.

The TMA Policy is not aligned to the requirements of the Finance Instruction 2010.

Recommendation

The Ministry should review its Finance Manual and clearly document the accounting policies including treatment and presentation of fixed assets purchased for TMA.

Agreed Management Action

The recommendation of the auditors are noted. Fiji Procurement Office will review the Finance Manual and clearly document the accounting policies including treatment of fixed assets bought through TMA.

Officer Responsible

Head of Procurement.

4.13 Batch posting of transactions using Smartlink

Financial transactions shall be posted into automated information system (General Ledger System) using journal entry input forms or directly from source documents such as journal vouchers or payment vouchers.⁵

The Ministry used Smartlink for batch posting of transactions totalling \$7.8 million. The audit could not ascertain the existence of controls on the use of Smartlink to post large volume of transactions in the FMIS general ledger. Refer to [Appendix 4.5](#) for details of batch postings.

Root Cause/Implication

The process/procedure on the use of Smartlink is not documented in the Finance Manual. The absence of documented procedures and the lack of supervisory checks increases the risk of misstatements.

⁵ Ministry of Economy Finance Manual 2018 Section 16.2.1

Recommendation

The Ministry should review the Finance Manual to include the process for using Smartlink and the approval thresholds for journal vouchers / Smartlink.

Agreed Management Action

The Finance Manual will be updated to reflect the usage of Smartlink and thresholds. The Smartlink postings are accompanied by approved JVs as additional controls which is the current practice.

Officer Responsible

Respective Accounting Heads of Section.

4.14 Mis-posting of revenue

The audit noted that revenue transactions totalling \$8.65 million were incorrectly posted in the FMIS general ledger. Refer to [Appendix 4.5](#) for details.

Root Cause/Implication

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

Recommendation

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.

Agreed Management Action

We acknowledge the audit issue. However, we also wish to highlight that the new grant allocations were setup at that time in FMIS to cater for the new grants anticipated to be received by Government in the fiscal year 2019. The past practice was posting of all grants receipted into the GCA to the 'Other Grants-In-Aid' allocation in FMIS. As a change, separate revenue allocations have been created to cater for the vast majority of revenue items in the FMIS.

Officer Responsible

Respective Accounting Heads of Section.

4.15 Expired Tenancy Agreements

A total of \$28.9 million was paid to various landlords for office space to the various Government Ministries/Department.

Our audit noted that the tenancy agreements based on which a total rental payment of \$2.8 million were made, had expired. The expiry dates of these tenancy agreements ranged from 1984 to 2019.

Root Cause/Implication

Tenancy agreements do not include the clause on the automatic transition from month to month status.

Recommendation

The Ministry should expedite the renewal of the tenancy agreements upon expiry and ensure that the terms and conditions in the rental agreement is consistent with other rental agreements.

Agreed Management Action

The Ministry notes the comments and is currently in the process of drafting the new Agreements with current terms and conditions and undertake all due processes to ensure that Agreements are valid.

To date, the landlords had not raised any litigation against the Ministry and based on mutual agreement it is being occupied and paid monthly.

Officer Responsible

Head of CIU

4.16 Clarity in the Procurement Regulation for "Urgent Waiver of Tender"

Public tenders must be called for any procurement of goods, services or works valued at \$50,000 or more, unless a Tender Board has approved an exemption in accordance with the Procurement Regulations.

The Board may approve that tenders procedures be waived where there is only one supplier capable of supplying the goods, services or works and a supplier has been nominated by an aid agency which is fully funding the procurement.⁶

If it is impractical to comply with regulations 30 in relation to the provision of urgent infrastructure development and services, the Minister of Economy may on this basis exempt such particular infrastructural services from complying with regulations 30 sub regulation 1.⁷

With reference to Section 48 of the Procurement Regulations, the Ministry had requested for waiver of tender procedures for the procurement of goods, services and works valued at more than \$50,001.

Although approvals for urgent waiver of tender were sighted, audit could not ascertain whether these services or works carried out met the criteria for “provision of urgent infrastructure development and services”. Refer to [Appendix 4.6](#) for details.

Root Cause/Implication

Ambiguity in the regulation on the definition of “urgent infrastructure services” as per the procurement regulation.

Recommendation

It is recommended that the Procurement Regulation is reviewed to clearly define “urgent infrastructure development and services”.

Agreed Management Action

The Ministry notes the requirement of Procurement Regulation 2010. However, due to the urgency and nature of works and limited timeframe, the waiver of tender processes were sought which are as follows:

- *due to the urgency of the project since the building was deteriorating significantly and posing high risk to occupants. Therefore, to expedite the construction works, the waiver of tender processes;*
- *due to the priority and need for expertise required and nature of project with high security requirement, the waiver of tender was requested. The first layer of procurement by calling EOI for architects was made and costing was requested for proposal of fees from the shortlisted bidders; and*

⁶ Procurement Regulations 2010 – Regulation 48 (1)

⁷ Procurement Regulations 2010 – Regulation 48 (4)

- *Similar to other projects, the ITC Centre required urgent maintenance as the Government data was at risk and could affect the operations of Government, therefore to expedite the maintenance works, waiver of tender process was sought. The earlier scope has very minimal approach given that the real assessment was unknown until preliminary assessment was submitted. Upon receiving the detailed assessment, there was requirement for design change to ensure that Government will not be required to revisit this project in near future for further maintenance.*

Officer Responsible

Head of CIU.

4.17 Excessive variations and extension of time for completion

A variation is an alteration to the scope of work originally specified in the contract, whether by way of an addition, omission or substitution to the works, or through a change to the manner in which the works are to be carried out. Any variation to the value of the initial contract must be approved by the Board.⁸

Our review of sample projects with variations approved by the Government Tender Board and Minister for Economy noted that variations exceeded 10% of the original contract sum. Refer to [Appendix 4.7](#) for examples of variations and extension of time for completion of projects.

Root Cause/Implication

The variations indicate insufficient project planning and lack of involvement during the design phase.

The request for extension of completion time indicates that contractors may have redirected resources to other projects as they have been engaged by the Ministry in multiple projects concurrently.

Recommendations

The Ministry should:

- develop a variation order procedure which should outline a decision tree when to call for re-tender if variation exceeds a certain percentage of the original contract amount;
- ensure that sufficient data/information is obtained prior to developing designs; and
- ensure that designs are complete at the tender stage to minimize variation.

⁸ Procurement Regulation 2010 – Regulation 11(2)

Agreed Management Action

The design is on preliminary concept developed and full stages at individual levels. Therefore, these variations are either unforeseen or considered as latent conditions. The variation is always kept at minimal; however, on some occasions we equate the value of variation works against the retendering process. During the execution of the project, if that particular project suffers damages from disaster such as cyclone and flood, we will have to request the contractor and consultant to attend those work. Setting up a limit or policy will lead to further delaying the completion of the project and will add more risk to Government as all risk related costing will be charged to the client; hence, Government will end up losing more funds. Similarly, due to unforeseen circumstances, the Extension of Time (EoT) is granted and where not applicable the delay damages and liquidated damages are imposed as per the terms and conditions of the contract.

For this particular case, the roof of this building was blown away by another cyclone and at that moment there was a contractor and consultant assigned at the site. We have used most practical solution to include this additional works as variation to the standing contract on site to avoid new cost and charges for Detailed Damaged Assessment, Long Term structural design works, preliminaries & General for a new bidder, management of 2 contracts and contractors at one single site and on one building, profit margins and admin cost for implementing the project.

The relevant documents related to the projects on EoT can be viewed by OAG with Assistant Finance Manager – CIU

Officer Responsible

Head of CIU.

4.18 Anomalies in Operating Trust Fund Account

Reconciliation is an internal control activity established to ensure the accuracy of financial reports being produced not only at division level and/but most importantly at ministry level. The Accounts Officer must reconcile all accounts to be submitted to Manager Treasury within two weeks after the closing of each monthly account.⁹

Our review of the Head 50 Operating Trust (Retention Money) Fund revealed the delay in the preparation of monthly reconciliation statements. Refer below for examples:

⁹ Ministry of Economy Finance Manual 2018 – Section 17.3.3.2.1

- August 2018 to February 2019 reconciliation statements were prepared on 28 March 2019.
- March to May 2019 reconciliation statements were prepared on 10 July 2019.
- June and July 2019 reconciliation statements were prepared on 27 August 2019.

Root Cause/Implication

Delay in performing the reconciliation and preparing the reconciliation statement were due to the shortage of staff at CIU Department.

Recommendations

The Ministry should ensure that reconciliation of accounts are prepared on time and that supervisory checks are improved in the Accounting function and that internal controls are as required by the Finance Manual.

Agreed Management Action

The recommendation is noted. The monthly reconciliation of retention allocation is carried out regularly, which is matched against the individual project retentions.

Officer Responsible

Head of CIU

4.19 Variance between Overseas Pension Cash GL and Bank Reconciliation Statement

The Manager must verify balances in the bank reconciliation to the cashbook, bank statements, unpresented cheque list and the previous month's bank reconciliation before certifying it.¹⁰

The audit noted variances between cash balance in the FMIS general ledger and the bank reconciliation statement as at 31 July, 2019. Refer to Table 4.7 for details.

Table 4.7: Variance between FMIS general ledger and Amended Bank Reconciliation.

Cash Account	FMIS GL (\$)	Amended Bank Recon (\$)	Variance (\$)
Crown Agent	104,680	58,095	46,585

¹⁰ Ministry of Economy Finance Manual 2018 – Section 7.4.11

Root Cause/Implication

Incorrect treatment of Pension Cash Account as Drawings in the FMIS general ledger.

Recommendation

The Ministry should reconcile cash balance in the FMIS general ledger with bank reconciliation statement.

Agreed Management Action

This is a legacy issue and the Ministry has undertaken a thorough exercise to resolve the issues in FY2021-2022.

Officer Responsible

Manager Pension & Payroll

4.20 Increase in arrears of revenue for pensions

It is important to have in place a stringent credit policy and debt recovery procedures to counter the risk of losses from irrecoverable debts.¹¹

Our review of the arrears of revenue report noted the significant increase in the arrears as at 31 July 2019. Refer to Table 4.8 for details of arrears of revenue from 2016 – 2019.

Table 4.8: Details of Arrears of Revenue

2019 (\$)	2018 (\$)	2017 (\$)	2016 (\$)
172,528	141,743	149,639	110,545

From the \$172,528 owed to the Ministry, \$94,246 or 55% of the arrears were more than two years old.

Root Cause/Implication

The significant increase in arrears of revenue is due to the untimely submission of death certificates from families of pensioners.

¹¹ Ministry of Economy Finance Manual 2018 – Part 9 paragraph 1

The non-recovery has provided reasons to the Ministry to write them off and thus resulting in loss of revenue for Government.

Recommendation

The Ministry should consider alternative processes of being notified when pensioners are deceased.

Agreed Management Action

Arrears of revenue for the Pension department has decreased from FY 2017 onwards. In most cases the arrears of revenue consist of overpayment of pensions to 60% dependents and payments to widows and orphans. As a result, if the widow dies, there are no further pension payments due to the deceased pensioner. However, if a civil pensioner passes away, the 60 percent payments are recoverable from the beneficiaries.

Officer Responsible

Manager Pension & Payroll.

4.21 Anomalies in Main Trust Accounts

Management has the responsibility for devising, installing and supervising an adequate system of internal control.¹²

The audit noted the following anomalies:

- Variances noted between the FMIS general ledger and bank reconciliation statement balances. Refer to Table 4.9 for details.

Table 4.9: Variance between FMIS general ledger and Bank Reconciliation Statement.

Main Trust Account	General Ledger (\$)	Bank Reconciliation (\$)	Variance (\$)
ODA Performance and Tenancy Bond	164,907	166,460	1,553
BOB Adopt a School	2,780,896	2,837,027	(56,131)
ANZ Adopt a School	1,893,164	1,940,108	46,944

- No detailed listing to support the Group insurance balance of \$89,210.

¹² Ministry of Economy Finance Manual – Part 17 paragraph 1

Root Cause/Implication

Supervisory checks within the Accounting Section to ensure bank reconciliation are reconciled with the cash book (general ledger).

Recommendation

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 to investigate and rectify any variances noted; and maintain detailed listing of the group insurance.

Agreed Management Action

ANZ Adopt a School – Variance of \$403,374 has been regularized through audit adjustment in FY2017-2018.

Officer Responsible

Respective Accounting Heads.

4.22 Anomalies for VAT Payables – TMA

VAT Payable or Refundable will be determined by the balance sitting in Natural account number 863201 at the end of the month. TMA's to register separate Tax Identification Number (TIN) from its Ministries and Department for VAT purposes.¹³

Our review of the TMA VAT Liability Accounts noted the following:

- There was no VAT Output allocation for TMA Office Accommodation. As a result, rental revenue was posted at VAT inclusive price. The VAT Liability allocation in the FMIS general ledger reflected the VAT input from expenditure.
- TMA Office Accommodation did not have a separate TIN.

Root Cause/Implication

As there was no separate TIN, there was also no Statement of VAT account for the TMA to ascertain the correctness of the VAT Liability balance reflected in the financial statements. As such, audit was not able to substantiate the accuracy and completeness of the VAT liability amount.

¹³ Finance Circular No.11/2012 – Section 3

Recommendation

The Ministry should ensure that the TMA registers a separate TIN for VAT purposes in accordance with the requirements of the Ministry of Economy Circular 11/2012.

Agreed Management Action

Ministry will post the VAT output in FY 2021/2022. Reconciliation on VAT will be prepared to identify the necessary adjustments to rectify the issues highlighted above. Acquiring the separate TIN would not be practical as the Ministry is planning to close the TMA.

Officer Responsible

Respective Accounting Heads

4.23 Absence of Risk Management Policy and Operational Plans – Recurring Issue

Risk management and internal control are important and integral parts of a performance management system and crucial to the achievement of outcomes. They consist of an ongoing process designed to identify and address significant risks involved in achieving an entity's outcome. A strong system of financial management is essential for the implementation of public sector policies and the achievement of intended outcomes, as it will enforce financial discipline, strategic allocation of resources, efficient service delivery and accountability.

The audit noted that there was no risk management framework in place. As a result, the Ministry does not have approved written policies, procedures and guidelines to manage the risks associated with the following:

- Fraud control and anti-corruption
- Disaster recovery and business continuity
- Assessment of potential conflict of interest

In addition, the Strategic and Operational Plans that were drafted were yet to be endorsed.

Root Cause/Implication

The Ministry's plan is still in draft form awaiting approval.

Recommendation

The Ministry should ensure that the Risk Management Policy is developed and that the Strategic Plan and Costed Operational Plans are appropriately approved before the commencement of the financial year.

Agreed Management Action

In the absence of the Risk Management Policy, the Ministry is complying with the Ministry's Finance Manual, Financial Management Act 2004 and the Finance Instruction 2010 in the operation of its daily activities. Everyone at the Ministry has the responsibility of managing risks through controls embedded into daily activities and decisions.

The Ministry is working with the Development Partners to source a Technical Assistance for a Risk and Compliance Specialist to assist with the development of risk and compliance framework for the Ministry.

As for the Strategic Plan and Operation Plan, the documents have been drafted and submitted to Hon. Minister Office for approval. Upon finalization, these plans will be provided to OAG.

Officer Responsible

Head of Administration

4.24 Ageing Reports not maintained for VAT & Income Tax Refunds Outstanding - Recurring Issue

Accounts payable balance of \$254,815,142 is made up of VAT and Income Tax Refunds Outstanding.

The audit noted that the FRCS did not maintain the ageing reports for income tax and VAT refunds outstanding as at 31 July 2019.

Root Cause/Implication

The FRCS explained that there is no systematic way currently in place whereby the age of refunds is extracted and recorded. The Fiji Integrated Tax Systems (FITS) maintain timelines for each refund case, which is compiled manually.

The absence of ageing reports for accounts payable limits the ability of government to keep track of long outstanding dues.

Recommendation

The Ministry should require that the FRCS maintain and submit aging reports for Income tax and VAT Refund outstanding to assist in identifying long outstanding payables of Government.

Agreed Management Action

The aging reports for VAT and Income Tax refunds have been implemented in the FRCS new IT system as such moving forward, FRCS will be able to retrieve debt aging reports for refunds. VAT tax type have been activated in the new system and FRCS have started submitting VAT aging report for the period November 2019 onwards. Whilst, Income Tax aging report will be available from July 2021 onwards.

No aging report was maintained for VAT and Income Tax refund as at 31st July 2018 due to:

- Continuous changes to the refund statements done through assessment, journals, payments and other corresponding entries; and*
- The correct Vat and Income Tax aging report could have only been retrieved if data extraction was done on 31 July 2018 and the data extraction done now does not reconcile with the actual balances held at the same date.*

Officer Responsible

Director Revenue – FRCS

4.25 Variance in LTA revenue – Recurring Issue

Reconciliation is an internal control activity established to ensure the accuracy of financial reports being produced not only at division level and/but most importantly at ministry level. The Accounts Officer must reconcile all accounts to be submitted to Chief Accountant within two weeks after the closing of each monthly account.¹⁴

Audit noted a variance of \$0.6 million between the amount recorded in the FMIS general ledger (SRG 23) and the amount received through independent confirmation from the Land Transport Authority (LTA) for the year ended 31 July 2019. Refer to Table 4.10 for details.

¹⁴ Ministry of Economy Finance Manual - Section 17.3.3.2.1

Table 4.10: Details of Variance between LTA Report and FMIS General Ledger

Month	LTA Revenue (VEP) (\$)
Balance – FMIS GL	52,115,056.17
Balance – LTA Confirmation	52,680,958.06
Variance	565,901.89

There were no reconciliations performed for the 2018/2019 period.

Root Cause/Implication

The reconciliation process was not effectively performed to properly determine the component of the variance between the relevant records.

Recommendation

The Ministry should perform monthly reconciliation for revenue with collecting agencies' records and ensure that any variance identified are rectified.

Agreed Management Action

The Ministry is performing revenue reconciliation with collecting agencies and obtaining revenue confirmation on a quarterly basis from FY2019-2020. This has been discussed in length with the staffs of OAG during the audit process.

Additionally, Ministry is correctly recording revenue under cash-based accounting (incorporating reversals, dishonored cheque, refunds and VAT payments). LTA is now providing journal vouchers for the recording of revenue in the correct revenue streams.

Ministry has held discussion with the LTA team in July of 2020 and a reconciliation with working sheet was provided to them for their verification and confirmation.

Officer Responsible

Manager Financial Reporting

4.26 Delay in Finalisation of Audited Financial Statements – Recurring Issue

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

As in the previous year, the delay in the finalisation of the audit for Ministry of Economy was due to multiple draft financial statements submitted after various amendments were made for the year ended 31 July 2019. The 2019 financial statement were received on 31 October 2019. There were variances identified and communicated to the Ministry on the 2019 draft financial statements received for audit on 31 October 2019. The second draft financial statements were received on 10 July 2020 with the final revised draft financial statements received on 18 June 2021. The audit opinion was issued on 14 October 2021.

Root Cause/Implication

The continuous amendments in the draft financial statements after its submission to the Office of the Auditor-General is an indication of the quality of the financial statements submitted for audit. This has resulted in the delay of the finalisation of the audit.

Recommendation

The Ministry should ensure that the draft financial statements prepared by the Ministry are verified by the Financial Reporting Section for accuracy before submission for audit and that the due dates for closing of accounts circular are complied with.

Agreed Management Action

The draft financial statement are unaudited accounts prepared by the Ministry in accordance with the requirements of the Financial Management Act 2004 and Finance Instruction 2010. However, during the course of audit, adjustments were taken on board to correctly reflect the balances in the GL and eliminate any material misstatement.

As you are aware, there is a backlog of accounts which needs to be audited. This issue will be rectified once all audits have been completed.

¹⁵ Finance Instruction 2010 - Section 70 (2).

Officer Responsible

Respective Accounting Heads/OAG

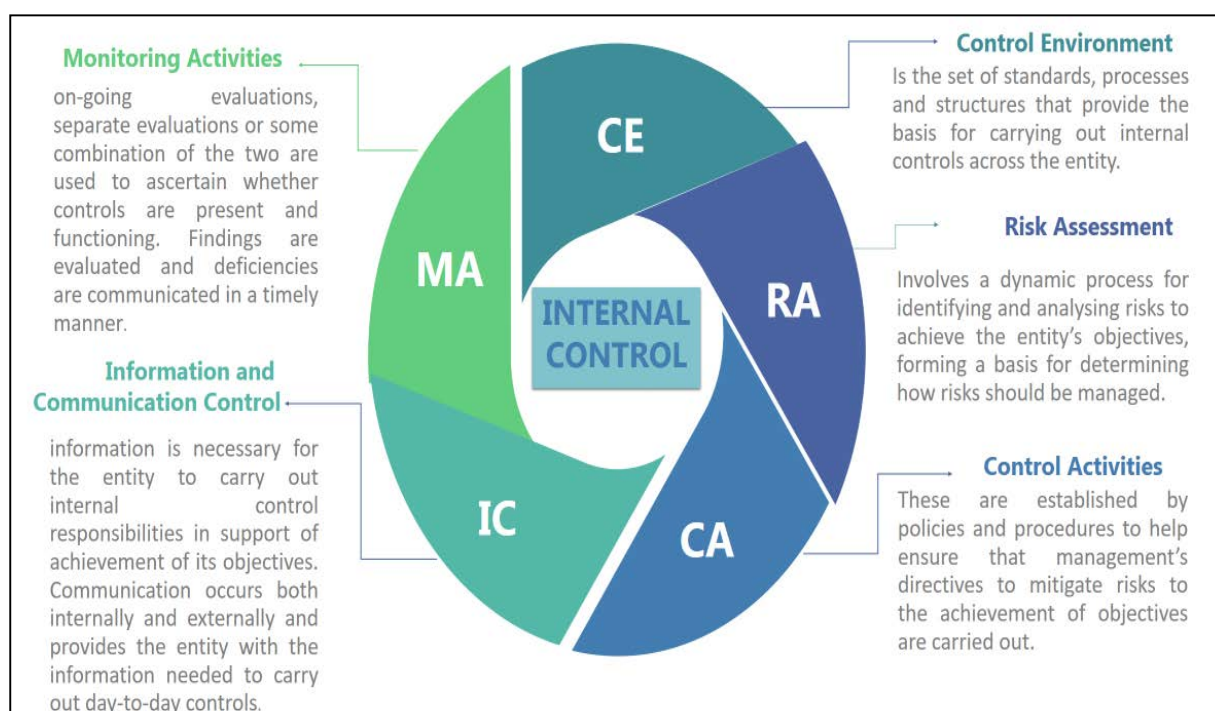
4.27 Internal Control

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






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

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


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



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
 Effective	 Generally Effective	 Generally Effective	 Effective	 Effective

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


4.28 Preparation of 2018 - 2019 Draft Agency Financial Statements

On 29 May 2019, the 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 due dates 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		Submission of arrears of revenue return 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		Annual Board of Survey on Drawings Account cheques 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
 Generally effective	5 of 10 key processes completed within two weeks of due date

4.29 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. Our assessment for the Ministry was:

Rating	Quality of draft financial statements assessment
 Ineffective	Adjustments on operating results/net assets were more than one percent

4.30 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	Three draft financial statements received between 31 October 2019 and on 18 June 2021

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
 Effective	Within 7 working days from issue of Financial Statements for signing

Appendix 4.1: Trading and Manufacturing Accounts – FPO

Trading Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Sales	964,406	1,119,372
<i>Less:</i> Cost of Goods Sold	(19,757)	(11,137)
Gross Profit/ (Loss)	944,649	1,108,235

Profit and Loss Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Income		
Gross Profit Transferred from Trading Account	944,649	1,108,235
Expenses		
Office upkeep and supplies	36,222	59,147
Total Expenses	36,222	59,147
Net Profit	908,427	1,049,088

Balance Sheet

Description	31 July 2019 (\$)	31 July 2018 (\$)
Equity		
TMA Surplus Transferred to Consolidated Fund	(7,392,615)	(6,558,242)
TMA Accumulated Surplus	8,107,387	7,058,300
Net Profit	908,427	1,049,088
Total Equity	1,623,199	1,549,146
Assets		
Cash at Bank	1,500,448	1,412,058
Inventory	156,992	176,749
Total Assets	1,657,440	1,588,807
Liabilities		
Deposits & deductions	34,241	39,661

Description	31 July 2019 (\$)	31 July 2018 (\$)
Total Liabilities	34,241	39,661
Net Assets	1,623,199	1,549,146

Appendix 4.2: Trading and Manufacturing Accounts – Office Accommodation

Profit and Loss Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Income		
Rental from quarters	5,549,382	4,082,550
Expenses		
Other expenses	1,712,504	599,023
Total Expenses	1,712,504	599,023
Net Profit	3,836,878	3,483,527

Balance Sheet

Description	31 July 2019 (\$)	31 July 2018 (\$)
Equity		
TMA Surplus Capital Transferred to Consolidated Fund	(10,345,064)	(6,680,546)
TMA Accumulated Surplus	10,618,197	7,204,956
Net Profit	3,836,878	3,483,527
Total Equity	4,110,011	4,007,937
Assets		
Cash at Bank	2,947,594	4,164,518
Accounts Receivable	1,408,569	---
Total Assets	4,356,163	4,164,518
Liabilities		
Accounts payable	300	210
Retention	184,604	23,341
Deposits & deductions	204,921	133,030
VAT liability	(143,673)	---
Total Liabilities	246,152	156,581
Net Assets	4,110,011	4,007,937

Appendix 4.3: Trust Account Statements of Receipts and Payments

(i) COP 23 Trust Fund Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Balance as at 1 August	13,587,943	11,837,450
Receipts		
Donations	1,783,113	18,820,551
Refunds	37,164	151,926
Interest	136,139	252,187
Total Receipts	1,956,416	19,224,664
Payments		
External Professional services	6,115,615	11,818,318
Conference cost	2,084,938	2,355,651
Cultural intervention	6,002	89,214
Trade related costs	251,888	1,337,620
Staff related costs	171,658	409,112
Other outreach	59,863	188,527
Pavilion	1,728,604	1,275,431
Bank charges	221	298
Audit fees	26,836	---
FSEPP – Solar projects	18,805	---
Total Payments	10,464,430	17,474,171
Closing Balance as at 31 July	5,079,929	13,587,943

(ii) Performance Bond Trust Fund Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Balance as at 1 August	5,548,158	5,206,602
Receipts		
Tender deposit	854,238	598,247
Performance bond	938,965	1,418,617
Interest	6,219	5,696
Refund	20,900	447,208
Training	---	1,669

Description	31 July 2019 (\$)	31 July 2018 (\$)
Total Receipts	1,820,322	2,471,437
Payments		
Tender and performance bonds	886,970	2,129,508
Bank charges	595	373
Total Payments	887,565	2,129,881
Closing Balance as at 31 July	6,480,915	5,548,158

(iii) Tropical Cyclone Winston Trust Fund Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Balance as at 1 August	3,619,531	3,610,911
Receipts		
Donations	155	4,438
Interest	4,683	4,864
Total Receipts	4,838	9,302
Payments		
Bank charges	468	682
Total Payments	468	682
Closing Balance as at 31 July	3,623,901	3,619,531

(iv) Government Tuna Stabilisation Trust Fund Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Balance as at 1 August	352,647	3,615,210
Receipts		
Interest	3,541	3,283,403
Total Receipts	3,541	3,283,403
Payments		
Fishing Assistance	---	6,545,966
Bank charges	414	---

Description	31 July 2019 (\$)	31 July 2018 (\$)
Total Payments	414	6,545,966
Closing Balance as at 31 July	355,744	352,647

(v) ODA Performance and Tenancy Trust Fund Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Balance as at 1 August	164,907	169,095
Receipts		
Donations	---	3,220
Interest	---	2,408
Total Receipts	---	5,628
Payments		
Tender refunds	---	9,500
Bank charges	---	316
Total Payments	---	9,816
Closing Balance as at 31 July	164,907	164,907

(vi) Adopt A School Trust Fund Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Balance as at 1 August	9,785,419	5,293,958
Receipts		
Donation	---	4,997,637
Retention	47,500	100,224
Refund	---	818,596
Interest	---	64,108
Total Receipts	47,500	5,980,565
Payments		
Contractor payments	464,980	1,243,361
Transfers	4,693,879	245,712
Bank charges	---	31

Description	31 July 2019 (\$)	31 July 2018 (\$)
Total Payments	5,158,859	1,489,104
Closing Balance as at 31 July	4,674,060	9,785,419

(vii) Group Insurance Trust Fund Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Balance as at 1 August	89,273	101,404
Receipts		
Insurance proceeds	64,672	255,000
Total Receipts	64,672	255,000
Payments		
Insurance payments	64,671	267,000
Bank charges	63	131
Total Payments	64,734	267,131
Closing Balance as at 31 July	89,211	89,273


(viii) Miscellaneous Fund Vs Others Trust Fund Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Balance as at 1 August	8,625,194	8,472,954
Receipts		
Interest	174,094	152,240
Total Receipts	174,094	152,240
Closing Balance as at 31 July	8,799,288	8,625,194

(ix) Accident Compensation Trust Fund Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Balance as at 1 August	7,165,722	---
Receipts		
ACF proceeds	11,469,995	7,823,540
Interest	105,397	16,594
Total Receipts	11,575,392	7,840,134
Payments		
ACF payments	3,315,000	300,000
VAT payments	934,679	367,415
Bank charges	10,630	6,997
Total Payments	4,260,309	674,412
Closing Balance as at 31 July	14,480,805	7,165,722

Appendix 4.4: Parenthood Assistance Payment



Parenthood Assistance Payment

Passed in the 2018-19 Budget, Government's \$1,000 Parenthood Assistance Payment is dedicated to helping low-income Fijian families to cover the costs of having and raising a newborn child. Launching on 1 August, the programme will help parents not only cover the cost of childrearing during infancy and upon entering primary school, it will also establish a solid financial foundation for the child to benefit from and build upon for the rest of his or her life.

Registration is purposefully mother-driven, as this programme aims to empower Fijian mothers and drive a cultural shift toward female-led financial stewardship in Fiji. Special provisions will be made for situations in which the mother is unable to apply.

To be eligible, the child must meet **all** of the following requirements:

- to be born on or after 1 August 2018;
- have a mother who is a Fijian citizen residing in Fiji;
- live with parents whose total income is \$30,000 per year or less (if the father is not living with the mother, her individual income is \$30,000 or less); and
- have their Parenthood Assistance Payment application filed within one year of the child's date of birth.

Should the child meet these eligibility requirements, the application process is as follows:

• **Step 1: Child's birth is registered and application is approved with a single visit to the Registrar of Births, Deaths and Marriages ('BDM')**

- BDM will issue both a birth certificate and a Taxpayer Identification Number (TIN) to the child, and if necessary, to the mother.
- In the case of mothers living in maritime areas where there is no access to a BDM office, they can apply when they register the child's birth, so long as it is within one year of the date of birth.
- A signed application form, including the mother's chosen bank, will then be verified by BDM.
- BDM will then ensure that the form is properly filled out and all necessary documents are included (child's and mother's TIN, child's and mother's birth certificates, and the mother's photo ID with residential address).
- Once the above is completed, BDM will immediately issue a letter of approval to the mother to be taken to her chosen bank.

• **Step 2: Child's account is opened and funds are made accessible with a single visit to the bank**

- The mother must take the letter of approval with the original documents (TINs, birth certificates, and photo ID) to the bank.
- The bank will then officially open an account in the child's name with the mother as signatory. Immediately upon the account's opening, \$1,000 will be deposited into the child's account.
- Up to \$500 of the \$1,000 will be immediately available for withdrawal by the mother for childrearing expenses.
- The account must maintain a minimum balance of \$500, which will be made available for withdrawal as soon as the child enrolls in Year 1 of primary school.
- The account will be open for further deposits by loved ones for the child's expenses.
- All funds withdrawn from the account must be used to cover childrearing expenses or for the benefit of the child.
- There will be no fees on the account until the child is enrolled in Year 1, and interest will be earned on the balance at the bank's interest rate.

In the unfortunate event that a mother passes away before the child's account is opened, then the father or legal guardian living with the child can be the applicant. If the mother passes away after the account is opened but before the child enrolls in Year 1, the father or legal guardian will then become the account's signatory.

If a child dies after the account is opened, the mother or legal guardian can present the death certificate to the bank to receive the remaining balance for herself or himself.

In remote areas where banks are not accessible, the mother can use postal banking services through Post Fiji to open the account and make withdrawals.

Those children under State care will have an account opened for them by the State; the authorisation to operate the account will be transferred to new legal guardians upon adoption, or when reaching the age of 18.

Application forms are available at BDM offices and on the Fijian Government website and Facebook page.


Please note that, under the False Information Act 2016, any false information given to Government for the purposes of receiving a benefit is an offence punishable by law, and may result in a requirement to repay the benefit, a fine of up to \$20,000 or an imprisonment term of up to 10 years or any or all of the foregoing. Spot checks will be conducted by the Ministry of Economy audit teams to verify claims (false declaration of family unit, misuse of withdrawn funds, etc.) and ensure that information provided is truthful and accurate.

All questions about the process above can be directed to the following numbers:

Registrar-General	Lawrence Prasad	990 5125
Administrator-General	Kamini Naidu	990 5420

BDM office addresses and phone numbers are listed below:

BDM Station	Physical Address	Contact Number
Ba	Koronubu House, Ba	667 4168
Kadavu	Vunisea Government Station, PA's Office, Vunisea, Kadavu	787 7196
Keiyasi	Vatumali, Government Station	922 3011
Korovou	Ground Floor Harbhai Patel Buildings, Korovou, Tailevu	344 0168
Labasa	Namuka House, Labasa	881 2448/ 881 2477
Lautoka	Level 1, Westfield Mall, Tukani Street, Lautoka	666 5133
Levuka	Lomaiviti Holdings Building, Beach Street, Levuka	344 0060
Nabouwalu	Naulumatua House, Nabouwalu	883 6124
Nadi	GT Plaza, Vunavou Crescent, Nadi Town	670 0312
Nausori	Tara's Building River Road, Nausori	347 5021
Navua	Ro Matanitobua House, Navua	346 0343
Rakiraki	Bhima Building, Vaileka, Rakiraki, Ra	669 4910
Savusavu	PA Savusavu's Office, Gulabdas Building, Savusavu	885 0006
Sigatoka	Keasuna Buildings, Sigatoka	650 0954
Suva	Suvavou House, Victoria Parade, Suva	990 5125 / 331 5280
Taveuni	Waiyevo, Taveuni	888 0400
Tavua	Mobil Building, Tabavu Street, Tavua	668 1009
Vunidawa	Vunidawa Government Station, Vunidawa	993 7985



AIYAZ SAYED-KHAIYUM
ATTORNEY-GENERAL AND MINISTER FOR ECONOMY

Appendix 4.5: Details of Batch Posting and Mispostings of Revenue

Details of Batch Posting of Revenue			Details of Mispostings of revenue in the FMS general ledger				
Period	Journal ID	Amount(\$)	Period	Journal ID	Amount	Posted to	Correct Allocation
03/2019	04D001	435,524	05/2019	04A001	162,500	SRG 27 Miscellaneous Revenue	SRG 23 Fees Fines and Charges
04/2019	04D030	653,285	04/2019	04A003	2,053,762	SRG 27 Miscellaneous Revenue	SRG 31 Repayments- TL Receivable
11/2019	04DL07	131,531	08/2019	FAM218	3,163,760	SRG 29 Grant in Aid	SRG 28 Reimbursement & Recovery
04/2019	04D004	63,500	09/2019	FAM224	3,357	SRG 29 Grant in Aid	
11/2019	ADB001	3,356,550	09/2019	FAM224	341,609	SRG 29 Grant in Aid	
11/2019	ADB001	1,499,985	11/2019	FAM329	2,216,042	SRG 29 Grant in Aid	
11/2019	ADB001	1,000,000	11/2019	FAM332	347,011	SRG 29 Grant in Aid	
12/2019	04K028	77,673	05/2019	04A012	362,609	SRG 28 Reimbursement & Recovery	SRG 31 Repayments- TL Receivable
06/2019	04D010	67,279		Total	8,650,650		
12/2019	04DL09	65,279					
03/2019	04D01C	53,175					
06/2019	04D009	52,867					
02/2019	04D008	51,987					
10/2019	04DAD8	44,895					
01/2019	04D01A	42,608					
07/2019	04D009	35,926					
10/2019	04D004	34,386					
03/2019	04DO31	27,950					
02/2019	04D030	26,585					
12/2019	ADB001	16,985					
09/2019	04DOO3	15,787					

Details of Batch Posting of Revenue			Details of Mispostings of revenue in the FMIS general ledger			
Period	Journal ID	Amount(\$)	Period	Journal ID	Amount	Posted to
04/2019	04DO30	15,381				
12/2019	ADB001	13,951				
Total		7,783,089				Correct Allocation

Appendix 4.6: Waiver of Tender Process

Date of Waiver	Description of Work Done	Amount (\$)	Details
18 January 2018	Payment for Consultancy Service for the Upgrading & Maintenance of Executive Residence	417,005	The bids from preselected consultants were received and analysed by CIU. -Bidder 1 submitted lump sum fee proposal with 5% contingency. Also stated that specialist heritage architect would be engaged within the cost. -Other 2 Bidders submitted fee proposal based on contract value and improper balance from design to construction supervision. Fee claimed is high at design and less at construction phase. This would result in high risk as most payment would be made at design phase.
6 July 2017	Payment for Architectural Service for Prime Minister's Office Complex	808,000	Expression of Interest was advertised. Total of 9 EOI was received. Two bidders met the criteria and had suitable experience. AAPI was ranked no. 1 tender rating score sheet
12 July 2016	Payment for Lead Consultancy Service for Prime Minister's Office Complex	1,261,925	Total of 9 bidders registered their expression of interest. 2 preselected firm who met the compliance check of initial EOI requirements were shortlisted. Consultancy Firm A was ranked no. 1 in technical and non-technical attributes.
12/2/19	Payment for ITC Centre Remedial Works	3,008,056	Being the lone compliant bidder, the other bidder was rejected. ITC had approached CIU in February 2017.

Appendix 4.7: Variations to the Scope and Extension of Time

Variations to the Scope				
Project	Reason for Variation	Initial Amount	GTB Variation Cost (\$)	Variation %
Tender No. 235/2016 & Rehabilitation works at Gaunavou Primary School	The reason for the variation was due to the addition of a new ECE Building and a 200m long drain behind the school to prevent storm water from entering the school compound as requested by the school management.	2,310,800.00	283,000	12%
Tender No. 253/2016 & Rehabilitation works at Levuka Public High School	The review of the approval letter noted that the reason for the variation was not stated. Installation of bi-folding doors to a 1x4 classroom block and redesigning the structure to accommodate the new bi-folding doors.	1,016,000.00	799,656 54,629.01	79%
WSC 144/2016- Design and Build of Nukuloa Sanatan Dharam School- Construction Implementation Unit (CIU)	The review of the approval letter noted that the reason for the variation was not stated. Revision of design to allow for the reallocation of three buildings and setbacks of buildings as per requirement of Local Authority.	1,892,991.01	54,629.01 194,326.75	13%

Variations to the Scope and Extension of Time					
Project	Variation No.	Reason for Variation	Variation Amount (\$)	Variation %	Extension of Time
Consultancy Services for Executive Residence	1	Approved on 18/1/2018 for NOHSS supervision & administration fee, LGHE waste disposal permit fee and consultancy for architectural services.	83,594	43%	---
	2	Approved on 1/2/19 to factor in the new construction cost of the Executive Residences.	100,752		---
Rehabilitation Works at the Honourable PMs Residence	1	Approved on 16/10/2017 for unforeseen works and changes to the scope.	178,516	23%	101 days
	2	Approved on 13/1/2018 for unforeseen works and changes to the scope.	20,165		11 days
	3	Approved on 7/2/2018 for installation of 2 new bath tub and faucets for ensuite.	26,515		15 days
	4	Approved on 17/4/2018 for new flagpole, FEA meter separation from guard house, revised car park layout, laundry sink, cooking new kitchen, security quarters, solar hot water, streetlights etc.	355,615		33 days
Upgrading and Maintenance Works at the State House	1	Approved on 22/12/2017 for dismantling of asbestos and proper disposal.	525,439	96%	40 days
	2	Approved on 16/4/2018 - for new OTIS lift, concrete crack repair, interior and exterior paint work, window and door replacement, revised CCTV & Comms, Solar Hot Water System, Solar Power System to Grid, Additional PVC Coils for Trench, Additional Electrical Chamber and Roof & gutter water proofing.	2,271,618		112 days

Variations to the Scope and Extension of Time					
Project	Variation No.	Reason for Variation	Variation Amount (\$)	Variation %	Extension of Time
	3	Approved on 19/9/2018 for main building revised mechanical and electrical services, ground floor coffered ceiling, conservatory audio visuals by supplier, main building basement toilet refurbishment, GF Ladies toilet cubicles reduced, conservatory high level windows, conservatory ceiling fans, toilet partitions systems, new ceiling for service cabling, restoring drawing, dining & card room windows and doors, sewer conditions, fire services extra detectors, structured cabling for conservatory, rerouting cables, conservatory tiles, doors and windows etc.	768,879		21 days

Head 23

Ministry of Housing and Community Development**Roles and Responsibilities**

The Ministry of Housing and Community Development is responsible for all of the functions of the Department of Housing and Rural Housing Unit formerly under the Ministry of Rural and Maritime Development, along with the various housing and community services previously offered by the Ministry of Lands and the Ministry of Local Government to help more Fijian families own their home.

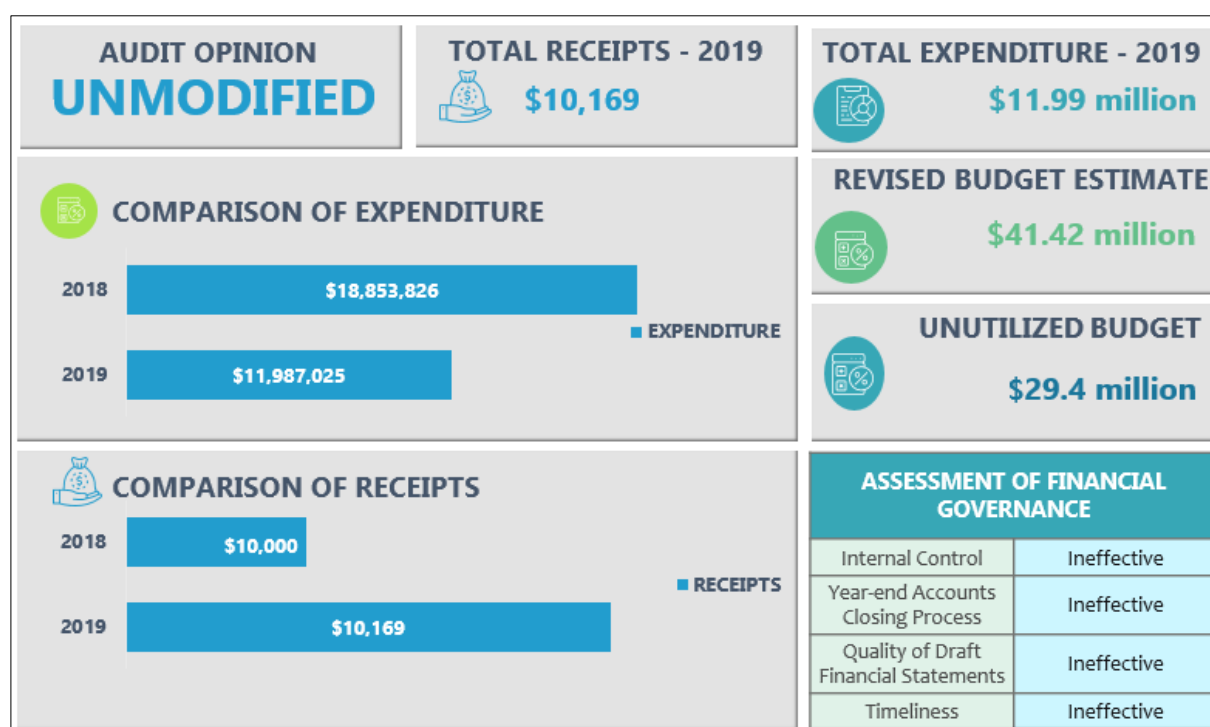
The Ministry works expeditiously to increase the supply of affordable housing in Fiji, the Ministry will also engage with all stakeholders, including construction companies, with the ambition to reduce the construction costs of homes by harnessing new technologies. The Ministry work with development partners, including the private sector, to introduce innovative new strategies employed in other parts of the world to successfully meet increasing demands for home ownership.

The Ministry will also continue the important work around the country to provide security of tenure to Fijians residing in informal settlements, bringing the stability and peace of mind of long-term land ownership to more Fijian families.

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PART A: FINANCIAL INFORMATION



23.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Housing and Community Development resulted in an unqualified audit opinion. However, attention was drawn to the following Emphasis of Matters:

- Note 4 to the financial statements stated that the Ministry had recorded deposits received from the public for rural housing assistance, of \$833,634, as Unearned Income under the Liability Account (SLG85). This was previously recorded as operating revenue for the Ministry, which was incorrect, as these deposits were still refundable to applicants on request until the social housing assistance is provided by the Ministry.
- Implementation of internal controls over recording of transactions, records management and reconciliation process for underline accounts, as discussed below, were found to be generally weak. If the issues are not addressed promptly, it will result in material misstatements and possible financial losses in the future.
 - Variance of \$136,581 existed between the Ministry's Drawings Account reconciliation statement balance and the balance in the FMIS general ledger as at 31 July 2019.
 - For some payments, cheque numbers recorded in the FMIS general ledger did not match the numbers recorded in the bank statements.

- The Fixed Assets Register had not been updated with complete information as required by the Finance Manual.
- Salaries and wages files were not maintained, processed input forms and APA approvals were not filed properly.
- Payroll reconciliations were not prepared in a timely manner and monthly underline accounts reconciliation were not performed.
- The Ministry did not have in place approved written policies, procedures and guidelines to manage risks associated with fraud and anti-corruption, disaster recovery and business continuity and assessment of potential conflict of interest.

23.2 Appropriation Statement

The Ministry collected revenue totalling \$10,169 in 2019 and incurred expenditure totalling \$12 million against a revised budget of \$41.4 million resulting in unutilised budget of \$29.4 million or 71%

Details of expenditure against the revised budget are provided in Table 23.1.

Table 23.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staff	707,648	(37,250)	670,398	447,338	223,060
2	Government wage earners	490,766	37,250	528,016	488,242	39,774
3	Travel & communication	84,930	26,000	110,930	99,328	11,602
4	Maintenance & operations	87,250	70,000	157,250	83,583	73,667
5	Purchase of goods & services	359,000	(144,550)	214,450	14,143	200,307
6	Operating grants & transfers	1,300,000	---	1,300,000	1,300,000	---
7	Special expenditure	700,000	48,550	748,550	148,521	600,029
	Total Operating Expenditure	3,729,594	---	3,729,594	2,581,155	1,148,439
8	Capital Construction	10,524,983	---	10,524,983	3,228,599	7,296,384
10	Capital Grants & Transfers	26,110,000	---	26,110,000	5,984,490	20,125,510

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
	Total Capital Expenditure	36,634,983	---	36,634,983	9,213,089	27,421,894
13	Value added tax	1,058,000	---	1,058,000	192,781	865,219
	TOTAL	41,422,577	---	41,422,577	11,987,025	29,435,552

Significant unutilised budget was largely due to the following:

- Unutilised budget of \$1.1 million in Operating Expenditures was due to unspent budget allocated for the establishment of Divisional Offices and regularization of informal settlements.
- Unutilised budget of \$27 million in Capital Expenditure was due to unspent budgets for programs under SEGs 8 & 10 which included the upgrade of informal settlements, upgrade of town-wide informal settlements, city-wide upgrade First Home and First Land Programs, HART, Interest subsidy for Home Loans, Social Housing Assistance and survey for regularization of lease and land titles. The utilization of budget for the First Home and First Land ownership initiative was due to the fact that this grant program was demand-driven and the actual spending was in line with the applications received during the financial year. Other grant assistance were utilized in line with the subsidy requests submitted by the relevant organizations.

The Ministry was established as a stand-alone operation in 2018/2019 financial year. Most programs were under review for improvements during the 2018/2019 financial year.

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.

23.3 Anomalies for Rural Housing Deposits

Where the agency becomes responsible for managing trust money, an application shall be made to the Head of Treasury, Ministry of Economy seeking approval to open a separate bank account and detailing the nature of the trust and of any beneficiaries.¹

The following anomalies were noted from the review of the Rural Housing Deposits Account:

- Funds totaling \$82,320 for Rural Housing Assistance Scheme 1 is still reflected in the Ministry of Rural & Maritime Development Trust Fund Account even though the Rural Housing Unit has moved to the Ministry of Housing & Community Development;
- From the \$763,650 that was transferred from the Ministry of Rural & Maritime Development Trust Fund Account, \$403,051 of deposits was received from applicants from as far back as 2014. The trust fund relates to the 1/3 contribution received for projects. Refer to *Appendix 23.1* for details.
- Tender deposits for the Rural Housing Projects totaling \$192,015 are still reflected under the Ministry of Rural & Maritime Development's FMIS general ledger and has not been transferred to the Ministry of Housing and Community Development.

¹ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, Section 15.1.1

- During the year, the Ministry collected \$69,985 in relation to deposits under the Rural Housing Scheme for which the applications and supporting documents were not provided for audit to ascertain that the applicants met the criteria for the assistance.

Root cause/Implication

The eligibility for assistance provided to applicants could not be verified without the applications and supporting documents.

Recommendations

The Ministry should:

- Liaise with Ministry of Rural & Maritime Development to correctly reflect the balance of the funds not transferred;
- Strengthen records management to ensure that applications from the public for rural housing assistance are maintained and readily available for audit; and
- Review the backlog projects and prepare an action plan/timeline for assessing applications and provide timely feedback to applicants.

Agreed Management Action

The Ministry of Housing and Community Development wrote to Ministry of Economy (MoE) requesting for opening of the Trust Fund Account 27.02.2019 and it was advised by MoE 18.03.2019 to deposit all Rural Housing Deposits to Consolidated Fund Account. Ministry acted according to this instruction. However as per the Auditor General Office recommendation, we will be writing to MoE seeking further advice on opening a Trust Account.

As per the process followed Ministry of Rural and Maritime Development (MRMD), applicants deposited their share of money through the District Officer, PA etc and application were assessed; were eligible at the time of releasing Government assistance, the applications under discussion were those transferred MRMD to MHCD when the program was transferred. Required assessments were carried out by MHCD in FY 2019/2020 when MHCD commenced processing applications. All applications are thoroughly checked before making recommendations for release of grant money. The applications assisted in 2019/2020 can be submitted for review. All new applications will be filed separately for ease of reference. 48 out of the 73 applications were cleared in 2019/2020, utilizing \$585,373 out of the \$600,000 allocated for this program in 2019/2020; the balance applicants are been assisted in 2020-2021 financial year. Ministry has also strengthened the project management team under the

supervision of the Director of Housing – 3 technical assistance and 1 clerical officer has been recruited to support the project management within the Ministry.

Officer Responsible

Senior Accounts Officer and Director Housing

23.4 Variance between drawings account reconciliation statement and GL balances

Within 3 days of receiving the monthly general ledger reports from the Ministry of Economy, the Assistant Accountant shall reconcile the ledger balances to the general ledger reports and prepare a ledger reconciliation statement.² Any errors or misallocations must be immediately adjusted by way of journal vouchers.³

The audit noted a variance of \$136,581 between the Ministry's Drawings Account reconciliation statement balance and the FMIS general ledger balance. Refer to the Table 23.2 below for details.

Table 23.2: Variance between Drawings Account Reconciliation and balance as per FMIS

Drawings Account	Amount 31/07/2019 (\$)
Balance as per Drawings Reconciliation Statement	662,279.11
Balance as per FMIS GL	798,859.95
Variance	136,580.84

Root cause/Implication

Absence of effective supervisory checks with the Drawings Account reconciliation process.

Recommendations

- The Ministry should strengthen supervisory checks with the drawings account reconciliation process to ensure accuracy and completeness of the reconciliation statements and FMIS GL balances; and
- The Ministry should develop a training plan for capacity development of existing resources on accounting and reconciliation process.

² Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, Section 16.3.3

³ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, Section 16.3.4

Agreed Management Action

The balance as per Drawings Account is combination of Head 23 and 37. As per April 2020, the drawings account was separated. The variance is as per the FMIS and GL balance is due to the unpresented cheques as per the reconciliation provided. These cheques have been presented in the Ministry of Environment bank statements. An adjustment is submitted herewith to rectify these entries in both Ministry of Housing and Ministry of Environment.

Officer Responsible

Senior Accounts Officer

23.5 Cheque numbers in FMIS GL did not match Bank Statement

Once cheques have been printed they have to be matched in the system.⁴ Cheque numbers will be matched according to the cheque numbers on the cheque leaf.⁵

The audit noted that cheque numbers recorded in the FMIS GL did not match the cheque numbers that were presented to the bank. Refer to Table 23.3 below for examples.

Table 23.3: Cheque numbers in FMIS not matching cheque numbers presented to the bank

Cheque No. in FMIS GL	Cheque No. as per Bank Statement	Amount (\$)
45572	45573	30,000
45573	45574	25,000
45574	45575	5,000
45575	45572	10,000

Root cause/Implication

The Ministry did not have sufficient accounting staff for FY 2018-2019 which resulted in absence of adequate reviews during the accounts reconciliation process.

Recommendation

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.

⁴ FMIS Accounts Payable User Manual Modification 1 page 25, section 3 (i)

⁵ FMIS Accounts Payable User Manual Modification 1 page 25, section 3 (ii)

Agreed Management Action

The reason for mis-matching of cheques was mainly due to the Ministry not having sufficient staff from 2019-2020. Separate accounting team has been approved for the Ministry consisting of Senior Accounts Officer, Assistant Accounts Officer and Accounts Clerk. The MLG staff who performed incorrect matching have been terminated as per the Finance Manager MLG. However following actions have been taken into to ensure that this issue is not repeated:

- *All MHCD payments are now done through EFT*
- *Training has been provided to MHCD accounts team*
- *Monthly reconciliation are prepared now*

Officer Responsible

Senior Accounts Officer

23.6 Recording and disposal of assets and inventory

The Assistant Accountant shall be responsible for maintaining the fixed assets register. The fixed assets register shall provide the following details:⁶

- date of acquisition and cost;
- description;
- serial number and model;
- location & other relevant information (e.g. if asset is sold or written off).

The Assistant Accountant shall record items valued at less than \$2000 but more than \$200, in an expendable item register.⁷ The Assistant Accountant shall update the fixed assets register to reflect assets that have been disposed of.⁸

The Ministry Clerk shall keep an inventory card for each inventory item to determine the value of items. Each card must provide the following details:⁹

- date and description of each item purchased;
- quantity purchased and cost price;
- quantity sold and at which price; and
- quantity remaining and price

⁶ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, Section 11.2.1

⁷ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, Section 11.2.5

⁸ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, Section 11.5.3

⁹ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, Section 8.1.6

The audit of assets and inventory records noted the following:

- The Fixed Assets Register (FAR) had not been updated with complete information as required by the Finance Manual. For items verified, information such as serial numbers and model, description and location of the items were not updated in the FAR.
- The Expendable Items Register for FY 2019 was not provided for audit.
- Asset Disposal Forms were not signed-off by the officer-in-charge of disposal thus audit was unable to determine whether assets have been disposed.
- Inventory cards were not maintained by the Ministry for FY 2018/2019.

Root cause/Implication

Absence of adequate supervisory checks with the accounting function. Board of Survey process was not fully completed.

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

Recommendations

- Supervisory checks with the accounting function should be strengthened through adequate resourcing of the Accounts Section; and
- The Ministry should ensure that the Board of Survey process is fully completed and signed off including the approval for disposal of assets.

Agreed Management Action

The reason for not updating register was due to the Ministry not having sufficient accounting staff from 2019-2020. Separate accounting team has been approved for the Ministry consisting of Senior Accounts Officer, Assistant Accounts Officer and Accounts Clerk.

Recommendation is noted. Fixed Assets register has been duly updated and expendable register is also maintained; audit has verified this. Senior Accounts Officer will monthly review both registers to ensure timely and correct updates. Inventory cards have been introduced and verified by Auditors.

Officer Responsible

Senior Accounts Officer

23.7 Absence of Risk Management Policy

Review of the Ministry's corporate governance revealed that there is no risk management framework or policy in place.

As a result, the Ministry does not have written policies, procedures and guidelines to manage the risks associated with the following:

- Fraud control and anti-corruption;
- Disaster recovery and business continuity; and
- Assessment of potential conflict of interest.

Root cause/Implication

Lack of capacity and management oversight in ensuring that a risk management policy is developed to assist the Ministry in managing its risks affecting the Ministry particularly risk of fraud and misappropriation of assets.

Recommendation

The Ministry should develop the capabilities of existing staffs to enable the development of policies, procedures and guideline for risk management.

Agreed Management Action

The corporate, finance and policy teams have been established in the financial years 2019-2020 and 2020-2021. The recommendation is noted and will be implemented from current financial year 2020-2021.

Officer Responsible

Head of Policy, Human Resources Officer and Senior Accounts Officer

23.8 Underutilization of budget

Our audit noted that the Ministry did not utilize \$29.4 million or 71% of the budgeted funds in the financial year 2018/2019. The Ministry had only utilized \$12 million in expenditure against the revised budget of \$41.4 million.

Major savings were noted in SEG 8 - Capital Construction of \$7.3 million and SEG 10 - Capital Grants & Transfers of \$20.1 million, which included programs for the upgrade of informal

settlements, upgrade of town-wide informal settlements, city-wide upgrade First Home and First Land Programs, HART, Interest subsidy for Home Loans, Social Housing Assistance and survey for regularization of lease and land titles.

Root cause/Implication

The Ministry was established as a standalone operation in the financial year 2018/2019 with most programs under review for improvements during the financial year.

Funds which were appropriated to the Ministry but were not used could have been allocated elsewhere where it could have been resourcefully utilized.

Recommendation

The Ministry should ensure that budgeted funds are utilized for the purpose as appropriated by Parliament.

Agreed Management Action

The Ministry was established as a stand-alone operation in 2018/2019 financial year. The main objectives of this was to provide an increase level of focus and clear direction to the service delivery in the housing sector in Fiji. Accordingly, most of the Ministry programs have been under review for improvements during 2018/2019 financial year. Capacity building has been a main focus as well.

Capital grants – First Home ownership initiative (\$10,680,635) is due to the fact that this grant program is demand driven and the actual spending is in line with the applications received during the financial year. Grant assistance allocated for Public Rental Board, HART and Habitat for Humanity have been utilized in line with the subsidy requests submitted by this organizations.

The Ministry used 95% of its approved budget in 2019-2020 showing a significant improvement in service delivery as the Ministry established its operations and capacity to better service its objectives.

The progress on all Ministry programs are now closely monitored in a quarterly basis. All programs are in line with cash flow forecast in the current financial year 2020-2021.

Officer Responsible

Director Housing and Senior Accounts Officer

23.9 Monthly Reconciliations Not Prepared (Recurring Issue)

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

We noted that the reconciliation statements for payroll and underline accounts were not prepared in a timely manner. Moreover, monthly reconciliation statements were not prepared for all of the Underline Accounts.

Refer to Appendix 23.2 for details

Root cause/Implication

The Ministry did not have sufficient resources for its accounting function to adequately perform the monthly reconciliation of accounts.

Recommendation

The Ministry should ensure sufficient resourcing of the accounting function.

Agreed Management Action

The reason for delay in reconciliation was mainly due to the Ministry not having sufficient accounting staff from 2019-2020. Separate accounting team has been approved for the Ministry consisting of Senior Accounts Officer, Assistant Accounts Officer and Accounts Clerk.

Officer Responsible

Director Housing

23.10 Anomalies in Payroll

The letter of appointment shall be forwarded to the CO/Salaries who shall create a salary file and issue an Electronic Data Processing (EDP) Number for that employee.¹⁰ The CO/Salaries must file all processed input forms into the appropriate salary files.¹¹ The report shall be handed to the Assistant Accountant who is responsible for preparing the salary

¹⁰ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, section 4.1.2

¹¹ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, section 4.2.15

reconciliation.¹² The salary reconciliation shall be signed by the Assistant Accountant and forwarded to the Senior Accountant with a copy to the Ministry of Finance, within one week from the pay date.¹³ The PS shall provide a letter of appointment to all new salary employees. The letter shall include at a minimum, the following information:¹⁴

- job classification;
- salary scale and starting salary;
- date of appointment to position.

The Senior Accountant is responsible for the safekeeping and proper maintenance of all accounting records or documents.¹⁵

Audit of payroll records revealed the following anomalies:

- The Ministry did not maintain salaries and wages files for all officers employed.
- Approved timesheets were not provided to ascertain the accuracy of payments of overtime, meal allowance and wages. Refer to Table 23.4 for details.

Table 23.4: Approved timesheets not provided

EDP No.	Pay Period	Amount (\$)	Wages (\$)	Meal Allowance (\$)	Reason for Increase	Details of Records Not Provided
QL173	07/2019	1,005.12	236.28	---	Arrears of salary of \$708.84	Approved timesheets of the officers were not provided to audit to confirm the hours charged during this pays. Due to this, audit could not also ascertain the accuracy of the payment of wages and meal allowances paid to this officers.
LC265	07/2019	395.35	230.91	---	Increase in OT & Meal: meal of \$100	
AA054	07/2019	160.00	---	160.00	Increase in OT & Meal	
AA065	06/2019	848.48	788.48	60.00	Officers transferred from Ministry of Rural and Maritime Development to Ministry of Housing and Community Development that led to the increase in wages from Pays 5 & 6	
42037	06/2019	504.76	254.76	250.00		
17196	06/2019	486.80	426.80	60.00		
AA055	06/2019	472.56	472.56	---		
QL642	06/2019	454.24	394.24	60.00		
VY702	06/2019	416.62	416.62	---		

¹² Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, section 4.6.3

¹³ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, section 4.6.5

¹⁴ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, section 4.1.1

¹⁵ Ministry of Local Government, Urban Development, Housing and Environment Finance Manual 2013, Section 19.2.1

- Processed input forms and Annual Performance Assessment approvals were not filed in the appropriate officers' personal files.
- The Ministry did not issue appointment letters for the Officers that were transferred from Ministry of Rural and Maritime Development now working with the Ministry of Housing.

Root cause/Implication

Proper handover was not done during movement of Officers and relocation of the Ministry resulting in misplaced records.

The non-provision of records created a limitation on the scope of the audit and restricted the performing of necessary audit procedures.

Recommendations

- Proper handover of records should be done and recorded through Hand-Over Statements; and
- Supervisory checks with the accounting and HR functions should be strengthened through adequate resourcing of the HR and Accounts Sections.

Agreed Management Action

Personnel files for all current staffs under P2P are with HRO, the box that contains files of old staffs has been misplaced during the shifting. The Ministry will ensure the files are found.

Officer Responsible

Senior Accounts Officer and Human Resources Officer

23.11 Carried forward balances for Operating Trust Fund Account

The Senior Accountant is responsible for maintaining ledgers and reconciling balances in such ledgers to ensure the accuracy of financial information and the timeliness of management reports.¹⁶

As at 31/07/2019, Operating Trust Fund Account had a credit closing balance of \$425,516. It was noted that the balance of \$403,403 had been carried forward from previous years and remained outstanding as at 31/07/2019. Refer to Table 23.5 below for details.

¹⁶ Ministry of Local Government, Urban Development, Housing and Environment, Finance Manual 2013, Part 16

Table 23.5: Carried Forward Balances from 2015 – 2019

Account Allocation	2015 (\$)	2016 (\$)	2017 (\$)	2018 (\$)	2019 (\$)
Security Deposits	---	95	95	95	95
Tender Deposits	133,621	326,321	400,836	400,836	400,836
OPR Current Year	---	83	83	83	83
PSC Scholarship Loan	1,165	1,947	2,239	2,239	2,239
Deposit A/C Recoverable	126	126	126	126	126
Payroll Deduction Agriculture	---	54	54	54	54
Total					403,403

Root cause/Implication

Absence of adequate supervisory checks with the accounting function relating to monitoring and reviewing of the monthly accounts reconciliation performed.

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

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; and
- The balance carried forward from previous years should be reviewed with the Ministry of Housing liaising with Ministry of Local Government and the Ministry of Economy to make the necessary accounting adjustments.

Agreed Management Action

The reason for delays in reconciliation was due to the Ministry not having sufficient accounting staff from 2019-2020. Separate accounting team has been approved for the Ministry consisting of Senior Accounts Officer, Assistant Accounts Officer and Accounts Clerk. However, this balance relates to transaction recorded in previous years. Ministry has written to the finance team of MLG seeking assistance to provide data/documents to clear this long outstanding balance. This balance will be cleared in financial year 2020-2021.

Officer Responsible

Senior Accounts Officer

23.12 Anomalies in Revolving Fund Account (Recurring Issue)

The Assistant Accountant must also record the travel advance in the debtors register.¹⁷ Any errors or misallocations must be immediately adjusted by way of journal vouchers.¹⁸ Where an advance has not been acquitted within seven days of travel, the Senior Accountant shall effect recovery through a salary deduction from the concerned officer's salary within six (6) fortnights.¹⁹

Audit noted the following anomalies:

- **Advances allocation number 1-23101-23999-570301:** The advances allocation had an outstanding debit balance of \$181,111 as at 31/07/19. There was no movement in the balance from 31/07/2018 to 31/07/2019. We were unable to determine whether advances issued have been retired as the accountable advance register prior to January 2018 was not provided. Refer to Table 23.6 for details.

Table 23.6: RFA Outstanding Balances 20014 – 2019

Year	Amount (\$)
2014	165,294
2015	163,794
2016	177,399
2017	178,999
2018	181,111
2019	181,111

- **Accountable Receivable – 1-23101-23999-560203:** The accounts receivable allocation had a credit outstanding balance of \$46,036 as at 31/07/2019.

The Ministry on 14/10/18 wrote to the Ministry of Economy for adjustments to the RFA. However, the balance remained unchanged.

Root cause/Implication

Absence of adequate supervisory checks with the accounting function relating to monitoring and reviewing of the monthly accounts reconciliation performed.

¹⁷ Ministry of Local Government, Urban Development, Housing and Environment Finance Manual 2013, Section 10.1.10

¹⁸ Ministry of Local Government, Urban Development, Housing and Environment Finance Manual 2013, Section 16.3.4

¹⁹ Ministry of Local Government, Urban Development, Housing and Environment Finance Manual 2013, Section 10.1.14

Accounts receivable with credit balances indicated lack of proper reconciliation and misposting of transactions in the FMIS general ledger.

Recommendation

The Ministry should strengthen the administration of accountable advances and improve supervisory checks of the accounts reconciliation process.

Agreed Management Action

These balances are carried forward from as back as 2014. Ministry has written to the finance team of Ministry of Local Government seeking assistance to provide data/documents to clear this long outstanding balance. This balance will be cleared in financial year 2020-2021.

Officer Responsible

Senior Accounts Officer

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

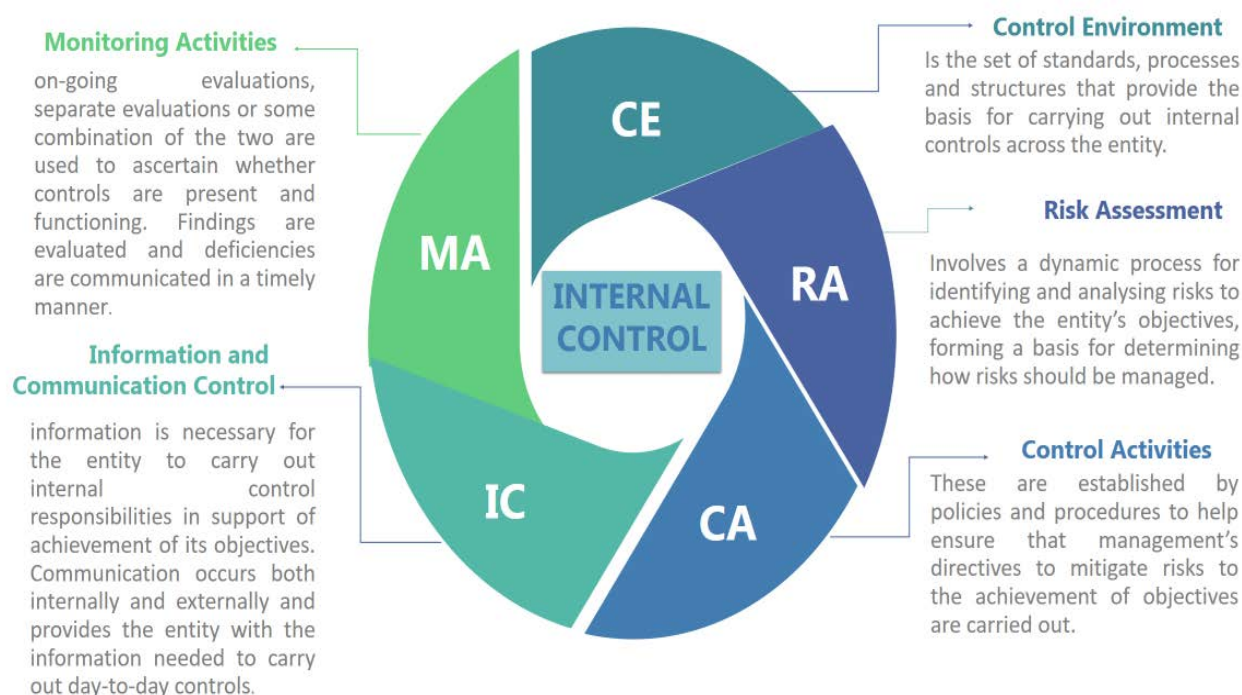
23.13 Internal Controls

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
❗ Ineffective	❗ Ineffective	❗ Ineffective	❗ Ineffective	❗ Ineffective

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


23.14 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	NA	Submission of arrears of revenue returns by 30 August 2019	NA

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 three of the eight applicable key processes completed within two weeks of due date

23.15 Quality of Draft Financial Statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Ineffective	Adjustments were made by Ministry and the draft financial statements was resubmitted on 06/09/2021 and 02/11/2021

23.16 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

23.17 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	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 23.1: LONG OUTSTANDING DEPOSITS

Date	Recipients	Receipt No.	Amount Received (\$)
108/08/2014	J.S	670540	4,000.00
01/09/2015	P.L	670547	6,102.43
01/09/2015	M.Y	670547	6,102.43
01/09/2015	L.V	670547	6,102.43
01/09/2015	T.S	670547	6,102.43
06/02/2015	K.T	670542	6,102.43
06/02/2015	S.Q.N	670543	6,102.43
22/10/2015	J.V	188004	6,102.43
15/02/2015	M.B	188009	6,102.43
08/11/2015	A.B	670315	6,102.43
08/12/2016	J.M	670315	6,102.43
02/09/2016	E.T	670312	6,102.43
12/07/2016	A.S	188018	6,102.43
01/02/2016	Y.S	188007	6,102.43
18/12/2017	T.R	654216	5,715.60
28/02/2017	J.P.R	188030	6,101.00
09/06/2017	S.T	188036	6,102.43
09/06/2017	A.M	188037	6,102.43
11/10/2017	I.K	188048	6,102.43
11/10/2017	T.R	188048	6,102.43
11/10/2017	V.D	188048	6,102.43
11/10/2017	J.C	188048	6,102.43
11/10/2017	A.K	188048	6,102.43
05/09/2017	V.T	188043	5,881.77
12/09/2017	M.I.A	188353	2,000.00
18/09/2017	S.L	188358	5,908.48
04/10/2017	S.M	655026	2,000.00
02/11/2017	M.R	654978	5,908.50
26/10/2017	J.P	655510	5,734.90
03/04/2018	I.K	190201	2,000.00
03/04/2018	S.W	654076	2,000.00
16/01/2018	R.I.Y	654106	5,715.65
08/03/2018	K.R	654082	5,715.65
26/04/2018	N.R	670758	5,715.62
29/01/2018	J.V	670755	5,715.62
21/06/2018	R.V	670762	5,715.62
11/06/2018	K.L	670319	6,102.43
23/05/2018	A.V	670759	6,170.00
12/01/2018	K.V	188364	6,000.00

Date	Recipients	Receipt No.	Amount Received (\$)
14/05/2018	I.T	188365	2,000.00
05/06/2018	E.W	188367	2,000.00
13/03/2018	W.T	654979	2,000.00
14/06/2018	S.R	654980	5,908.50
06/04/2018	MT-14 houses	655613	42,000.00
05/01/2018	A.S	654330	500.00
05/01/2018	R.K	654331	500.00
23/02/2018	M.D	654332	5,734.89
23/02/2018	R.F.L	654333	5,734.89
23/02/2018	F.N	654335	5,734.92
29/05/2018	S.T	654336	5,734.90
29/05/2018	K.N	654337	5,734.90
29/05/2018	K.R	654338	5,734.90
06/09/2018	L.T	189966	5,715.62
06/09/2018	A.W	189967	5,715.62
06/09/2018	A.S	189968	5,715.62
10/09/2018	A.S	189970	2,000.00
19/09/2018	S.K	189974	2,000.00
01/11/2018	J.K.G	189976	5,715.60
02/11/2018	F.L.G	189977	5,175.60
19/09/2018	E.T	189973	5,715.20
17/09/2018	A.M	189972	5,715.62
21/02/2018	T.O	189782	5,715.62
21/02/2018	A.B	189784	5,715.62
21/02/2018	S.R	189782	5,715.62
15/01/2019	K.V	189985	2,000.00
17/01/2019	R.K	189988	1,600.00
08/01/2019	S.Q	189983	5,715.60
Not dated	V.N	654339	5,000.00
	S.G	654274	5,734.89
	U.R	654277	5,734.90
	V.R	654281	5,715.62
	P.Q	189782	3,260.00
	T.N	189986	1,666.70
Total			403,050.79

APPENDIX 23.2: MONTHLY RECONCILIATIONS NOT PERFORMED

FMIS GL Allocation	Account Description	GL balance as at 31/07/2019 (\$)	Comments
1-23101-23999-536101	IDC	Nil	One Consolidated reconciliation was prepared from August 2018 to July 2019 on 10/09/2019
1-23000-00000-860000 (Various allocations)	Operating Trust Fund Account	(425,516)	One Consolidated reconciliation was prepared from August 2018 to July 2019 on 10/09/2019
1-23101-23999-570301	Advances	181,111	Two consolidated reconciliations were prepared, August 2018 – December 2018 on 02.10.19 and January 2019 – July 2019 on 09/10/2019.
1-23101-23999-538101	BLC	Nil	One Consolidated reconciliation was prepared from August 2018 to July 2019 on 10/09/2019.
1-23101-23999-530301	Drawings account	(798,860)	One Consolidated reconciliation was prepared from August 2018 to July 2019 on 02.10.2019
1-23401-23999-840602	SLG 84 – Withholding Tax	\$89,460	One Consolidated reconciliation was prepared from August 2018 to July 2019 on 10/09/2019.
1-23101-23999-840101001	SLG 84 – Previous Year Social Housing Contribution Refund	Nil	One Consolidated reconciliation was prepared from August 2018 to July 2019 on 10/09/2019.
1-23000-00000-010000	SEG 1	415,871	All Reconciliations from Pay 16/2018-26/2018 and 01/2019 to 15/2019 were prepared on 02/07/2019
1-23000-00000-020000	SEG 2	519,710	All Reconciliations from Pay 32/2018-52/2018 and 01/2019 to 31/2019 were prepared on 03/10/2019

Head 36**Ministry of Public Enterprises and
Government Printing****Roles and Responsibilities**

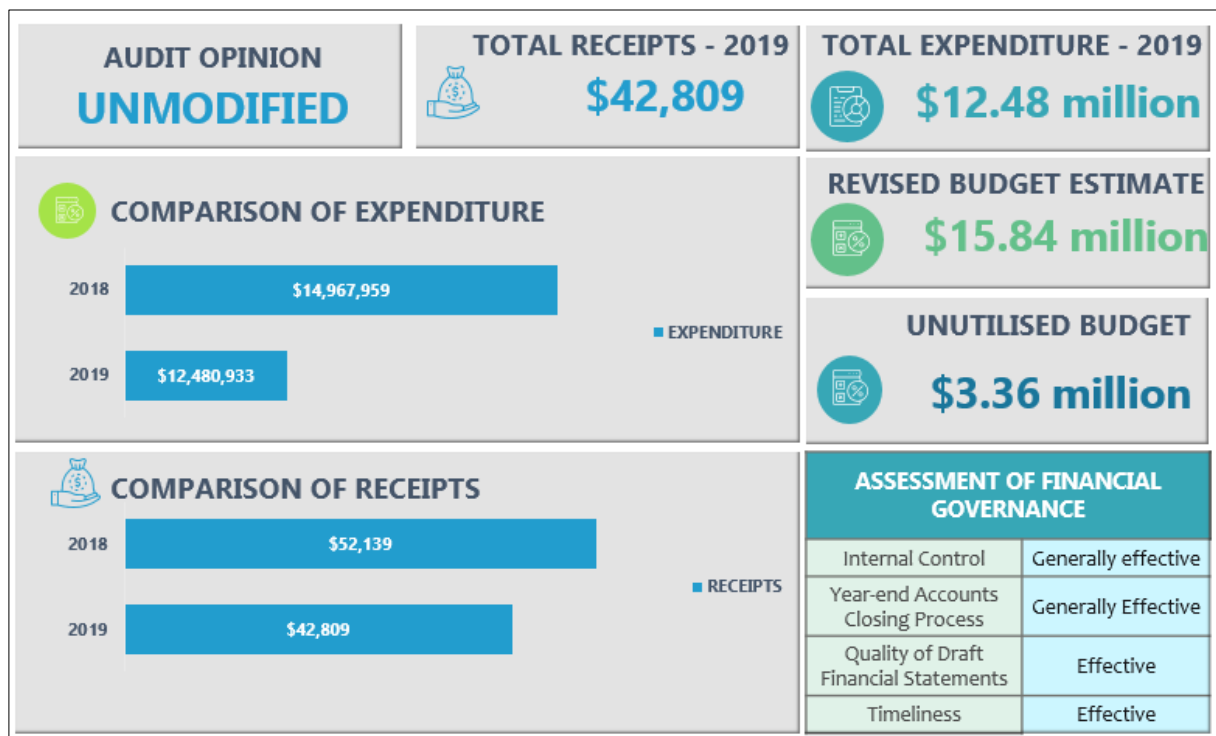
The Ministry of Public Enterprises oversees and implements reform programs, provide policy recommendations and monitors the performance and operations of public enterprises to increase efficiency and effectiveness in terms of financial growth and improvements in services to the public.

The Government Printing and Stationery Department was responsible for printing Government documents and the Laws of Fiji. The Department was managed by the Government Printer who was reporting to the Permanent Secretary for Public Enterprises

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PART A: FINANCIAL INFORMATION



36.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Public Enterprises and Government Printing resulted in an unmodified audit opinion.

36.2 Appropriation Statement

The Ministry collected revenue totalling \$42,809 in 2019 and incurred expenditure totalling \$12.4 million against a revised budget of \$15.8 million resulting in unutilised budget of \$3.3 million or 21.2%.

Details of expenditure against the revised budget are provided in Table 36.1.

Table 36.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	3,355,473	--	3,355,473	2,195,776	1,159,697
2	Government Wage Earners	474,724	--	474,724	275,544	199,180

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
3	Travel & Communication	110,300	--	110,300	49,012	61,288
4	Maintenance & Operations	606,000	--	606,000	241,901	364,099
5	Purchase of Goods & Services	102,687	--	102,687	24,785	77,902
6	Operating Grants & Transfers	4,787,540	--	4,787,540	4,787,540	---
7	Special expenditure	2,075,000	--	2,075,000	1,984,723	90,277
	Total Operating Costs	1,1511,724	--	1,1511,724	9,559,281	1,952,443
10	Capital Grants and Transfers	4,072,170	--	4,072,170	2,850,992	1,221,178
	Total Capital Expenditure	4,072,170	--	4,072,170	2,850,992	1,221,178
13	Value Added Tax	260,500	--	260,500	70,660	189,840
	TOTAL	15,844,394	--	15,844,394	12,480,933	3,363,461

Unutilised budget was largely due to the following:

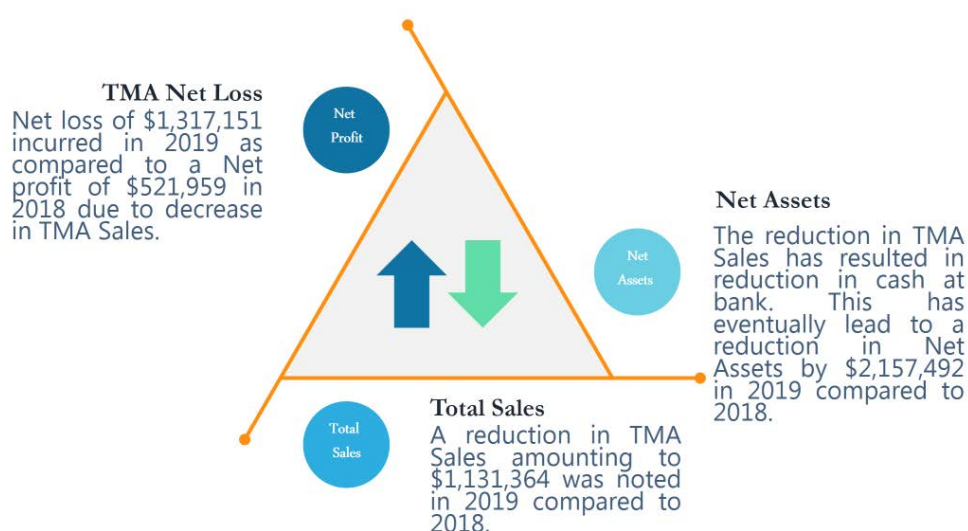
1. Unutilised budget of \$1.3 million in Established Staff and Government Wage Earners allocation is due to staff resignation which resulted in vacant positions. Thirteen of the vacant posts were put on hold as Management decided to advertise it at a later date to attract better pool of applicants.
2. Unutilised budget in Other Operating Expenditure budget is mainly attributed to Government Printing and Stationeries Department ceasing operation which caused the reduction in expenditure.
3. The unutilised budget of \$1.2 million in Capital Grants and Transfers budget is due to the following:
 - Biosecurity of Fiji – had submitted quarter 4 request after RIE applications closing date, hence quarter 4 grant remained unutilized.
 - Fiji Rice Limited – was able to complete the allocated project at a competitive rate.
 - Copra Millers (Fiji) Limited – for the whole nut subsidy, the total raw materials purchased in the 2018 – 2019 period were lower than forecasted. For the Coconut Replanting Program, the savings was due to delay in the commencement of the program hence funds were not distributed to the farmers as planned.

36.3 Trading and Manufacturing Account

Trading and Manufacturing Account (TMA) is established under the Revolving Fund Account for the purpose of trading or production of goods and services for sale to other departments, statutory bodies or individuals. Trading involves the buying and selling of goods. Manufacturing involves the conversion of one type of good or material to another through the application of labour and facilities.

The TMA relating to the Government Printing Department whose functions included providing printing and stationery services to Parliament of Fiji, Government Ministries and Departments, statutory bodies including the general public on semi-commercial practices. It was responsible for printing government documents, including parliamentary papers, gazettes, supplements, bills, acts, revenue earnings forms and cheque books. It was also responsible for printing of the Laws of Fiji.

The financial analysis of TMA for the year ended 31 July 2019 is provided below. Detailed Statements for the TMA are provided in Appendix 36.1.



PART B: ASSESSMENT OF FINANCIAL GOVERNANCE

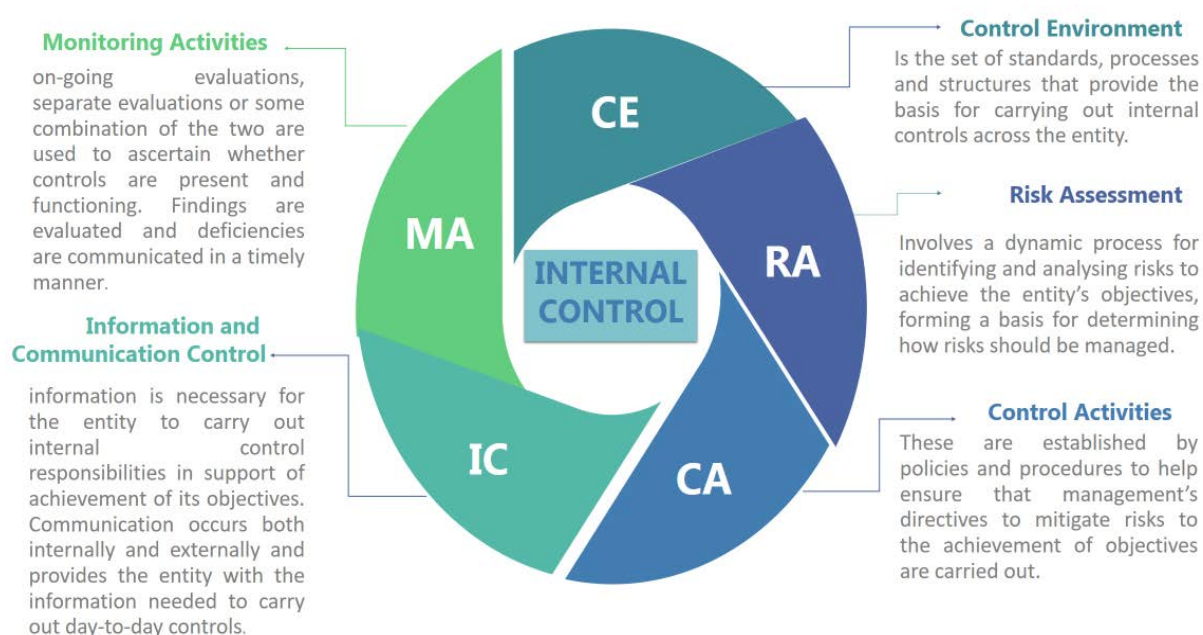
36.4 Internal Controls

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 were as follows:











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

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

Rating	Internal control assessment
 Effective	No deficiencies identified in internal controls


36.5 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	

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	Six of 10 key processes completed within two weeks of due date.

36.6 Quality of Draft Financial Statements by entities

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

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

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

36.7 Timeliness of draft financial statements

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

Rating	Timeliness of draft financial statements assessment
🌟 Effective	Acceptable draft financial statements received before 31 October 2019.

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

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

Accordingly, we have assessed timeliness as:

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

Rating	Timeliness of Signed Financial Statements Received
🌟 Generally effective	Within 10 days from issue of Financial Statements for signing

APPENDIX 36.1: CONSOLIDATED TRADING AND MANUFACTURING ACCOUNT

Manufacturing Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Opening Raw Materials	365,178	480,738
Add: Purchases	366,063	741,043
	731,241	1,221,781
Less: Closing Raw materials	---	365,178
Raw Materials Used	731,241	856,603
Add: Opening Work In Progress	17,874	64,430
Add: Direct Cost – Labour	61,514	94,846
Less: Closing Work in Progress	---	17,874
Cost of Manufactured Goods Transferred to Trading Account	810,629	998,005

Trading Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Sales	448,003	1,579,367
Opening Stock	860,984	800,755
Add: Cost of Manufactured Goods transferred from Manufacturing Account	810,629	998,005
Goods available for sale	1,671,613	1,798,760
Less: Closing Stock of Finished Goods	---	860,984
Cost of Goods Sold	1,671,613	937,776
Gross (Loss)/Profit transferred to Profit & Loss Account	(1,223,610)	641,591

Profit and Loss Account

Description	31 July 2019 (\$)	31 July 2018 (\$)
Income		
Gross Profit Transferred from Trading Account	(1,223,610)	641,591
Total Income	(1,223,610)	641,591
Expenses		
Maintenance and Operations	93,541	119,632
Total Payments	93,541	119,632
Net (Loss)/Profit	(1,317,151)	521,959

Balance Sheet

Description	31 July 2019 (\$)	31 July 2018 (\$)
Assets		
TMA Dominion Cash CNB Suva	765,913	978,125
Accounts Receivable	2,707	753,479
IC Raw materials	---	365,178
Work In progress	---	17,874
Finished Goods for sales	---	860,984
Total Assets	768,620	2,975,640
Liabilities		
Deposits & Deductions	40,356	89,884
Total Liabilities	40,356	89,884
Net Assets	728,264	2,885,756
Equity		
Accumulated TMA Surplus	6,926,115	6,404,156
Net Profit	(1,317,151)	521,959
TMA Surplus transferred to Consolidated Fund	(4,880,700)	(4,040,359)
Total Equity	728,264	2,885,756

Head 37

Ministry of Local Government

Roles and Responsibilities

The Ministry of Local Government is responsible for formulating and implementing local government and urban planning policies.

The Ministry oversees two key Departments: Local Government & Town and Country Planning.

The primary responsibility of the Department of Local Government is to improve local governance through the effective implementation of the Local Government Act 1972. It is also responsible for the provision of policy advice and support service to the National Fire Authority to ensure effective delivery of its core services.

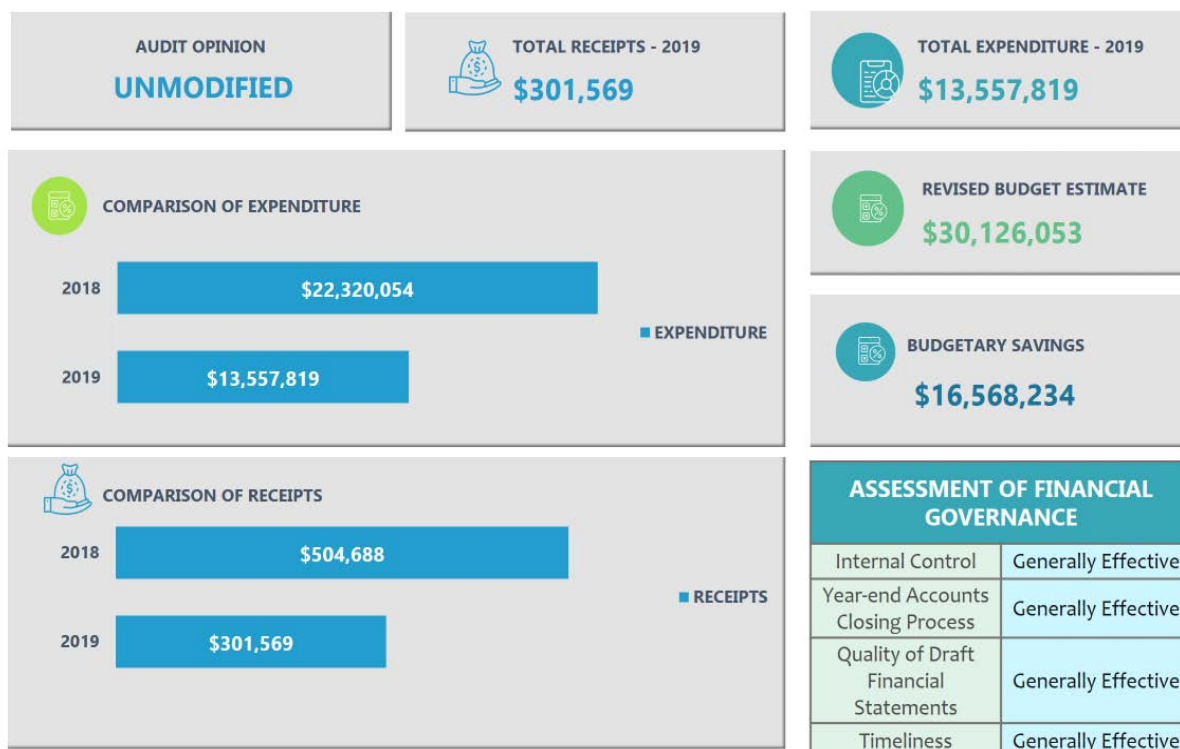
The Department of Town and Country Planning is responsible for the overall administration, planning and regulation of land use in Fiji through the Town Planning Act 1946 and Subdivision of Land Act 1937, to ensure sustainable development and coordinated growth. Its key functions are strategic planning of urban and rural areas and regulation and compliance with development laws. It also offers physical planning and land development advice to government and promotes town planning in Fiji.

The Ministry also partners with other authorities such as National Fire Authority, Municipal Councils nationwide, as well as with international donor agencies that conduct environment waste management programs.

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PART A: FINANCIAL INFORMATION



37.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Local Government resulted in an unmodified audit opinion.

However, it was emphasised that necessary controls for payments were found to be weak. In addition, timely reconciliations were not performed for Drawings Account, SLG 84 Account, Operating Trust Fund and Advances. These are critical areas of the Ministry's operation and if not addressed promptly could result in financial losses or financial irregularities in the future.

37.2 Appropriation Statement

The Ministry collected revenue totalling \$301,569 in 2019 and incurred expenditure totalling \$13.5 million against a revised budget of \$30.1 million resulting in unutilised budget of \$16.6 million or 55%.

Details of expenditure against the revised budget are provided in Table 37.1.

Table 37.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established Staff	2,927,595	(14,800)	2,912,795	2,114,403	798,392
2	Government Wage Earners	190,958	14,800	205,758	198,196	7,562
3	Travel & Communication	228,700	29,690	258,390	248,241	10,149
4	Maintenance & Operations	287,700	68,940	356,640	302,230	54,410
5	Purchase of Goods & Services	164,045	8,450	172,495	171,523	972
6	Operating Grants & Transfers	4,529,455	(33,380)	4,496,075	2,887,792	1608,283
7	Special expenditure	859,100	(73,700)	785,400	361,636	423,764
	Total Operating Costs	9,187,553	---	9,187,553	6,284,021	2,903,532
8	Capital Construction	---	---	---	---	---
9	Capital Purchase	---	---	---	---	---
10	Capital Grants & Transfers	20,800,000	---	20,800,000	7,211,127	13,588,873
	Total Capital Expenditure	20,800,000	---	20,800,000	7,211,127	13,588,873
13	Value Added Tax	138,500	---	138,500	62,671	75,829
	TOTAL	30,126,053	---	30,126,053	13,557,819	16,568,234

The unutilised budget was largely due to the following:

- Unutilised budget of \$798,392 in established staff was due to the vacant positions resulting from resignations and non-renewal of contracts. Vacant positions were not filled pending approval of the restructure of the Ministry.
- Unutilised budget of \$54,410 in maintenance and operations was the result of expenditure controls implemented by the Ministry.
- Unutilised budget of \$1.6 million in operating grants and transfers was a result of reduction in the grant funding to rural local authorities and the National Fire Authority Ambulance Service.

- d) Unutilised budget of \$0.42 million in special expenditure was due to the reduction in assistance to municipal councils for building surveyor consultants to facilitate building application services.
- e) Unutilised budget of \$13.59 million in capital grants and transfers was a result of the non-utilisation of capital funds budgeted for ten new projects namely; National Fire Authority Capital Grant, Construction of Rakiraki Market; Preparatory works new Rakiraki Bus Station, Lami Market, New indoor Sporting facility - Lautoka; Construction of Roadside Mini Market, Swimming Pool, Nasinu; Re-development of Churchill Park, Upgrade of Children's Park and Valelevu Sports Stadium. The capital grant funding was only released to the municipal councils and National Fire Authority subject to the completion of each stage of the project with certification from the Consultant.

In addition, a sum of \$3,420,312 was de-requisitioned for utilization, as approval was not granted by Ministry of Economy. The projects affected were Rakiraki Market - \$600,000; Challenge & Investment Fund - \$1,050,405; Laqere Market - \$525,997; Lautoka Swimming Pool - \$918,200; Namaka Market - \$300,000 and New Town Development projects - \$25,709.78 which was not completed in 2018-2019 financial year but instead rolled-over to 2019-2020 fiscal year.

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.

37.3 Monitoring and oversight role of the Ministry – Capital Projects

The capital project management, monitoring and oversight role of the Ministry for projects carried out by Municipal Councils funded through capital grants were generally found to be weak.

Audit review of the capital projects noted, variations to the approved plan, changes in project site and scope which indicates poor project planning and improper feasibility study.

Ineffective project management led to project cost overruns, delay and untimely completion of projects resulting in value for money on some capital investments not being realised during the financial year.

The audit reviewed the following projects:

Laqere Market Project

Review of Laqere Market project report noted that the market building was repositioned from its initial location and was reset six meters from the boundary-line on the left of the property. As a result of this change, an additional sum of \$636,324 was vired from the Ministry's capital expenditure budget allocation to cater for the variation and necessary preparatory work on the new site.

It was noted that from the total additional funding, \$564,991.80 was for additional work not initially planned and a direct result of the changes in building site.

The project was finally commissioned in June 2020, a year after its planned completion date. The total cost of the Project amounted to \$7,198,434.

Sigatoka River Bank Reclamation Project

In 2016, the Ministry paid a sum of \$845,000 to Sigatoka Town Council for the Sigatoka river bank reclamation project. The contractor and the project manager was engaged by the Sigatoka Town Council.

Audit review of the project revealed the following irregularities:

- A total sum of \$54,086.09 was paid to the Project Manager without a signed contract agreement between that the Council and Project Manager.
- The Contractor was paid a sum of \$487,791. We could not confirm the contract amount and the conditions as the contract agreement between the Council and contractor was not provided when requested during the audit.
- A payment of \$75,651 was made to the contractor in 2018 as the second progress payment although the progress payment certificate provided by the Project Manager was not signed.

Upon further inquiry, it was revealed that the project was put on hold due to structural failure. The audit site visit carried out on the 06/08/20 noted that the sheet piles had either bent towards the river or had fallen apart.

Refer to the Figure 37.1 for details

Figure 37.1: Sigatoka Riverbank Project as at 06/08/2020



Pictures taken on date of site visit - 06/08/2020

Lautoka Botanical Garden Swimming Pool

Review of Lautoka Botanical Garden Swimming Pool project reports noted that the total estimated cost for the construction of the project was revised from \$2 million to \$12,638,743. This revision was a result of the change in the scope and the site of the project resulting from the decision of the Ministry during the site visit on 21/08/2016.

It was noted that the Council was reluctant to take up the project after the change in scope to construct an Olympic standard swimming pool due the Council's financial capacity and the lack of in-house resources to undertake such specialized project scope.

As a direct result of the change in scope, ensuing variations to fencing, foundation block and additional digging and compaction works for children's pool arose. Additionally, it was noted that delays in works by the contractors was directly due to the delays in progressive payments by the Council and the Ministry.

According to the Lautoka Botanical Garden Grant agreement signed on 02/08/18, the completion time of the project should be eight months from the date of the agreement. However, as at the date of the audit site visit¹, two years after the agreement, the Pool has not being commissioned for use and the project is still incomplete.

The Ministry provided grant of \$5,250,000 to the Council for the project. At the end of the 2019 financial year, the Council had utilized a total of \$5,916,985 for the construction of the pool and its related infrastructure.

Refer to Appendix 37.1 for the status of the project taken on 18/02/2021 and the detailed management comments provided by the Ministry.

Lautoka Market Ventilation and Lights Project

The Ministry of Local Government agreed to provide funding of \$1,000,000 to the Lautoka City Council for the Lautoka Market Improvement of Ventilation and lights. The grant agreement was signed on the 20/02/2019. Audit review of the Grant Agreement noted that the Ministry, in the financial year, paid \$81,800 to Lautoka City Council from which the Council has paid \$54,391 to the project consultant. This has resulted in budget savings of \$918,200 for the Ministry and \$27,409 savings for Lautoka City Council.

Despite the payment made, it was noted that there has been no progress and development in the project activities which has lapsed in its timelines from what was stipulated and agreed in the grant agreement between the Ministry and Lautoka City Council.

¹ 18/02/2021

Root cause/Implication

The above findings indicate poor project planning, ineffective project management and improper feasibility study. As a result, variations to the approved plan and changes in project site and scope were evident.

Ineffective project management has led to project cost overruns, delay and untimely completion of projects resulting in value for money on capital investments not being realised during the financial year.

Recommendations

- The Ministry must be proactive and increase its oversight role and enforce an effective system of project management, monitoring and supervision at every stage of the project.
- Investigation into the Sigatoka River Bank Reclamation Project must be carried out and appropriate action to be taken against those accountable for the poor project management, resulting in financial loss.
- Sigatoka Town Council must refund the utilized grant for the Sigatoka River Bank Reclamation Project amounting to \$473,150².
- The Ministry should provide project management training to Officers responsible to monitoring capital projects.

It is imperative, that the Ministry assess the technical capacities and project management ability of the respective Municipal Council's before providing funding.

Agreed Management Action

The Municipal Council is a corporate body on its own and operates with its governance structure. The Ministry has no legislative control on the operations of the Council. The Ministry provides the administrative support in releasing the capital grant via a grant agreement to the Councils on quarterly basis. The Ministry has put additional controls on the release of project grants to the Councils.

The technical aspect of the contract management of the civil works contractors has been verified and supervised by the lead consultant at Council level. The lead consultant certify the work of the civil contractor before any payment is released to the civil works contractor.

The Ministry's monitoring role has been strengthened through the partnership with Construction Implementation Unit (CIU) at Ministry of Economy. Joint site visit and project meeting are held regularly between Nasinu Town Council, Ministry of Local Government Management and Head of Construction

² Amount sourced from Sigatoka Town Council 2019 Signed Financial Statement

Implementation Unit, where the project progress status is discussed and financial need to complete the project. From 2018, the CIU also certifies the claims of the works completed of both the lead consultant and the civil works contractor before recommending for release of capital project funds.

The technical team from the Director Building's Office of Ministry of Infrastructure (MoIT), who are engaged as the Quality Surveyor (QS) for the Project oversee the project construction progress and certifies claims by the contractor.

The Construction Implementation Unit, Technical team also work with the project team in terms of monitoring of the project progress. The Ministry monitoring role in partnership with the QS Team from MoIT and CIU ensures that the project is completed as per the approved plan.

Sigatoka River Bank Reclamation Project

This project was put on hold due to the horizontal shift of the sheet piles in 2019. Sigatoka Town Council has raised the concerns with the Lead Consultant and sought rectification of the problems, however, to no avail.

The Council's solicitor has written to the consultant of the said project on 26/08/2020 on the issues pertaining to the said project. The solicitor will now institute legal proceedings to claim the amount lost as a result of the incorrect advice provided by the Lead Consultant.

The Ministry has appointed a Team of Special Administrators and Chief Executive Officers who have set KPIs to ensure appropriate implementation of Council Operations and capital projects.

Lautoka Market Ventilation and Lights Project

- The Consultant was paid for the works carried out at the Lautoka Market as per the Agreement between Lautoka City Council and the Consultant.*
- This project was put on hold when funding by the Government was discontinued in the COVID-19 Budget.*
- All projects are now monitored by the Construction Implementation Unit at the Ministry of Economy.*
- Extra lights and fans have been installed at the market in various sections where complaints were received from the vendors. This is an interim solution provided by the Council through its operational costs.*
- The Council intends to use its own funds and enter into PPP arrangement to complete the project.*
- The Ministry will request the Council to reimburse the sum of \$27,409.*

Officer Responsible

Director Local Government

37.4 Anomalies in the management of Revolving Fund Account (RFA)

Advances may be provided to staff to assist in carrying out their official duties or as part of their approved remuneration. The repayment of these advances must be actively pursued to reduce the risk of losses from irrecoverable debts.³

Audit review of Revolving Fund Account noted that outstanding RFA balance amounted to \$132,274.39 which was carried forward from 2018 financial year indicating that balances in the account have not been cleared in a timely manner.

Root cause/Implication

The above findings indicates, that revolving fund accounts has not been reconciled and cleared in a timely manner. This is a non-compliance to Ministry's Finance Manual.

Recommendations

The Ministry should ensure that:

- Officers retire their accountable advances within seven days upon return from official trips and recoveries are made from salaries for those that do not retire on time;
- Monthly reconciliations are prepared and reviewed in a timely manner; and
- Charges in the RFA account is cleared in timely manner.

Agreed management comments

Audit comments are noted.

The outstanding RFA balance amounting to \$134,694.62 comprises of balances brought forward of \$133,794.64 from 2018 and sum of \$899.98 of current financial year (2018-2019 FY) which was cleared in 2019-2020 financial year through recovery of outstanding advances amounting to \$2,420.23.

The sum of \$132,274.59 for previous year's carried forward balances includes non- advance related transactions and non-advance. The Ministry will resubmit the submission for book entry adjustment to Ministry of Economy.

Ministry has recruited a quality with requisite accounting and book keeping accounts team namely; Senior Accounts Officer, Accounts Officer, and two Assistant Accounts Officer who are responsible for the timely closure and reporting of the financials for the Ministry for all underline accounts on a monthly basis. In 2019, with the given said staff monitoring has been strengthen to ensure the retirement of

³ Part 10 Ministry of Local Government Finance Manual 2013

accountable advances is constantly followed up and retired within seven days of advance retirement period.

The RFA reconciliations is performed on a weekly, fortnightly and monthly basis by one of the Assistant Accounts Officers and checked by an Accounts Officer, which are then verified by the Senior Accounts Officer in concurrence with Manager Finance before it is submitted to Ministry of Economy.

From 2020 financial year, strict monitoring has been placed on the retirement of accountable advances whereby constant follow-ups are done to ensure retirement is within 7 days.

Monthly reconciliations are carried out and submitted to MOE with zero variances except for the carried forward balance from prior years.

All payment vouchers, acquittals and relevant documents with regards to the issue and retirement of advances are certified and filed accordingly.

Officer Responsible

Manager Finance

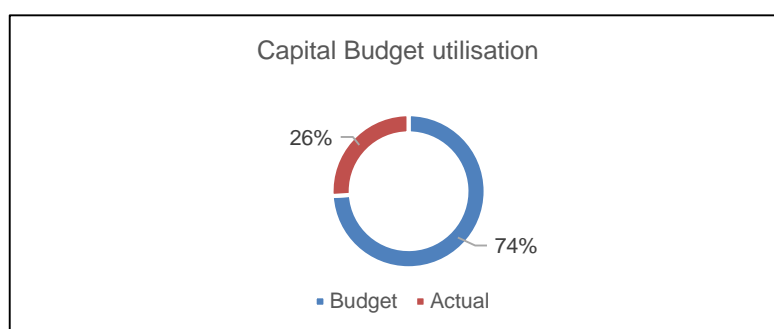
37.5 Failure to Implement Capital Projects Approved for 2019

The proper management of expenditure is fundamental to ensuring value-for-money in delivering services to the community.⁴

For financial year 2019, the Ministry was appropriated a total of \$20,800,000 for capital expenditure for 17 capital projects. At the end of the financial year, the Ministry only managed to utilize 35% of the capital expenditure budget totalling \$7,211,127 for only seven projects. The budget of \$4,650,000 for 10 projects remained unutilized.

Refer to Appendix 37.2 for details of project budget not utilised. Refer to the illustration below for details.

Figure 37.2: 2019 Capital Budget utilisation



⁴ Part 2 - 2013 Ministry of Local Government Finance Manual

Root cause/Implication

Ineffective project management led to delay and untimely completion of projects resulting in value for money on the capital investments not being realised during the financial year.

Recommendation

The Ministry should properly plan, coordinate and manage its budget to ensure that projects and programs are implemented on time and in a proper manner.

Agreed management comments

Audit comments are noted.

The Ministry utilized 35% of the CAPEX budget totalling to \$7,211,127 on seven projects based on completed works on the ground.

There has been no capital funds used on ten new projects namely; National Fire Authority Capital Grant, Construction of Rakiraki Market; Preparatory works new Rakiraki Bus Station, Lami Market, New indoor Sporting facility - Lautoka; Construction of Roadside Mini Market, Swimming Pool, Nasinu; Re-development of Churchill Park, Upgrade of Children's Park and Valelevu Sports Stadium as the capital grant funding is only released to the Municipal Councils and National Fire Authority subject to completion of each stage of the project with certification from the Consultant.

Sum of \$3,420,311.78 has been de-requisitioned for utilization however, the excess approval was not granted by Ministry of Economy for the following projects namely; Rakiraki Market - \$600,000; Challenge & Investment Fund - \$1,050,405; Laqere Market - \$525,997; Lautoka Swimming Pool - \$918,200; Namaka Market - \$300,000 and New town Development projects - \$25,709.78 which was not completed in 2018-2019 financial year but instead rollover to 2019-2020 fiscal year.

Officer Responsible

Manager Finance

37.6 Anomalies in Payments

The Senior Accountant 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;
- iii. sufficient uncommitted funds are available for payment of the account;
- iv. the account is not fraudulent and has not been previously paid;

v. the expenditure account it is charged to is correct.⁵

Review of the internal controls for payments revealed the payments vouchers were not properly authorized by the supervising officers before payments were made. Refer to table below for examples.

Table 37.2: Examples of payment cycle anomalies

Date	Cheque/EFT Number	Amount VEP (\$)	Audit Observation
22/05/19	5745	1,174.31	Payment vouchers not authorized by supervising officers
22/05/19	5750	316.51	Payment vouchers not authorized by supervising officers
15/03/19	5742	40.00	Payment vouchers not authorized by supervising officers
20/06/19	5812	3,403.67	Payment vouchers not authorized by supervising officers
04/07/19	5875	2,443.01	Payment vouchers not authorized by supervising officers
30/07/19	5866	367.34	Payment vouchers not authorized by supervising officers
16/04/19	5700	1,880.73	Payment vouchers not authorized by supervising officers.
08/04/19	5687	9,000.00	Payment vouchers not authorized by supervising officers
07/02/19	5616	69.60	Payment vouchers not authorized by supervising officers
11/12/19	5432	784.62	Payment vouchers not authorized by supervising officers
08/11/18	5381	605.50	Payment vouchers not authorized by supervising officers
06/11/18	5370	811.47	Payment vouchers not authorized by supervising officers

⁵s2.8.4 - MLOG 2013 Finance Manual

Date	Cheque/EFT Number	Amount VEP (\$)	Audit Observation
12/09/18	5240	1,367.15	Delay in payment for procurement of an item resulted in additional \$1,500 being charged as storage fees
06/09/18	5224	1,541.28	Payment vouchers not authorized by supervising officers
25/07/19	5943	5,688.07	Payment vouchers not authorized by supervising officers

Root cause/Implication

The findings indicate non-compliance to stated rules and regulations. It also indicates the lack of supervisory checks and management override of controls.

Payments is a critical area of the Ministry's operation and if not addressed promptly may result in financial losses or financial irregularities in future.

Recommendation

The Ministry should strengthen internal control practices for payments and ensure all payments are properly certified by responsible officers prior to disbursement.

Agreed management comments

The Ministry has improved its payment processes from financial year 2019-2020 as the Finance department is now fully resourced to practice separation of duties as required by the Manual.

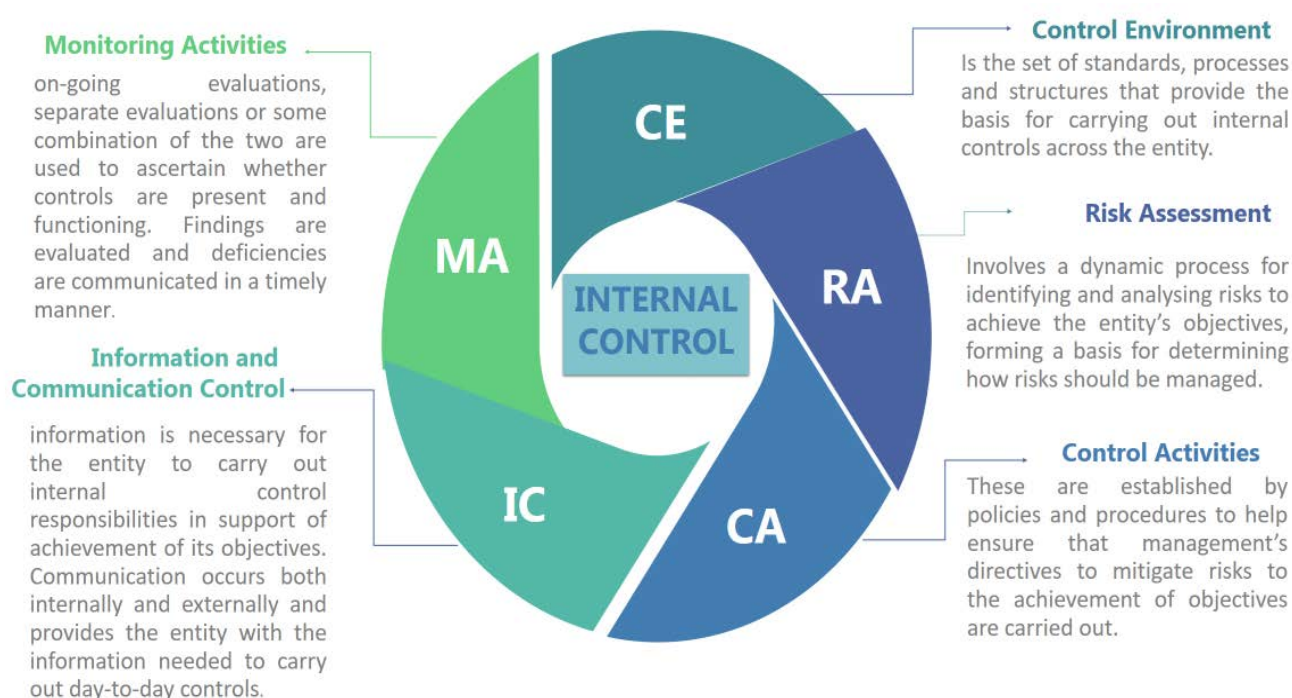
Officer responsible

Manager Finance

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

37.7 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	Some deficiencies identified in internal controls

37.8 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	Not Applicable	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:

Rating	Year-end close process assessment
☀ Generally effective	Five of the eight key processes applicable for the Ministry was completed within two weeks of due date.

37.9 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
 Generally effective	While there was no adjustment to the figures in the financial statement, there was an adjustment made to the Drawings account of the Ministry.

37.10 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
 Ineffective	Acceptable draft financial statements received after 31 October 2019

37.11 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	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 37.1: Status of the Lautoka Botanical Garden Swimming Pool Project

Main Pool Pump House (Incomplete)



Main Pool Convenience and Change Room (Incomplete)



Pump Room – Kids Pool



Pool Steps (Incomplete) and Drain - Training Pool



Inside one of the Convenience



One of the 2 ticket booth



Another Convenience and Change Room (Incomplete)



Kids Pool



Water Pump purchased by the Council



Main Pool



Tile grouting



Left over materials



Detailed Management Comments

The estimated cost for the initial project design was \$2m. The \$12.6 million was due to further changes in the project scope, which are:

- *10 lane Competition Pool*
 - *8 Lane Warm Up Pool*
 - *1 Children's Pool*
 - *All to be at Olympic International Standard.*
- a) *The \$12,638,743 also includes the engaging of two contractors; Luxury Pool and Metal Works, Project Consultant, Quantity Surveyor and sub-contractors. Luxury Pools was contracted to construct the two (2), Olympic International Standard Swimming pool and a Children's pool at a cost of \$4,864,125.00, while Metals Works on the other hand was contracted for the sum of \$3,965,200.00 to construct the associated facilities, which included the medical rooms, pump room, change room, public convenience and kiosk. The other cost was associated with the cost of engaging the Lead Consultant, Quantity Surveyor and sub-contractors and sub services provider.*
- b) *The sum of \$5,916,985 was utilized to pay the claims received from the two contractors, the registered Quantity Surveyor and Lead Consultant. Also included in the cost was the cost incurred by the Council in levelling the project site.*

All these payments was released after the Quantity Surveyor verified the claims and submits the claims to the Lead Consultant to provide a Payment Certificate.

The Construction Implementation Unit also assisted in the project monitoring and vetting of the claims before payments was released to the respective parties.

The location was changed in consultation with the Lead Consultant and the Lautoka City Council. The project was approved on 17 January 2017. The Lautoka City Council and the Lead Consultant executed the Consultancy Agreement for the Swimming Pool Development on 18 December 2017. The Ministry, Lautoka City Council and the Consultant, had a discussion during the design phase of the project. After much consideration on the lack of International Swimming pool facility in the Western Division and to maximize the benefit of the Botanical Garden it was decided to change the scope of the Pool from a re-creation purpose pool to an International Standard Swimming Pool.

Therefore, the site selected earlier was not ideal for the change of scope. The International Olympic Standard Swimming pool would require a training pool to be also constructed. This is the standard requirement to host International Swimming Competitions. Hence, a

big open space would be required. The new site was a steep area and also not utilized at that time. To construct the pools and the associated facilities to compliment the pools, we had to excavate the steep area to bring it into a level open space ground.

As mentioned earlier, the project cost had increased due to the change in the scope of works. The increased amount stands at \$12.6 million. In addition, the Ministry does not understand why the Council would be reluctant to construct an Olympic Standard Swimming Pool, when the same would bring increased revenue for the Council. It must also be noted that the project was to be and has been carried out by external Lead Consultant and contractors with the funding provided by the Government.

This was all part of the change in scope of works. The new site will accommodate the construction of associated facilities such as the medical rooms, Change rooms, Pump room, kiosks and two sets of public convenience. Children's pool was to be constructed below the International Swimming Pool and Training Pool. The substantial earth work was necessary to level the ground and constructed the three pools and the associated buildings.

The delay of the project implementation was due to a number of factors including natural disasters and material suppliers not able to meet the specified timelines and demand. As to be expected on such a large project, all work needed to be carefully scrutinized, so the final quality standards at project completion were not compromised.

The Lautoka City Council in consultation with Ministry of Local Government began an urgent project review around December 2019. The said review on the delay in the project was completed in March 2020. The findings revealed that the Contractor for the buildings and associated facilities was not able to complete its contract by 18 March, 2019 citing wet weather, shortage of materials and delays in some progress payments by the City Council as reasons for not being able to complete their contract on time.

APPENDIX 37.2: Capital Project funds not utilized in 2019

Project	Budget Amount (\$)	Utilised Amount (\$)	Percentage Utilised (%)	Ministry's Comments
National Fire Authority – Capital Grant	1,500,000	0	0%	<p>No funding has been released in 2018-2019 fiscal year as the funding released in previous year were not fully utilized.</p> <p>NFA Board has considered tender documents and forwarded to Ministry for consent in February 2019. Meeting with MOE, decided that the project be deferred and await completion of Rakiraki, Lami, Nakasi and Nabouwalu Fire stations under construction and expected to be completed by July 2019.</p>
Construction of Rakiraki Market	600,000	0	0%	No funding has been released in 2018-2019 fiscal year as the funding released in previous year were not fully utilized due to natural disaster i.e. flooding that has further delayed the Construction of Rakiraki Market project.
Prep Works – New Rakiraki Bus Station	150,000	0	0%	This Project is led by Construction Implementation Unit (CIU) of Ministry of Economy. The majority of the time has been spent in preliminary survey, planning and documentation so that the variation costs to the project shall be minimized or have zero tolerance.
Prep Works – Lami Market	250,000	0	0%	This Project is led by Construction Implementation Unit of Ministry of Economy. The majority of the time has been spent in preliminary survey, planning and documentation so that the variation costs to the project shall be minimized or have zero tolerance.
Valelevu Sports Stadium	324,003	0	0%	Project involves the Design and Construction of a stadium at Valelevu ground. The proposed stadium will include the 2 changing rooms, pavilion

Project	Budget Amount (\$)	Utilised Amount (\$)	Percentage Utilised (%)	Ministry's Comments
				<p>with sitting capacity of 3,500, public convenience, medical room, media room and a car park.</p> <p>Detailed plan and specifications has been delayed from the Guangdong Province side. It was expected to be received by mid-March, 2019, however, according to Chinese Embassy work is still continuing.</p>
Redevelopment of Churchill Park	500,000	0	0%	<p>This Project is led by Construction Implementation Unit (CIU) of Ministry of Economy. The majority of the time has been spent in preliminary survey, planning and documentation so that the variation costs to the project shall be minimized or have zero tolerance.</p> <p>Presentation of detailed design to CIU was submitted with concept design in February, 2019 and have decided to hold on the project.</p>
Construction of Swimming Pool – Nasinu	500,000	0	0%	<p>This Project is led by Construction Implementation Unit (CIU) of Ministry of Economy. The majority of the time has been spent in preliminary survey, planning and documentation so that the variation costs to the project shall be minimized or have zero tolerance.</p> <p>TOR for the project took time to be prepared as CIU decided to carry out research on needs for the area. Consultant was appointed in April, 2019 compared to forecast of November, 2018.</p>
Prep Works New Indoor Sporting – LTC	500,000	0	0%	<p>This Project is led by Construction Implementation Unit (CIU) of Ministry of Economy. The majority of the time has</p>

Project	Budget Amount (\$)	Utilised Amount (\$)	Percentage Utilised (%)	Ministry's Comments
				<p>been spent in preliminary survey, planning and documentation so that the variation costs to the project shall be minimized or have zero tolerance.</p> <p>Presentation of detailed design to CIU was submitted with concept design in February, 2019 and have decided to hold on the project.</p>
Construction of Roadside Mini Market	800,000	0	0%	<p>This Project is led by Construction Implementation Unit (CIU) of Ministry of Economy. The majority of the time has been spent in preliminary survey, planning and documentation so that the variation costs to the project shall be minimized or have zero tolerance.</p> <p>Mini Markets at Nakasi approval letter from FRA has been withdrawn by FRA. Alternative site search is now in progress.</p>
Lautoka Botanical Garden Pool	3,418,200	2,500,000	73%	<p>Three swimming pools has been constructed by the Contractor Luxury Pool and also associated facilities to the pools are partially completed.</p> <p>The project scope and location changed during the course of project implementation, hence the project budget also changed from 2m to 12.6m as of 15/07/20.</p> <p>From fiscal year 2016/2017 to 2019/2020 a total of \$4,891,250.60 has been released to Lautoka City Council.</p>
New Town Development	4,650,000	709,327	15%	<p>The project is on hold in interim due to redesign on the concept plan on overriding the initial plan which includes</p>

Project	Budget Amount (\$)	Utilised Amount (\$)	Percentage Utilised (%)	Ministry's Comments
				<p>redesigning the scheme and engineering plan.</p> <p>Drainage issues on site was noted, hence, CIU has requested to revisit the possibility of elevating the ground levels.</p>
Upgrade Children's Parks – Municipal Councils	500,000	0	0%	<p>This project aims to commence upgrade works of open spaces and improve an estimated 442 open spaces in all municipalities over the next 5 years. Activities include landscaping and the installation of children's playground equipment and other facilities.</p> <p>The program was in totality revised by CIU and broadened to ensure that open spaces are well utilized. First open space selected to be piloted is Waila Open Space and Consultants through the normal tender process was appointed by Government in April, 2019.</p>

Head 42

Ministry of Waterways and Environment

Roles and Responsibilities

The Ministry of Waterways and the Ministry of Environment have been combined to form the newly established Ministry of Waterways and Environment ('Ministry'), in recognition that waterways management and the preservation of Fiji's natural environment share many inherent linkages. Fiji's waterways, as part of our natural environment, also share a unique vulnerability to the worsening impacts of climate change.

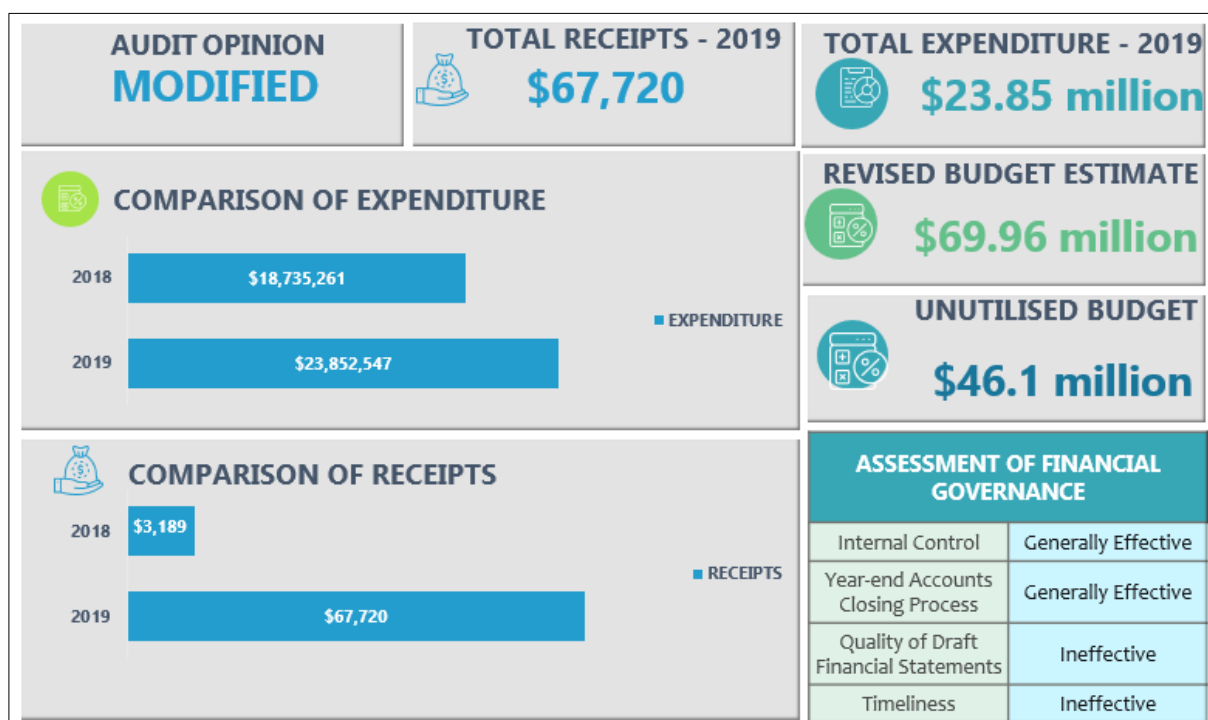
Duties previously carried out by the Ministry of Environment will now fall under the purview of the new Ministry. That includes the steadfast commitment of the Fijian Government to ensure that no development in Fiji comes at the cost of the overall health of our natural environment.

The new Ministry also carries out the full mandate of the previous Ministry of Waterways to address the growing threat that flooding poses to Fijian cities, towns and communities, a threat that is projected to worsen due to the effects of climate change. The Ministry maintains drainage systems and manages waterways in Fiji, including creeks, tributaries and rivers, to build Fiji's overall resilience to the economic setbacks of extreme and widespread flooding.

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PART A: FINANCIAL STATEMENTS



42.1 Audit Opinion

The audit of the 2019 accounts of the Ministry of Waterways resulted in a modified audit opinion. The qualifications are as follows:

1. Monthly bank and Trust Fund Account reconciliations for the Environment Trust Fund account were not performed during the financial year. As a result, an unreconciled variance of \$4,140,717 exists between the bank balance as per bank audit confirmation and the cash at bank general ledger balance. Furthermore, the Ministry was unable to locate and submit payment vouchers for the trust account totalling \$359,980 for my verification. Consequently, audit was unable to substantiate the accuracy and completeness of the Trust Fund Account balance of \$6,051,833 reflected in the Environment Trust Fund Account.

Note 6(b) to the financial statements provides the status of the Ministry's effort to resolve the above variance. The Environment Trust Fund bank reconciliations for 2019 - 2021 have been prepared and submitted to Ministry of Economy.

2. Contrary to requirements of section 49 of Finance Instructions 2010, the Ministry did not prepare a report for the annual board of survey of assets under its authority. As a result, audit was unable to verify the existence and condition of the Ministry's assets and could not ascertain the accuracy of Loss of Assets recorded in the Statement of Losses.

3. The Ministry disbursed a total of \$3,410,962 as capital grants for maintenance of drainage to Municipal Councils. audit was unable to extend my verification beyond the acquittal reports submitted by the Municipal Councils. The acquittals reports were not supported with appropriate progress reports and project completion reports or engineer's certificate. Furthermore, the Ministry did not carry out independent verification of the projects to ascertain whether the projects were undertaken as per the approved scope and plan. Due to the lack of appropriate supporting documents and lack of evidence of verification by the Ministry, audit was unable to ascertain whether value for money of payments totalling \$3,410,962 for maintenance of Drainage reflected as Capital Grant and Transfers in the Financial Statements has been achieved.
4. Funds totalling \$50,505 were transferred from the Drainage Boards in accordance with section 26 of the Drainage (Budget Amendment) Act 2018. The funds transferred were neither based on audited closing cash at bank balance nor supported with closing bank statements balances of the respective Drainage Boards. As a result, audit was unable to ascertain the accuracy and completeness of the Transfer of Drainage Board Fund revenue totaling \$50,505 reflected in the Statement of Receipts and Expenditure.

42.2 Appropriation Statement

The Ministry incurred expenditure totalling \$23.8 million in 2018-2019 against a revised budget of \$69.9 million resulting in an unutilised budget of \$46.1 million or 66%.

Unutilised budget of \$995,970 under Established Staffs was due to the 36 Established Staff positions that were still vacant at the end of the 2019 financial year as the Ministry's Human Resource section was yet to recruit the required number of staff to facilitate the Ministry's role.

Unutilised budget of \$4,307,741 under Special Expenditure was mainly attributed to unspent funds of \$3,467,511 under Fiji Ridge to Reef Project allocation. The project commenced in 2019 and only \$90,194 was utilized for project preparatory work. This is an ongoing project facilitated by UNDP.

Unutilised budget of \$34,691,351 under Capital Construction was mainly attributed to the delay in tender process. For Naboro Landfill Stage 2 Cell 3, the tender was called on 02/10/18, closed on 21/11/18 and GTB approval was finally issued on 28/05/19. The contract was signed on 19/07/19, which was 12 days before the end of the financial year, thus majority of the project funds were not utilised. For Irrigation Support for Farm Development, the tender was advertised on 17/10/18, closed on 21/11/18 and submission to GTB was made on 04/01/19. However, the tender has been withdrawn due to re-prioritisation of funds by

the Ministry of Economy. For Maintenance of Irrigation Schemes, the tender for the Navua Irrigation Scheme and Maintenance of Completed Irrigation Scheme – Northern Division were completed during the 2nd quarter of the year. Thus, the Ministry was only able to utilise \$853,337 on both projects during the year. For Coastal Erosion Protection Works, the Yaroi, Qarani, Sasa, Nakawaqa, Dromuna, Anitioki, Naselai and Namatakula villages' projects were shelved due to re-prioritisation of funds. Tender for Bau Island project was re-advertised due to less interest shown on projects in maritime islands. The tender process for Tavuki District School, Namuana village and Dravuni village has been finalised but works are yet to commence. Most projects for which GTB approval was obtained during the period were still 60 – 70% progress, thus the savings in Coastal Erosion Protection Works project funds. Details of expenditure against the revised budget are provided in Table 42.1.

Table 42.1: Appropriation Statement for 2019

SEG	Item	Budget Estimate (\$)	Changes (\$)	Revised Estimate (\$)	Actual Expenditure (\$)	Lapsed Appropriation (\$)
1	Established staffs	4,119,918	(281,000)	3,838,918	2,842,948	995,970
2	Government wage earners	1,368,199	(69,000)	1,299,199	1,039,404	259,795
3	Travel & communication	200,400	140,000	340,400	298,514	41,886
4	Maintenance & operations	569,000	105,000	674,000	599,544	74,456
5	Purchase of goods & services	309,925	105,000	414,925	379,077	35,848
6	Operating grants & Transfers	1,256,220	---	1,256,220	801,032	455,188
7	Special expenditures	5,243,424	---	5,243,424	935,683	4,307,741
	Total Operating Expenditure	13,067,086	---	13,067,086	6,896,202	6,170,884
8	Capital construction	46,987,394	---	46,987,394	12,296,043	34,691,351
9	Capital purchase	1,500,000	---	1,500,000	---	1,500,000
10	Capital grants & transfers	3,809,710	---	3,809,710	3,410,962	398,748
	Total Capital Expenditure	52,297,104	---	52,297,104	15,707,005	36,590,099
13	Value added tax	4,591,496	---	4,591,496	1,249,340	3,342,156
	Total Expenditure	69,955,686	---	69,955,686	23,852,547	46,103,139

42.3 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 2 main trust fund bank accounts which include the Environment Trust Fund Account, the Waterways Retention Trust Fund Account.

42.3.1 Environment Trust Fund Account

The Environment Trust Fund Account consisted of four trust fund accounts. They are Ozone Depletion Substance (ODS) Fines, Naboro Landfill, Environment Trust and Convention on International Trade in Endangered Species (CITES) Trust Fund Accounts.

- i. **Ozone Depletion Substance (ODS) Fines** – section 12 of the Ozone Depleting Substance Act 1998 establishes the Ozone Layer Protection Fund which consisted of all money appropriated by Parliament for the purposes of the Fund or required to be paid into the Fund by or under any other Act; fees paid under this Act; and all money paid from any source outside Government for the purposes of this Act, and which will be dealt with as a special account under the Financial Management Act 2004.

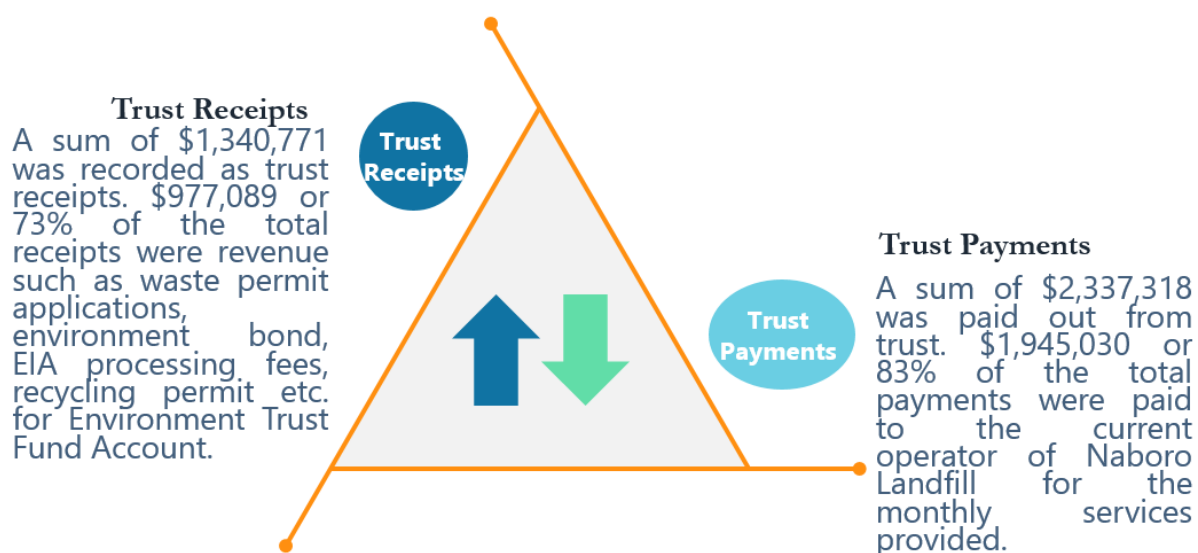
The objects and purposes of the Fund are for programmes for the establishment or management of any strategy or action plan required for the protection of the ozone layer; and the administration of programmes established to give effect to the Vienna Convention for the protection of the Ozone Layer and Montreal Protocol on substances not deplete the Ozone layer.

- ii. **Naboro Landfill Trust Fund Account** - the Naboro Landfill Trust Fund Account consisted of gate fees collected at the Naboro Landfill. This fund is used to pay monthly progressive claims to the nominated contractor, HG Leach.
- iii. **Environment Trust** - section 55 of Environment Management Act 2005 establishes the Environment Trust Fund Account into which shall be paid, money appropriated by Parliament, any environment bond, any contribution or donation, fines of fixed penalties or any other money required under the Act or any other written law to be paid into the fund. The Department of Environment administer the trust fund for various purpose including payment for debts for nature swaps, payment for necessary expenses incurred in the negotiation, monitoring, investigation or analysis of any matter or the undertaking of any environmental monitoring or audit programme, payment for environmental rehabilitation work, research programmes, refund of environment bonds and security of costs and rewards under the act.

- iv. **Convention on International Trade in Endangered Species (CITES) Trust Fund Accounts** – in accordance with section 31 of the Endangered and Protected Species Act 2002, any money received by or on behalf of the Fiji CITES Management Authority for the purpose of protecting any species listed in section 3 of the Act will be deposited into this Trust Fund Account. Monies for the Trust are utilised for the purpose of protecting endangered and protected species.

The Ministry collected Environment Trust Fund revenue totalling \$1,340,771 in 2019 and incurred expenditure totalling \$2,337,318 resulting in a deficit of \$996,547 compared to a surplus of \$2,517,441 in 2018.

The financial analysis of the Environment Trust Fund Account for the year ended 31 July 2019 is provided below.



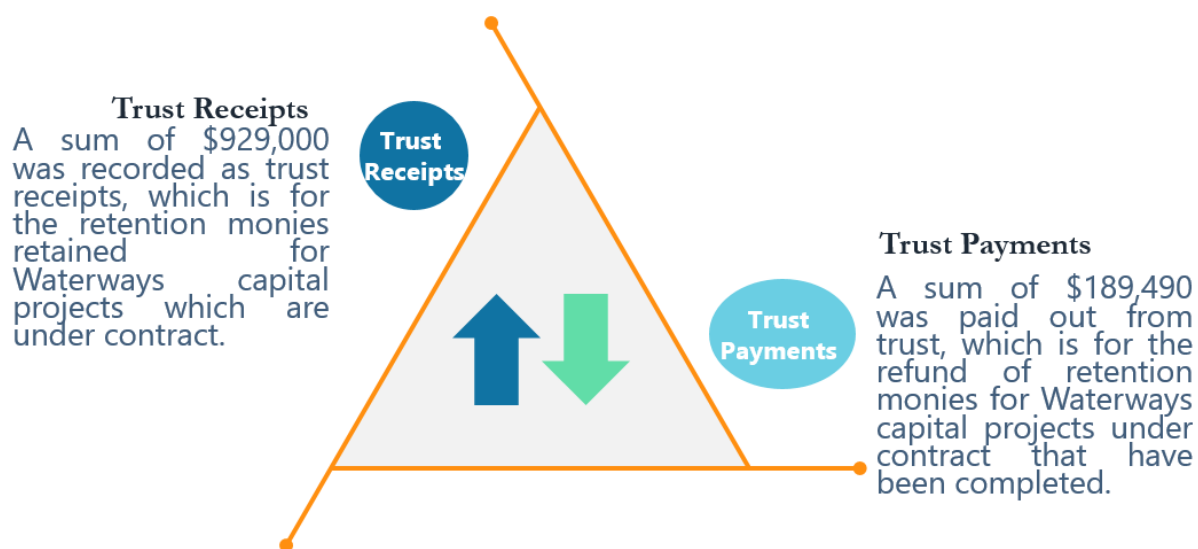
The detailed trust fund account statement of receipts and payments is provided in *Appendix 42.1*.

42.3.2 Waterways Retention Trust Fund Account

The Department of Waterways Retention Trust Fund Account includes deposits and refund of retention monies for the Department's capital projects which are under contract.

The Ministry collected retention revenue totalling \$929,000 in 2019 and incurred expenditure totalling \$189,490 resulting in a surplus of \$739,510 compared to a surplus of \$132,756 in 2018.

The financial analysis of the Waterways Trust Fund Account for the year ended 31 July 2019 is provided below.



The detailed trust fund account statement of receipts and payments is provided in *Appendix 42.2*.

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.

42.4 Unreconciled variances in the Ministry's Main Trust Fund Account

Each month the trust account must be balanced and reconciled with the trust bank account. The names and balances of each account must be listed and the reconciliation shall be signed by the responsible officer. Un-reconciled items must be investigated and resolved promptly.¹

The Ministry maintained the following Main Trust Fund Accounts:

1. Waterways Trust Fund – for Retention funds for Waterways capital projects; and
2. Environment Trust Fund – includes Trust Funds for Ozone Depletion Substance (ODS) Fines, Naboro Landfill, Environment and Convention on International Trade in Endangered Species (CITES).

Audit review of the trust fund accounts noted the following anomalies:

- An unreconciled variance of \$640,470 existed between the Environment Trust Fund Account balance (SLG 89) and the Cash at bank balance (SAG 52) in the FMIS general ledger as at 31 July 2019. Refer to *Table 42.3* for details;

¹ Finance Instructions 2010 – Section 58 (3)

Table 42.3: Variance between SLG 89 and SAG 52 for Environment TFA

Description	Amount (\$)
Trust Fund (SLG 89) balance	6,051,833
Cash at Bank (SAG 52) balance	6,692,303
Variance	(640,470)

- An unreconciled variance of \$4,140,717 existed between the Environment Trust Fund cash balance in the FMIS general ledger (SAG 52) and the bank balance as per bank confirmation at 31 July 2019. Refer to *Table 42.5* for details;

Table 42.5: Variance between Cash GL and bank balance for Environment TFA

Description	Amount (\$)
Cash GL (SAG 52) balance	6,692,303
Cash at bank as per bank confirmation	10,833,020
Variance	(4,140,717)

- Significant delays were noted in the posting of Environment Trust Fund receipts to the FMIS General Ledger. Refer to *Table 42.6* for details.

Table 42.6: Significant delay in GL posting of Environment Trust Fund receipts

Receipt Date	Receipt No.	GL Posting Date	JV No.	Time taken
26/09/18 - 31/10/18	660410 - 660646 597700 - 597756	03/09/19	07/09/19	11 months to post to GL
01/08/18 - 29/08/18	660154 - 660365 897685 - 897686 597691 - 597693	03/09/19	08/09/19	12 to 13 months to post to GL
03/09/19 - 26/09/18	660366 - 660408 597697 - 597699	03/09/19	06/09/19	Up to 12 months to post to GL

Root Cause/Implication

The finding indicates non adherence to stipulated trust fund account processes and procedures and lack of oversight.

The variances highlighted indicate that reconciliations were not prepared and properly reviewed on a timely basis.

Delay in posting to the general ledger indicates the lack of proper supervisory checks. Failure in addressing the issue could result in the misstatement of Trust Fund revenue. As a result of the variances noted, it was not possible to ascertain the accuracy and completeness of the balances of \$6,051,833 reflected in the Environment Trust Fund Accounts.

Recommendations

The Ministry should:

- Carry out the monthly trust fund and bank reconciliations for the Ministry's Main Trust Fund Account on a timely manner. Any errors or variances identified should be investigated and rectified immediately;
- Strengthen its supervisory check and review process and ensure compliance with requirements stipulated in the Finance Instructions and Finance Manual;
- Post Trust Fund Account revenue to the general ledger on a timely manner.

Ministry's Comments

Management had sought assistance from the FMIS, Ministry of Economy (Central Agency) on the transfer of balances and reconciliations also. A Trust Fund committee has been formed to work on this Trust Fund Variances. Committee members consist of Environment & Waterways Staff and will report directly to PS.

The committee will work on the current reconciliation and backwards too and will seek assistance from FMIS whenever required.

Recommendations by the auditors are acknowledged and noted.

Officer Responsible

Principal Accountant and Senior Accountant.

42.5 Approved Capital Projects not implemented during the year

The responsible authority for a budget sector agency is responsible for the effective, efficient and economical management of the agency.²

The Ministry was appropriated a total of \$46,987,394 to meet its approved capital expenditure during the financial year.

² Financial Management Act 2004 – Section 28.1 (a)

We noted that a sum of only \$12,296,043 or 26% of the Capital Construction (SEG 8) budget was utilised by the Ministry while the Capital Purchase budget for the 2018/2019 financial year was not utilised at all.

Refer to *Appendix 42.4* for details.

Root Cause/Implication

Non-utilisation of capital budget indicates ineffective planning and absence of management reviews done to ensure that the allocated funds are effectively utilised as appropriated.

Inability to fully utilize the capital budget is deemed as the lost opportunity especially when no economic benefit is realized from funds provided in the budget. Also, the objectives of funds appropriated by Parliament has not been met.

Recommendation

The Ministry should ensure that the necessary measures and reviews are put in place to ensure the capital budgets are fully utilised for its intended purpose before the end of the financial year.

Ministry's Comments

Recommendations made by the audit is highly acknowledged and noted.

Ministry will ensure that the following measures are taken:

- 1. Re-look into the Tender Process and ensure that it is carried out in a timely manner so that funds are effectively utilized.*
- 2. Proper consultation in all areas is done before the Tender is Advertised and Contract Awarded*
- 3. Work more closely with other Government Agencies and Stakeholders in identifying potential farmers and vendors in a timely manner and funds utilized in that particular Financial Year.*

The Ministry has now an Approved GTB for Hire of Machinery that is valid for 2 years which we are currently working on for Drainage Improvement Works.

Officer Responsible

Director – Environment and Director – Operations.

42.6 Anomalies in Municipal Councils Capital Grants

Where required under Finance Instruction 16-(8), the recipient shall prepare an acquittal report. The acquittal report shall provide the following information: details of grant money expended and unexpended; grant objectives and targets achieved; and Financial statement (audited if practicable) for grants of \$20,000 or more.³

The Grant Recipient must only utilise the Government Grant for the purpose and, if applicable must strictly adhere to the implementation plan, requirements and time schedule set out in Schedule 2, unless variations have been agreed in writing with the Government.⁴

For the projects, *Director Operations* authorised representatives shall inspect project sites monthly. The *authorised representatives* shall check that: records are being properly kept; information in the acquittal report corresponds to records kept by the recipient; and the progress of the project is satisfactory.⁵

The Grant recipient must submit acquittal reports as outlined in Item 5 (b) to the Government before the next instalment of the Government Grant is disbursed to Grant Recipient.⁶

During the year, the Ministry disbursed Maintenance of Drainage Capital Grant totalling \$3,410,962 to Municipal Councils. The Capital Grants were for the upkeep of drainage under all municipal councils and upgrade of drains and creeks to mitigate flood risk in urban and peri-urban areas.

The following anomalies were noted:

Acquittals

- We were only provided soft copy of acquittals (excel copy) from Municipal Councils. These acquittals did not have supporting documents such as the payment vouchers, invoices from contractors and payment certificates from the Councils;
- The soft copy acquittals were not dated therefore we could not ascertain whether acquittals were submitted on time;
- The acquittals only provided the breakdown of how the Capital Grants were utilised. There was no evidence to indicate that physical progress/completion reports or certification was provided by the Council to confirm that the drainage works have been carried out in accordance with the scope of works and at the required standard;
- Acquittals from Lami Town Council for the Capital Grants totalling \$340,072.08 was not

³ Ministry of Waterways and Environment Finance Manual 2013 – section 3.3.1

⁴ Grant Agreement between Ministry and Municipal Council – section 3.2 (a)

⁵ Ministry of Waterways and Environment Finance Manual 2013 – section 3.3.7 & 3.3.8

⁶ Grant Agreement between Ministry and Municipal Council – section 3.1 (c)

provided for audit review;

- Most of the Councils only submitted one acquittal report for both the Quarter 1 and 2 grants.

Work Plan

- For a number of Municipal Councils, the drainage works carried out were not in accordance with the stipulated work programme, contrary to 3.2 (a) of Councils' grant agreement. There was no evidence to indicate that approval was obtained from the Ministry regarding the variation in the work programme. Refer to *Appendix 42.5* for details.

Inspections by the Ministry

- There was only one inspection carried out by the Ministry for each Municipal Councils during the year, contrary to section 3.3.7 of the Ministry's Finance Manual 2019;
- Inspections carried out by the Ministry was not thorough, contrary to section 3.3.8 of the Finance Manual 2019, as the inspection reports only included the pictures of completed projects but there were no confirmations on the satisfactory progress or completion of works inspected.

Payments

- There were delays in disbursement of funds for both the quarters. As per the grant agreements schedule 2, the works for Quarter 1 was to commence from August to October 2018, however the Grant was disbursed on 19/10/18. The works for quarter 2 was to be held from November 2018 to January 2019, however Quarter 2 grant was disbursed on 30/05/19.
- Verification of payment vouchers noted that the Quarter 2 grants were disbursed without satisfactory acquittal of Quarter 1 grant and without any inspections carried out by the Ministry, contrary to section 3.1 (c) of the Grant Agreements.

Root Cause/Implication

Anomalies noted in provision of acquittal reports from the Councils indicates the lack of follow up, proper monitoring and enforcement of accountability by the Ministry to ensure that all grant appropriated and disbursed were used for the intended purposes and were properly accounted for. As a result, the risk of misuse and misappropriation of public funds is high.

Weak oversight function increases the risk of substandard work being carried out leading to wastage of public funds.

Delays in the disbursement of grants indicates non-compliance to the requirements of grant agreements and has contributed to delays in the implementation of project by the Councils.

Recommendations

The Ministry should ensure that:

- constant follow up is done with Municipal Councils on the timely submission of acquittals/progress reports with full supporting documents;
- acquittals are properly vetted for accuracy and anomalies or unsupported expenditures are investigated and resolved;
- Councils are required to submit acquittals for every quarter and following quarter's grants are only released upon satisfactory acquittal of previous quarter's grant;
- it is proactive and improve its oversight role to ensure the requirements of the grant agreements and Finance Manual are complied with and quality of works is not compromised; and
- Grants are disbursed to the Municipal Councils on a timely manner.

Ministry's Comments

An Engineer has been appointed to oversee the Municipal Council Grants. Management will ensure that:

- 1. Grants are to be release upon submission of timely acquittals with full supporting documents*
- 2. Acquittals are vetted and unsupported expenditures are investigated and resolved*
- 3. Inspections are done to ensure that the works carried out are in line with the request of funds.*
- 4. Funds are disbursed on a timely manner*
- 5. The Ministry is undertaking the above-however, the grant is no longer available (from the current fiscal year).*

Officer Responsible

Director Operation

42.7 Transfer of Drainage Boards to the Ministry

In accordance with the Drainage (Budget Amendment) Act 2018 Part 4, all the Drainage Boards (Central, Western and Labasa) were to cease operation before 1 August 2018. All assets, interests, rights, privileges, liabilities and obligations of the Board were transferred to the Ministry without conveyance, assignment or transfer; all staffs of the drainage board were transferred to the Ministry and all drainage funds were transferred to the Consolidated Fund Account.

The following were noted:

- There is backlog in the submission of Drainage Boards accounts for audit hence assets and liabilities that were transferred to the Ministry were not based on audited figures. Refer table 42.7 below on the status of the Drainage Boards audit:

Table 42.7: Backlog in Drainage Boards audit

Drainage Board	Last audited accounts	No. of years of audit backlog
Central	31/12/2013	5
Western	31/07/2016	2
Labasa	31/12/2015	3

- We could not confirm the condition and availability of all accounting records for prior years as the accounts are yet to be audited. Moreover, there was no evidence to indicate that proper handing over of records was done to the Ministry;
- The Ministry, upon taking charge of the Drainage Boards' fixed assets from 1 August 2018 have not recorded them in the Ministry's fixed assets register;
- Fixed assets register were not submitted by the Drainage Boards detailing all the assets that they owned. The Central and Labasa Drainage Board compiled a list of assets during their inspection prior to the transfer which was submitted to the Ministry. The list of assets from the Western Division Drainage Board was not provided for audit verification;
- We could not confirm whether board of surveys were carried out to verify the existence and condition (working or unserviceable) of the fixed assets and stock take of inventory/ under the control of the Drainage Boards was done, prior to their transfer to the Ministry;
- Listings were not provided on debtors and creditors and accruals to be transferred to the Ministry;
- Revenue totaling \$50,376 for funds transferred by the Drainage Boards (\$49,326) and rental revenue (\$1,050) were neither based on audited closing cash at bank balance nor supported with closing bank statements balances of the respective Drainage Boards bank accounts. Also, the funds deposited into CFA without being receipted and recorded in the cash analysis sheet.

Root Cause/Implication

Backlog in audit of the drainage boards indicates the passive role the line Ministry plays to monitor and account for the yearly budget appropriated and the lack of enforcement of accountability on past Drainage Boards members to ensure that the audit of the Boards are kept current.

The risk of misappropriation or fraud not being detected due to backlog of audits is high.

As a result of the audit backlog, the accuracy and completeness of assets and liabilities transferred from Drainage Boards to the Ministry and the cash transferred to CFA could not be ascertained. The findings indicate the lack of verifications and due diligence check to ensure that all assets and liabilities are properly accounted for during the transition of Drainage Boards to the new Ministry.

In the absence of a proper handover, we could not ascertain the availability of all Drainage Boards accounting records and whether they have been properly accounted for. Also, in the absence of FAR, debtors and creditors listings, the existence, accuracy and completeness of fixed assets, accounts receivables and accounts payables transferred to the Ministry could not be ascertained.

Failure to comply with revenue internal controls also increases the risk of loss of revenue.

Recommendations

The Ministry should ensure that:

- annual accounts of the Drainage Boards for the backlog years are submitted for audit;
- a listing of accounting records of Drainage Boards is prepared for audit and other reviews;
- fixed assets of Drainage Boards are taken on charge by the Ministry are recorded in the Ministry's fixed assets register; and
- documentary evidence pertaining to cash, revenue, debtors, creditors and accruals for Drainage Boards are maintained.

Ministry's Comments

The Management acknowledges the issue raised, unfortunately the Ministry had no chance to work with the Board on the issues raised. As per Bill 20 the Drainage Board was to be closed at an immediate time.

The Ministry will deal with the issue as per the procedure below:

The Management has approved and select a team/committee to work on:

- *Collate all the required documents*
- *Facilitate Assets Register*
- *Audit of the Drainage Board past books.*

Officer Responsible

Principal Accountant and Senior Accountant.

42.8 Board of Survey Report not prepared

An annual board of survey must be conducted each year to verify the existence and condition of assets recorded on the asset register. Annual boards of survey must be conducted by 3 officers who are independent of the officer responsible for the custody of the assets.

A written record must be kept of each board of survey and must be signed and dated by the officers undertaking it. All assets which are not accounted for in the board of survey must be investigated to determine the appropriate recovery or write-off action.⁷

Contrary to requirements of section 49 of Finance Instructions 2010, the Ministry did not prepare a report for the annual board of survey of assets under its authority.

Root Cause/Implications

The above findings indicate the inadequate system of controls in the management of fixed assets to ascertain their existence and condition.

The risk of losses not being reported is high. As a result, we could not substantiate the completeness and accuracy of Loss of Assets recorded in the Statement of Losses.

Recommendation

The Ministry should ensure that annual Board of Survey for fixed assets is carried out annually and finalized on a timely manner.

Ministry's Comments

Recommendations made are acknowledged.

The Ministry will ensure that Board of Survey is carried out and finalized on a timely manner.

Officer Responsible

Principal Accountant.

⁷ Finance Instructions 2010 – section 49 (1) to (3)

PART C: ASSESSMENT OF FINANCIAL GOVERNANCE

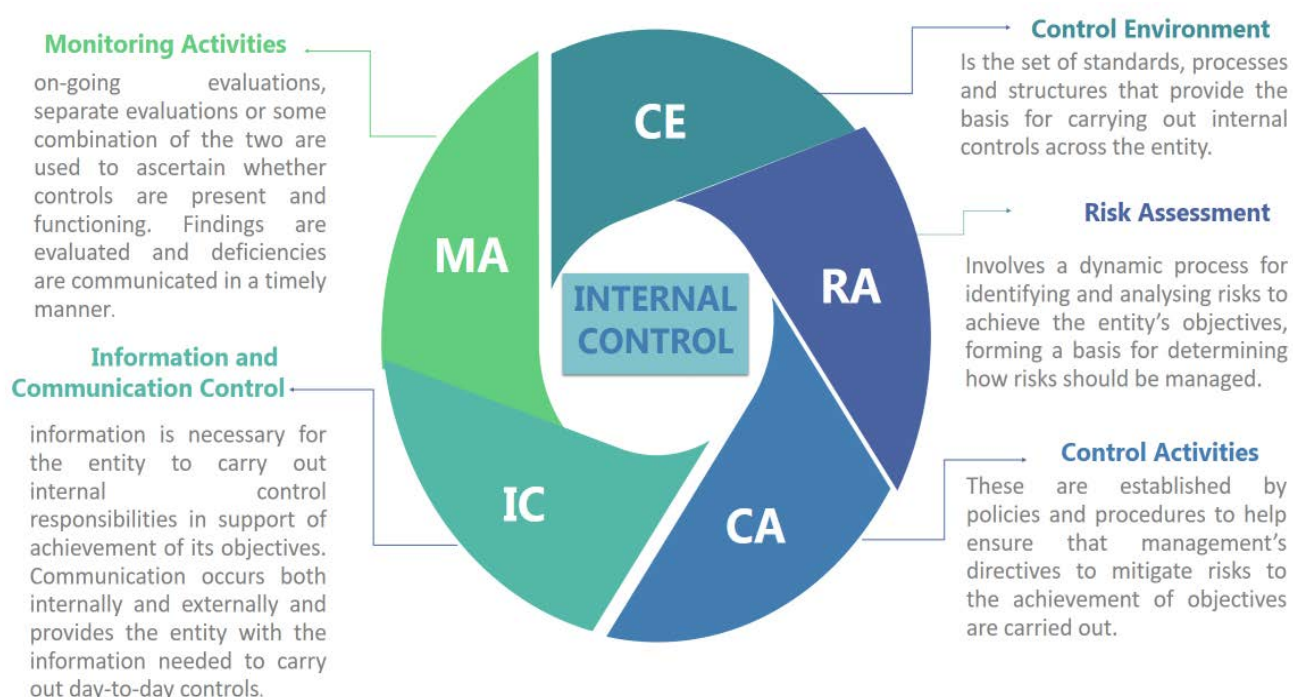
42.9 Internal Controls

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 of Waterways as:

Rating	Internal control assessment
 Generally effective	Deficiencies identified in internal controls


42.10 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			

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


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

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

42.11 Quality of draft financial statements by entities


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

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

Rating	Quality of draft financial statements assessment
 Ineffective	Adjustments on total expenditure, operating results/net assets were more than one percent.

42.12 Timeliness of Draft Financial Statements


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

Rating	Timeliness of draft financial statements assessment
 Generally effective	Acceptable draft financial statements received before 31 October 2019

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

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

Accordingly, we have assessed timeliness as:

Rating	Timeliness of Management Comments Received
 Ineffective	Management response received within 14 days

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

APPENDIX 42.1: ENVIRONMENT TRUST FUND ACCOUNT

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Ozone Depletion Substance (ODS) Fines	7,031	1,009,933
Naboro Landfill	348,317	3,018,241
Environment Trust	977,089	1,333,541
Convention on International Trade in Endangered Species	8,334	22,220
Total Receipts	1,340,771	5,383,935
Payments		
Ozone Depletion Substance (ODS) Fines	-	38,505
Naboro Landfill	1,945,030	2,809,989
Environment Trust	392,288	18,000
Total Payments	2,337,318	2,866,494
Net (Deficit)/Surplus	(996,547)	2,517,441
Opening balance as at 1 August	7,048,380	4,530,939
Closing balance as 31 July	6,051,833	7,048,380

APPENDIX 42.2: WATERWAYS RETENTION TRUST FUND

Description	31 July 2019 (\$)	31 July 2018 (\$)
Receipts		
Retention funds Deposits	929,000	268,527
Total Receipts	929,000	268,527
Payments		
Retention pay-outs	189,490	135,747
Bank Fees	-	24
Total Payments	189,490	135,771
Net Surplus	739,510	132,756
Add Balance as at 1 August	132,756	
Closing Balance as at 31 July	872,266	132,756

APPENDIX 42.3: ENVIRONMENT TRUST FUND ACCOUNT BALANCES

Department of Environment Main Trust Fund (SLG 89) Balances

Description	Head 42 (\$)	Head 38 (\$)	TOTAL (\$)
ODS Fines Environment	(7,030.56)	(3,302,942.23)	(3,309,972.79)
Naboro Landfill	968,148.49	(1,045,850.85)	(77,702.36)
Environment Trust	(599,801.73)	(1,761,530.01)	(2,361,331.74)
CITES Trust	(8,334.54)	(294,491.58)	(302,826.12)
TOTAL	352,981.66	(6,404,814.67)	(6,051,833.01)

Department of Environment Main Trust – Other Liabilities (SLG 84 & 86) Balances

Description	Head 42 (\$)	Head 38 (\$)	TOTAL (\$)
Withholding Tax Payable (SLG 84)	(7,939.66)	(38,924.53)	(46,864.19)
VAT on Revenue (SLG 86)	-	(4,083.45)	(4,083.45)
TOTAL	(7,939.66)	(43,007.98)	(50,947.64)

Department of Environment Main Trust Cash (SAG 52) Balances

Description	Head 42 (\$)	Head 38 (\$)	TOTAL (\$)
Environment Trust Drawings Account	807,864.49	5,884,438.71	6,692,303.20
TOTAL	807,864.49	5,884,438.71	6,692,303.20

APPENDIX 42.4: CAPITAL PROJECTS NOT IMPLEMENTED

SEG 8 - Capital Construction: Budget vs. Actuals

Capital Project	Revised Budget 2019 (\$)	Actuals 2019 (\$)	Savings (\$)	Savings %	Reasons for Saving
Construction of Naboro Landfill- Stage 2	3,300,000	74,409	3,225,591	98%	The reason for the non-utilisation of project fund was due to the delay in the finalisation of the tender process for the construction of Stage 2, Cell 3. The tender was called on 02/10/18, closed on 21/11/18 and GTB approval was finally issued on 28/05/19. The contract was signed on 19/07/19, which was the end of the financial year, thus no majority of the project funds were not utilised.
Drainage for Rural Residential Areas	3,000,000	714,237	2,285,763	76%	There was delay in finalisation of tender for the hire of machinery for the Central, Northern and Western Division drainage works for rural residential areas and farmland, thus the significant savings.
Maintenance of Irrigation Schemes	1,955,100	853,337	1,101,763	56%	The reason for the non-utilisation of fund was that the tender for the Navua Irrigation Scheme and Maintenance of Completed Irrigation Scheme – Northern Division were completed during the 2 nd quarter of the year. The Ministry only managed to utilise \$853,337 on both projects during the year
Irrigation Support for Farm Development	2,500,000	24,083	2,475,917	99%	The non-utilisation of project was fund was due to the delay in tender process. Tender was advertised on 17/10/18, closed on 21/11/18 and submission to GTB was made on 04/01/19. However, the tender has been withdrawn due to re-prioritisation of funds.
Drainage & flood protection	14,480,000	4,701,073	9,778,927	68%	The significant savings was due to the termination of the Sigatoka River Dredging project carried out by China Railway First Group as there was no dumping site
Watershed	2,000,000	1,402,412	597,588	30%	There were delays in the processing of

Capital Project	Revised Budget 2019 (\$)	Actuals 2019 (\$)	Savings (\$)	Savings %	Reasons for Saving
Management					payments for Namosi Flood Mitigation DAM 3, thus the savings.
Maint. Drainage of non-municipal areas	2,752,294	1,297,550	1,454,744	53%	The non-utilisation of funds was due to tender for the maintenance of drainage schemes for the Central just being awarded and works commenced, Western was re-advertised and for Northern Division, the contract was still vetted by SG's Office when the financial year ended. However, emergency drainage works were carried out (waiver of tender obtained) resulting in the 53% utilisation rate.
Coastal erosion protection works	14,000,000	1,246,481	12,753,519	91%	The Yaroi, Qarani, Sasa, Nakawaqa, Dromuna, Anitoki, Nasilai and Namatakula villages projects were shelved due to reprioritisation of funds. Tender for Bau Island project was re-advertised due to less interest on projects in maritime islands. The tender process for Tavuki District School, Namuana village and Dravuni village has just been finalised and works are yet to commence. Most projects whose GTB approval were obtained during the year are still 60 – 70% progress, thus the savings in project funds.
Drainage for farmlands	3,000,000	1,982,462	1,017,538	34%	There was delay in finalisation of tender for the hire of machinery for the Central, Northern and Western Division drainage works for rural residential areas and farmland, thus the significant savings.
TOTAL	46,987,394	12,296,043	34,691,351	74%	

SEG 9 - Capital Purchase: Budget vs. Actuals

Capital Project	Revised Budget 2019 (\$)	Actuals 2019 (\$)	Savings (\$)	Savings %	Remarks
Purchase of standardised bins	1,000,000	-	1,000,000	100%	The reason for non-utilisation of funds was the delay in the finalisation of tender process.
Compost bin pilot project- Nasinu	500,000	-	500,000	100%	The reason for non-utilisation of funds was the delay in the finalisation of tender process.
TOTAL	1,500,000	-	1,500,000	100%	

APPENDIX 42.5: DRAINAGE WORKS NOT IN ACCORDANCE WITH WORK PLAN

Municipal Council	Work Plan as per agreement	Actual work carried out	Estimated Cost (\$)	Audit remarks
Rakiraki Town Council	Yaratale Road (From Vaileka House Junction to Ra Disable school reaching the corner of Penang school) Clearing and construction of new box drains, 900 - 600mm concrete as per plans. Driveway culverts and headwalls included.	Works has been done for Mead Road till junction of Ilikini road. 5 crossings with culverts were done. concrete drains with crossings and culverts, Installation of culvert.	215,000	No approval obtained from the Ministry on change of work programme.
Labasa Town Council	Off Ritova Street – removal of deteriorate old v drains, excavation, rock lining and v drain footing, realigning of inver v-unit drains in quarter 1	Not carried out in quarter 1	168,000	<ul style="list-style-type: none"> • No approval noted from the Ministry on change of work programme. • Ministry continued to release quarter 2 grant despite unsatisfactory completion of quarter 1 planned works.
Savusavu Town Council	Vunikoka Road drain – rock lining, desilting, concrete drain General drainage maintenance	<ul style="list-style-type: none"> • Not completed as per work plan, which is to be completed in quarter 1 • No general drain maintenance work carried out 	150,000	<ul style="list-style-type: none"> • No approval noted from the Ministry on change of work programme. • Ministry continued to release quarter 2 grant despite unsatisfactory completion of quarter 1 planned works.



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